

**GREATER VICTORIA HARBOUR AUTHORITY**  
**FY2011/12 MANAGEMENT DISCUSSION AND ANALYSIS**

**AUGUST 2012**

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The following Management Discussion and Analysis (MD&A) addresses GVHA's activities and financial performance for the fiscal year ended March 31, 2012. It should be considered in conjunction with the audited financial statements.

## 1. ABOUT GVHA

Greater Victoria Harbour Authority (GVHA) was incorporated as a not-for-profit corporation in February 2002. It began operating four port facilities in April 2002 on divestiture of these assets from Transport Canada. GVHA acts as an advocate for Victoria harbour and pursues improvement of a vibrant and sustainable working harbour. A working harbour today is where commerce occurs at the point where water and land connect.

The members of Greater Victoria Harbour Authority are the Capital Regional District, the City of Victoria, Esquimalt Nation, Greater Victoria Chamber of Commerce, Provincial Capital Commission, Songhees Nation, Tourism Victoria, Township of Esquimalt, and the Victoria/Esquimalt Harbour Society. Directors are nominated from each agency with 4 spots available for directors at large. As a not-for-profit society GVHA is directly accountable to its member agencies and holds itself accountable to all its stakeholders for delivering its stated vision and mandate.

Facilities owned and operated by GVHA include:

**Ogden Point Deep Sea Terminal** – 30 acres of land and seabed, including four berths, breakwater, warehouse, staging area, helicopter terminal and other commercial buildings.

**Fisherman's Wharf** – moorage for commercial fishing vessels, recreational and float home vessels, fishery off-loading facilities, fuel dock and other commercial activities.

**Ship Point & Lower Causeway Marina** – tourist recreational area and guest moorage facilities, host to various Victoria marine and community events, eco-tourism activities and other commercial activities.

**Wharf Street & Johnson Street Marinas** – commercial, annual and guest moorage for pleasure vessels and float planes.

In addition, GVHA manages a small pocket marina in the Upper Harbour. Mermaid Wharf has been leased from Transport Canada since 2007.

## 2. REGULATORY ENVIRONMENT

### Government of Canada

Transport Canada divested its port facilities to GVHA, as part of its national Port Divestiture Program, in April 2002. The federal government has retained ownership of the seabed in Victoria and provides the Harbourmaster function which oversees harbour safety, including vessel and float plane movements. Federal government recently renewed the mandate of its Port Divestiture Program through the launch of Canada's Economic Action Plan 2012, to support the transfer of remaining regional port facilities to

local interests. GVHA continues to build on its relationship with Transport Canada and keeps apprised of policy and operational decisions affecting Victoria's harbour.

In 2010/11 GVHA received partial funding through the Infrastructure Stimulus Fund and other supplementary programs to develop critical infrastructure, such as the recent mooring dolphin and dredging project at Ogden Point. Grant funding initiatives are essential for the development of sustainable port infrastructure and GVHA will continue to pursue funding through such programs.

### **Province of BC**

GVHA has a collaborative relationship with the Province of BC and works towards enhancing Victoria's harbour front. In 2012, GVHA bid on and secured a long-term lease from the Provincial Capital Commission for the revitalization of the historic CPR Steamship Terminal. Enhancement of this and other key harbour properties will generate jobs and increase economic activity for the region.

### **Municipal Governments**

GVHA is subject to applicable municipal regulations and land use authority. Currently, rezoning initiatives are progressing for the Ogden Point and Fisherman's Wharf facilities to recognize current and potential future uses. GVHA works closely with the City of Victoria to promote the development Harbour Pathway and to implement environmental mitigation measures for all GVHA activities, particularly the cruise industry. Relationships with the City of Victoria and neighboring municipalities will continue to be strengthened in order to advance the vibrancy and sustainability of the working harbour.

### **First Nations**

By virtue of their historical connection to Victoria's harbour, the Esquimalt and Songhees Nations have an integral role to play in the ongoing stewardship and development of the harbour. Both Nations are represented on GVHA's Board of Directors. GVHA continues to work on strengthening this relationship with the objective of fostering a meaningful involvement with the harbour, including participation in economic opportunities.

## **3. OPERATIONS**

GVHA operates its port facilities within three primary business lines:

**Shipping** – Cruise and cruise support activities, berthage/wharfage at Ogden Point

**Marinas and Attractions** – Pleasure vessel/float home moorage, commercial fishing vessel and other commercial vessel moorage, Harbour Festival program and events

**Property Services** – Commercial leasing and licensing activities

## 4. STRATEGY

GVHA operates in a dynamic environment with a wide and diverse variety of stakeholders. The GVHA strategic planning process aims to identify where the Board of Directors and management should focus their attention and available resources. GVHA's vision, mandate and guiding principles facilitate the organization's annual strategic planning process. At the beginning of each planning year, the Board and management review/consider corporate strategic priorities based on critical issues and opportunities facing the corporation and how they may be addressed to achieve GVHA's vision. Strategic initiatives are developed based on each strategic priority and guide GVHA projects and initiative during the year.

**Vision:** *"We envision a harbour where people live, learn, work and play; a spectacular gateway into Victoria's past and into its future; monumental in look and feel; linking communities and people together."*

**Mandate:** *"To be effective and respected advocates for best water, marine and marine-related use and development of the whole harbour while optimizing current and future harbour assets."*

GVHA's Board has endorsed five (5) strategic priorities which support GVHA realizing its vision. The priorities shown below are for a medium term of 3-5 years.

### Harbour-wide Master Plan/Vision

The comprehensive harbour plan is identified as a key element/driver for the City of Victoria and the Province of BC. As such, this priority will require extensive collaboration with all stakeholders to ensure continued protection/enhancement of the working harbour.

### Terminal Consolidation

Victoria's harbour has 8 terminals: 2 float plane terminals, 2 ferry terminals, 2 cruise terminals, 1 helicopter terminal and 1 unused steamship terminal building. GVHA is committed to strategic consolidation of terminals throughout the harbour to enhance capacity, efficiency and quality of service.

### Seabed Divestiture

GVHA is actively pursuing seabed / water airport divestiture with the federal government to complete the divestiture program in Victoria's harbour. Victoria is the only known example in Canada where the federal government's divestiture mandates for airport and port divestiture remains outstanding, with Transport Canada serving as regulator and operator for both the marine and aviation transport sectors.

### Long-term Sustainability

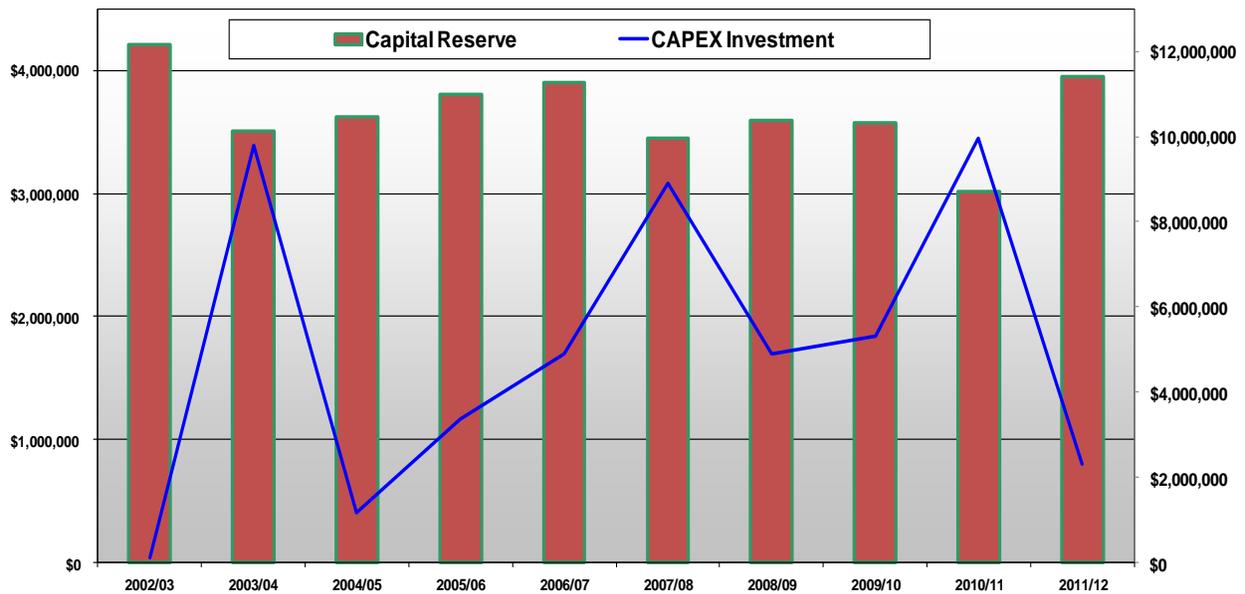
Development of a comprehensive Sustainability Framework is underway, including review of long-term capital/asset life-cycle planning, as well as environmental and social elements. The Sustainability Framework will serve to guide GVHA's future strategic business planning efforts.

## Stakeholder Engagement

GVHA's relationship with the community, commercial and business interests, governments and First Nations will continue to be strengthened to meet its strategic objectives. Greater public awareness is required in understanding GVHA and its role within the harbour. A robust and meaningful engagement strategy is essential to GVHA's future development/success.

## 5. CAPITAL RESERVE

Upon divestiture in 2002, GVHA received \$12 Million in addition to the properties for eligible expenditures. Of the \$12 Million, \$5 Million was restricted to caisson repairs at Ogden Point with the remaining \$7 Million for eligible expenditures split over the four facilities. Of these monies only a small portion of the restricted funds is left remaining. All surplus generated from GVHA activities is re-invested into the facilities and in achieving the strategic priorities. Due to the intense capital nature of marine assets and the depreciated state of the assets in 2002, GVHA must continue to focus on generating a surplus to maintain and replace the current assets. A detailed 20-25 lifecycle plan is being completed to inform the financial strategy to ensure sustainability. The graph below shows the change in GVHA's reserves and the investment in capital since divestiture until March 31, 2012.

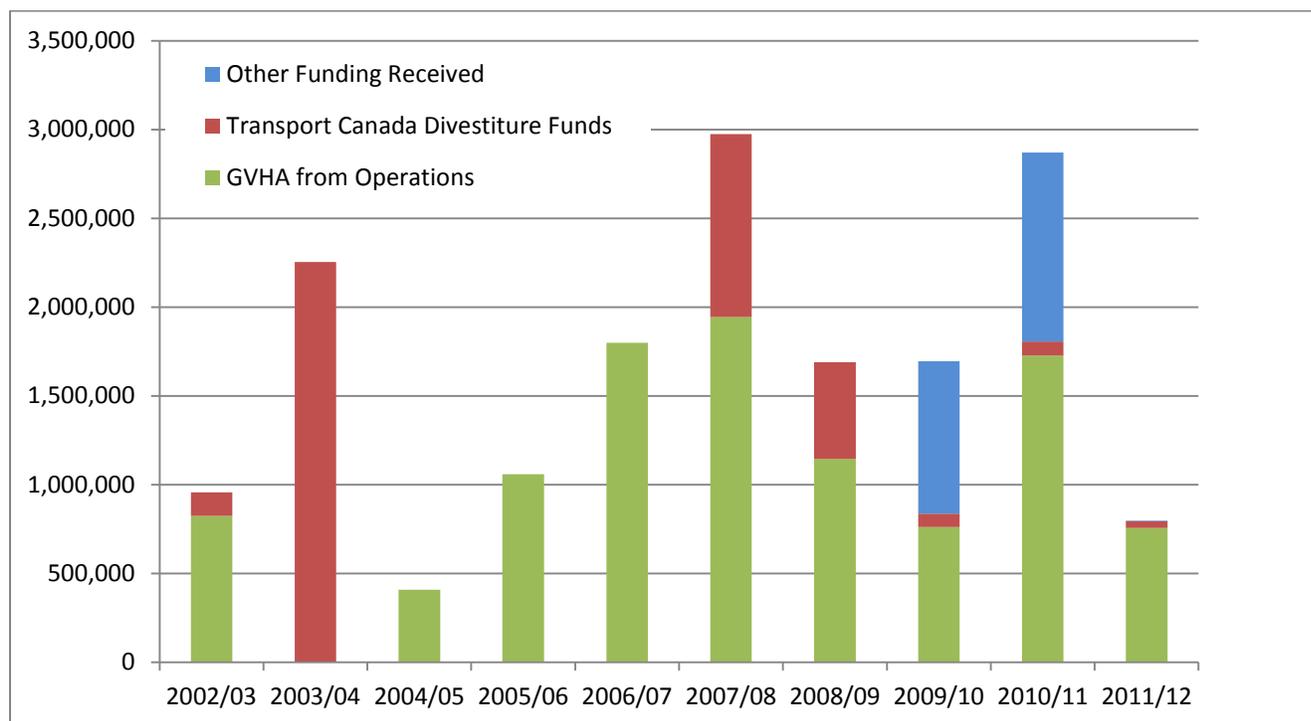


## 6. INFRASTRUCTURE INVESTMENT/RENEWAL

Capital spending was held to \$798,900 in FY2011/12, versus \$3,935,896 in FY2010/12. The reduction in capital spending was due to a comprehensive review of capital priorities initiated by the new CEO, in light of emerging opportunities and demands including the CPR Steamship Terminal revitalization project. GVHA revised planned capital spending to better align with the needs of its customers,

stakeholders and other port users. As a result, some projects have been delayed or eliminated, while others have been given greater priority.

### ANNUAL INVESTMENT IN CAPITAL ASSETS



In the fiscal year ending March 31, 2012, \$220,000 was invested in upgrades to the Ogden Point facility, including pavement and caisson repairs, upgrades to the boat launch area and continuation of GVHA's corporate office redevelopment. A total of \$249,200 was spent on the CPR Steamship Terminal Building relating to proposal costs to lease the building and development of a construction design to have the building tenant-ready for fall 2012. A total of \$154,200 was spent constructing new floats for ferry operators to pick up and drop off passengers at the Inner Harbour Causeway facility and replace steel pilings in this location.

Currently, GVHA is unable to provide long-term leases that can be registered on title by a tenant. In order to provide registerable leases, GVHA must obtain environmental Certificates of Compliance (CoC) from the BC Ministry of Environment, which has been ongoing since 2004. In 2011, \$42,400 was spent on completing applications to the Ministry of Environment for the Ogden Point and Fisherman's Wharf properties. GVHA expects to receive CoCs for these properties in FY2012/13.

GVHA's 2012-2017 Capital Plan and 2012/13 Capital Budget make commitments in the following areas:

- Upgrading cruise ship terminal
- Increasing marina capacity
- Designing phase 2 and 3 development of Belleville properties
- Improving productivity of port backup lands
- Engaging with local First Nations

- Providing capital maintenance/replacement of existing assets

## 7. HIGHLIGHTS OF 2011/12

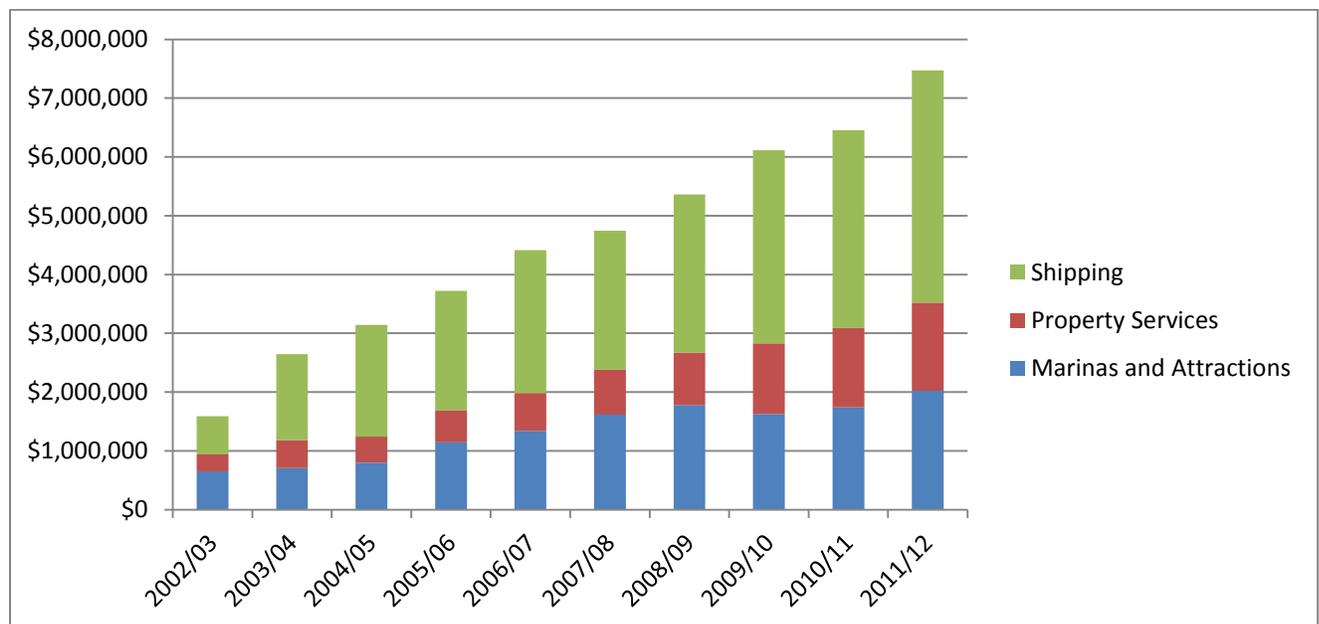
- President & CEO Curtis Grad took the helm on June 6, 2011
- GVHA secured a long-term lease with the Provincial Capital Commission for the CPR Steamship Terminal building
- A comprehensive framework was established with the Fisherman’s Wharf float home community to guide GVHA’s relationship with this important client group
- New agreements to lease/licence property were signed with the following property clients: Whitehall Reproductions Canada Ltd, Puerto Vallarta Amigos, Seaquest Explorations, Victoria Marine Rescue Society and Global Marine Systems
- Approximately 3,793,500 pounds of fish were offloaded at Fisherman’s Wharf; and,
- Just over 2,744,600 litres of fuel sold from Fisherman’s Wharf

## 8. 2011/12 FINANCIAL RESULTS

The Statement of Operations provides the revenues and expenses compared to budget and the prior year results.

Revenue for the year exceeded budget by 6.7% or \$471,669 and totalled \$7,475,347 against a budget of \$7,003,678.

**GROSS REVENUES BY BUSINESS LINE SINCE FISCAL YEAR ENDING MARCH 31, 2003**



Total expenses for the year, including amortization of capital assets, were favourable to budget by 1.2% or \$93,077 and totalled \$7,355,270 against a budget of \$7,448,347.

GVHA's annual operating budget for the April 1, 2011 to March 31, 2012 fiscal year called for a deficiency of revenues over expenses of \$444,669. Actual net results achieved for the year were ahead of budget, with a surplus of \$120,077.

A summary of the statement of operations is below.

	<b>Budget 2011/12</b>	<b>Actual 2011/12</b>	<b>Actual 2010/11</b>
Operating revenues	7,003,678	7,475,347	6,594,833
Operating expenses	<u>5,624,318</u>	<u>5,482,936</u>	<u>5,007,733</u>
Excess of operating revenues over expenses before amortization	1,379,360	1,992,411	1,587,100
Amortization of capital assets	<u>1,824,029</u>	<u>1,872,334</u>	<u>1,621,864</u>
<b>Excess (deficiency) of operating revenues over expenses</b>	<b>( 444,669)</b>	<b>120,077</b>	<b>( 34,764)</b>
Deferred contributions	1,118,263	1,056,664	1,030,504
Investment income	348,540	152,968	234,669
Loss on sale of capital asset	-	-	(32,805)
Excess of total revenues over total expenses	1,022,134	1,329,709	1,197,604

Operating revenues were favourable to budget by 6.7%. All lines of business performed favourably compared to budget.

**Shipping** – Between April and October 2011, GVHA received 206 cruise visits bringing 439,544 passengers to Victoria. The average passenger load factor of ships calling at Ogden Point was 103.5% of registered cruise ship capacity. The key metric of total passenger count was favourable to the budget of 211 cruise visits and 408,110 passengers, due to larger average ship capacity in 2011. A record number of 229 cruise ship calls and 475,000 passengers are expected in 2012/13. Cruise continues to be a growth area for GVHA, representing 52% of total operating revenue for the reporting year. A summary of cruise visits to Victoria since 2000 is set out below.

PROPERTY OWNERSHIP	YEAR	# CRUISE VISITS	# OF PASSENGERS	AVERAGE # PASSENGERS/CALL
Transport Canada	2000	45	53,276	1,184
	2001	77	118,145	1,534
Greater Victoria Harbour Authority	2002	110	160,902	1,463
	2003	118	185,978	1,576
	2004	139	262,462	1,888
	2005	142	294,596	2,075
	2006	182	352,468	1,937
	2007	163	343,732	2,109
	2008	201	398,711	1,984
	2009	220	443,630	2,017
	2010	219	441,330	2,015
	2011	206	439,544	2,134

**Marinas and attractions** – Revenues increased 16.0% over previous year and were above budget by <1%. The significant year-over-year increase was driven by GVHA’s commitment to move to competitive market rates, and the Fisherman’s Wharf reconfiguration project completed November 2011 which increased moorage capacity at the facility by 83%.

**Property services** – Revenues increased 2.5% over previous year and ahead of budget by <1%. The modest year-over-year increase reflects new agreements signed with property clients during the year and also demonstrates GVHA’s commitment to market rates.

#### *Operating Expenses*

Summarized below is a breakdown of General Operating Expenses (*direct facility expenses*) and Administrative Expenses (*general corporate expenses*).

OPERATING EXPENSES EXPENSE CATEGORY	BUDGET 2011/12 (\$)	ACTUAL 2011/12 (\$)	Variance Actual to Budget (\$)	Variance Actual to Budget (%)	ACTUAL 2010/11 (\$)
In-Kind Contributions ( <i>revenue producing facility temporarily used in a sponsored community event</i> )	110,500	114,596	(4,096)	(3.7%)	100,086
Consulting & Legal	435,995	273,383	162,612	37.3%	395,052
Marketing/Community Relations/Branding	239,660	102,385	137,275	57.3%	83,083
Harbour Festival Program	127,320	109,378	17,942	14.1%	98,645
First Nations – Unity Wall	-	-	-	-	180,254
Hydro/Water/Waste Removal	222,770	274,645	(51,875)	(23.3%)	217,526
Operations Labour ( <i>does not include maintenance labour</i> )	360,554	408,888	(48,334)	(13.4%)	328,099
Janitorial & Supplies	50,502	32,705	17,797	35.2%	31,416
Vehicle Expense	29,030	45,746	(16,716)	(57.6%)	32,701
HST Liability	-	-	-	-	33,709
Other	46,612	76,196	(29,584)	(63.5%)	13,720
<b>TOTAL</b>	<b>1,622,943</b>	<b>1,437,922</b>	<b>185,021</b>	<b>11.4%</b>	<b>1,514,291</b>

GVHA’s operating expenses decreased 5.0% between 2011/12 and 2010/11, due mainly to a decrease in legal fees.

ADMINISTRATIVE EXPENSE CATEGORY	BUDGET 2011/12	ACTUAL 2011/12	Variance Actual to Budget	Variance Actual to Budget	ACTUAL 2010/11
Office Lease & Relocation	-	-	-	-	123,099
Contributions & Sponsorship	57,300	33,762	23,538	41.1%	66,077
Board Governance	274,674	263,818	10,856	3.9%	180,246
Corporate Labour/Training & Development/Benefits	1,087,401	1,242,044	(154,643)	(14.2%)	901,957
Travel and Trade Show Booths	149,850	65,529	84,321	56.3%	55,858
Office Equipment and Materials	19,454	29,114	(9,660)	(49.6%)	25,699
Consulting – Admin	93,775	107,507	(13,732)	14.6%	183,976
Computer supplies & support	53,390	83,741	(30,351)	(56.8%)	44,493
Base Rent (2011/12 GVHA marina office only)	25,200	24,890	310	1.2%	60,954
Other	62,150	54,791	7,359	11.8%	37,000
<b>TOTAL</b>	<b>1,823,194</b>	<b>1,905,196</b>	<b>(82,002)</b>	<b>(4.5%)</b>	<b>1,678,813</b>

GVHA's administrative expenses increased 13.5% between 2011/12 and 2010/11, due mainly to recruitment and of hiring three new corporate staff, including the President & CEO.

### CAPITAL ASSETS

GVHA's capital assets as at March 31, 2012 amounted to \$56,341,884 (net of accumulated amortization). The investment in capital assets includes land, the Ogden Point breakwater and piers, all wharves, docks, buildings, yard improvements, furniture, equipment, and capital assets under construction. Additions to capital assets have been funded by \$5 million of restricted transition funds provided by Transport Canada in the 2002 divestiture, GVHA's operations and Federal/Provincial stimulus programs.

### FINANCIAL POSITION SUMMARY

The Statement of Financial Position presents the financial position of GVHA at the end of the fiscal year. Net assets is the difference between total assets and total liabilities and is an indicator of the current fiscal health and GVHA's financial position over time. A summarized comparison of assets, liabilities and net assets is below.

	2011/12	2010/11
<b>ASSETS</b>		
Current Assets, Investments	\$11,806,790	\$10,698,952
Capital Assets	<u>56,341,883</u>	<u>57,415,317</u>
	<b>\$68,148,673</b>	<b>\$68,114,269</b>
<b>LIABILITIES</b>		
Current Liabilities	1,039,567	1,280,478
Deferred Contributions	<u>26,845,365</u>	<u>27,899,758</u>
	<b>\$27,884,932</b>	<b>\$29,180,236</b>
<b>NET ASSETS</b>		
Invested in capital assets	\$30,336,501	\$30,393,942
Restricted assets	1,959,580	1,729,889
Unrestricted assets	<u>7,967,661</u>	<u>6,810,202</u>
	<b>\$40,263,742</b>	<b>\$38,934,033</b>

GVHA's assets exceeded liabilities by \$40.2 Million, a 3.2% increase over total net assets for 2011. The largest portion of net assets for GVHA is investment in capital assets. GVHA's assets provide services to GVHA's customer groups and the general public. Investment in these assets has been generated through the divestiture from Transport Canada, GVHA's ongoing operation of the port facilities and specific capital funding provided by the federal and provincial governments. As of March 31, 2012, GVHA carried no debt.

Restricted assets represent an externally managed investment fund that was approved by the Board for the self-insurance of the breakwater, piers, parking lot and lamp stand towers at Ogden Point. GVHA's strategy is to build the self-insurance fund to \$5 million through regular cash transfers to the fund equal to the estimated annual premium that would otherwise be paid to an insurance company.

GVHA's unrestricted net assets are available to meet on-going obligations and to fund the replacement of assets and future growth.

## 9. 2011/12 BUSINESS PLANNING TACTICS

The table below represents GVHA's business planning tactics as defined in GVHA's 2011/12 Business Plan. GVHA updates this information annually to reflect Board-approved changes in corporate strategy and priorities and/or factors affecting the overall business/economic environment.

PRIORITY	BUSINESS PLAN INITIATIVES
Environmental Stewardship	<ul style="list-style-type: none"> <li>• Join North West Ports Clean Air Strategy</li> <li>• Take part in James Bay air quality monitoring in partnership with the BC Ministry of Environment</li> <li>• Achieving the Clean Marine certification for marina properties</li> <li>• Developing a sustainability framework</li> <li>• Continue to research environmental issues and opportunities (shore power, renewable power generation, waste management, environmentally friendly procurement policy)</li> </ul>
Harbour Leadership	<ul style="list-style-type: none"> <li>• Bring stakeholders in the community together to develop visions for Ogden Point and Fisherman's Wharf</li> <li>• Target important government partners to ensure the issues most important to Victoria's harbour and the community are brought to the forefront</li> <li>• Seek a vision for the Inner Harbour from all stakeholders in the harbour</li> <li>• Support the vision of the harbour pathway</li> <li>• Continue to pursue divestiture opportunities</li> </ul>
First Nations Partnership	<ul style="list-style-type: none"> <li>• Raise awareness of the Nations</li> <li>• Find economic development opportunities</li> <li>• Develop employment initiatives</li> </ul>
Financial Management	<ul style="list-style-type: none"> <li>• Achieve market rate</li> <li>• Seek out new business ventures</li> <li>• Capitalize on financial investment opportunities               <ul style="list-style-type: none"> <li>○ Optimize revenue potential</li> <li>○ Minimize costs</li> </ul> </li> </ul>
Customer Satisfaction	<ul style="list-style-type: none"> <li>• Engage and consult with customers by being available and responsive to their needs</li> <li>• Provide a high level of customer service</li> <li>• Maintain and enhance our facilities</li> <li>• Keep facilities safe and clean</li> </ul>
Our Team	<ul style="list-style-type: none"> <li>• Human Resource Strategy</li> <li>• Governance Effectiveness Review</li> <li>• Procurement Policy</li> </ul>

## 10. RISK MANAGEMENT

The risk philosophy below is a summary representing the shared beliefs and attitudes of how GVHA considers risk in its business, including strategic planning, day-to-day decisions and the operation of GVHA's facilities. Risk philosophy is reviewed and approved annually by the Board.

### GVHA'S RISK PHILOSOPHY

The GVHA Board believes that an understanding of enterprise-wide risk and the proactive management of risk are integral to moving GVHA forward in achieving the vision of *"...a harbour where people live, learn, work and play; a spectacular gateway into Victoria's past and into its future, monumental in look and feel, linking communities and all people together."*

The Board's risk philosophy reflects the unique nature and inherent risks of GVHA's marine-related businesses, the public's expectations of access to and the use of GVHA's physical assets, and GVHA's capacity to effectively manage risk.

The development of strategy and the implementation of strategy are considered within the context of an enterprise-wide risk management program, including:

- **Awareness:** All material risks affecting GVHA's operations are identified, monitored and understood throughout the organization.
- **Capacity:** Maximum risk limits are established by the Board that are commensurate with GVHA's financial capital, current and forecasted earnings, and the experience and ability of GVHA's management team.
- **Risk Appetite:** Operational risk limits and mitigation alternatives are established by management in alignment with the strategic plan and are approved by the Board.
- **Accountability:** Management is held accountable by the Board for an effective enterprise-wide risk management program.

### RISK MANAGEMENT OVERSIGHT

GVHA's governance model includes policy-level oversight of both company risks and controls. As risk is a shared responsibility of Board, management and staff, GVHA's main oversight functions are listed below.

*Board of Directors:* engages with the Senior Management Team on GVHA's strategy, approves the strategic plan, and provides general oversight and risk management oversight through its Audit and Finance Committee.

*Audit and Finance Committee:* monitors all aspects of the financial management of GVHA's activities, including its internal and external financial reporting, investment activities, enterprise-

wide risks and risk management strategies, internal controls, and financial planning and budgeting.

*Human Resource Committee* – establishes human resource policies to ensure continuity and development of the corporation to attract, retain and motivate executive/senior-level management to achieve GVHA’s strategic goals and objectives.

*Governance and Nominating Committee* – oversees governance processes at GVHA, including the vetting/recruitment of new members and review/development of governance policies and activities relating to GVHA’s Board of Directors.

*First Nations Economic Development Committee* – responsible for advancing GVHA’s commitment to develop economic development opportunities and raise awareness of the Esquimalt and Songhees Nations.

*Senior Management Team*: develops/refines GVHA’s strategic direction for approval by the Board and executes the annual operating plan considering enterprise-wide risks.

*Corporate Operations*: provides front-line operations management with a view to mitigating risks throughout GVHA’s day-to-day operations.

## **RISK CATEGORIES**

The following risk categories have been identified that are most likely to affect GVHA operations; Capital Assets, External Market Conditions, Corporate Governance, and Operational Risks:

### **Capital Assets**

As an infrastructure-intensive business, the effectiveness by which GVHA manages its assets is critical. Key elements include asset valuation, asset utilization and asset maintenance, and mitigating potential asset obsolescence. GVHA developed a life cycle plan in 2009 and is currently working to determine the best approach in reviewing the present condition of all assets. Existing facilities are generally under-utilized based on the water lot area, which poses risks in terms of not meeting evolving customer needs and failing to generate sufficient revenue to maintain, develop and enhance essential assets. The construction of the mooring dolphin was undertaken to mitigate asset obsolescence and growth limitations as the length of the existing piers could not safely accommodate evolution to larger cruise ships. The market indicates even larger ships may be destined for the Alaska marketplace, in light of the ongoing upgrading to the capacity of the Panama Canal.

### **External Market Conditions**

GVHA must respond to market conditions and stay apprised of evolving issues and changes affecting the marketplace. Current external market risks affecting GVHA include:

- the strong Canadian dollar and the prolonged weakness of the US economy

- the rise in fuel costs affecting the cruise industry and recreational boaters
- regional land use issues, including urbanization pressures on harbour lands
- environmental requirements, including stronger fuel emission limits.

### Corporate Governance

Risks associated with Board Governance, Executive Governance and First Nations engagement are being managed as follows:

- The Board of Directors completed a governance review in early 2011 and is implementing action plans to further improve GVHA's governance and stakeholder engagement.
- CEO performance is measured and managed by the Board through a comprehensive 360° approach developed and overseen by its Human Resources Committee.
- A succession plan supported by effective training and development plans for each key position is being established to develop staff capacity that will meet the requirements for achieving GVHA's strategic objectives.
- The Board and CEO continue to strengthen the relationship with the Esquimalt and Songhees nations, including development of a meaningful economic development framework.

### Operational Risk

Day-to-day risks relating to corporate/business operations can impact efficiency, reputation and financial performance. Generally, this risk reflects any loss or missed opportunity that prevents GVHA from meeting its strategic objectives and includes human resources, cash flow management, information management systems, disaster and business interruption, and stakeholder relations. In 2010, GVHA conducted a reputational survey. The survey results indicated that most stakeholders did not fully understand GVHA and its role within the harbour. This Management Discussion and Analysis is an effort to build awareness of GVHA activities/priorities and present financial reporting to our stakeholders in a more comprehensive manner. For 2012/13, GVHA will continue to enhance its communication strategy to build awareness of GVHA's role in the harbour and the importance of the harbour as an economic driver of the region.

## 11. FINANCIAL OUTLOOK AND PRIORITIES

### *Shipping*

A record number of 229 cruise ship calls and 475,000 passengers are expected in 2012/13. Cruise is a growth area for GVHA and represents 49% of total overall revenue.

### *Marinas & Attractions*

Marinas & Attractions revenue is expected to remain stable with the exception of the increased annual moorage revenues at Fisherman's Wharf due to the reconfiguration of floats completed November 2011.

### *Property Services*

In November 2011, GVHA was selected by the Provincial Capital Commission to lease and revitalize the CPR Steamship Terminal. GVHA has secured an anchor tenant (The Robert Bateman Centre) for the top two floors of the building and is currently advanced stages of selecting commercial sub-tenants for the lower two floors. In conjunction with the CPR Terminal revitalization, GVHA is also pursuing the development of a consolidated hub for Victoria Clipper and Coho ferry traffic, in keeping with its long-held vision/objective to realize the vision of single, world-class ferry terminal serving Victoria's inner harbour.

During the reporting year GVHA also advanced two major planning initiatives; the Ogden Point Master Plan and the Fisherman's Wharf Visioning, both of which are targeted to conclude in FY2012/13. On completion, both properties will receive comprehensive rezoning designations to reflect the long-term strategic vision for these facilities, as developed through the planning initiatives.