

# ANNUAL STRATEGIC PLAN 2021

Where We're Going & How We'll Get There



# What's in this strategic plan?

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1. OUR PURPOSE
  2. OUR CONTEXT
  3. OUR 2021 PLAN



## Do you remember your first flight?

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Most of us do. That first trip to a new country. That first important business meeting abroad. That feeling of hope, opportunity and future possibility.

People understand the intrinsic value of commercial aviation—and so our overall value as an airport is not a hard sell. This in turn informs our reason for being and guides us in terms of who we serve. Nobody builds an airport as an end unto itself.

**We exist for the sole purpose of serving our community and the economy that supports it.**





## Our Purpose

By creating a sustainable, efficient and people-centered airport, YVR enables trade, tourism and knowledge exchange to flourish. We do this by providing top-quality aviation infrastructure, logistics, digital innovation and air transport facilities for passengers and cargo at the terminal and throughout our operations on Sea Island.

At the same time, we recognize that our activities impact different groups in different ways. We therefore strive to balance the contribution we make in providing optimal access for our community to connect to the wider world, against the negative effects of aviation on the quality of life of local residents as well as the negative climate impact of



air travel. Further, we recognize our opportunity and obligation to work in partnership with the Musqueam Nation on whose traditional lands YVR sits.

We gratefully pursue these efforts from a position of strength; YVR has a strong and long history of success. Recognized for innovation, growth and reflecting the very best of our region – in our terminal design, art, and especially in our people. At our core, we are a people business. People serving people to improve the access to – and growth of – our region. It is why our staff choose to work here.

**Yet, our industry and region are changing, and we need to change with them.**



## OUR CONTEXT

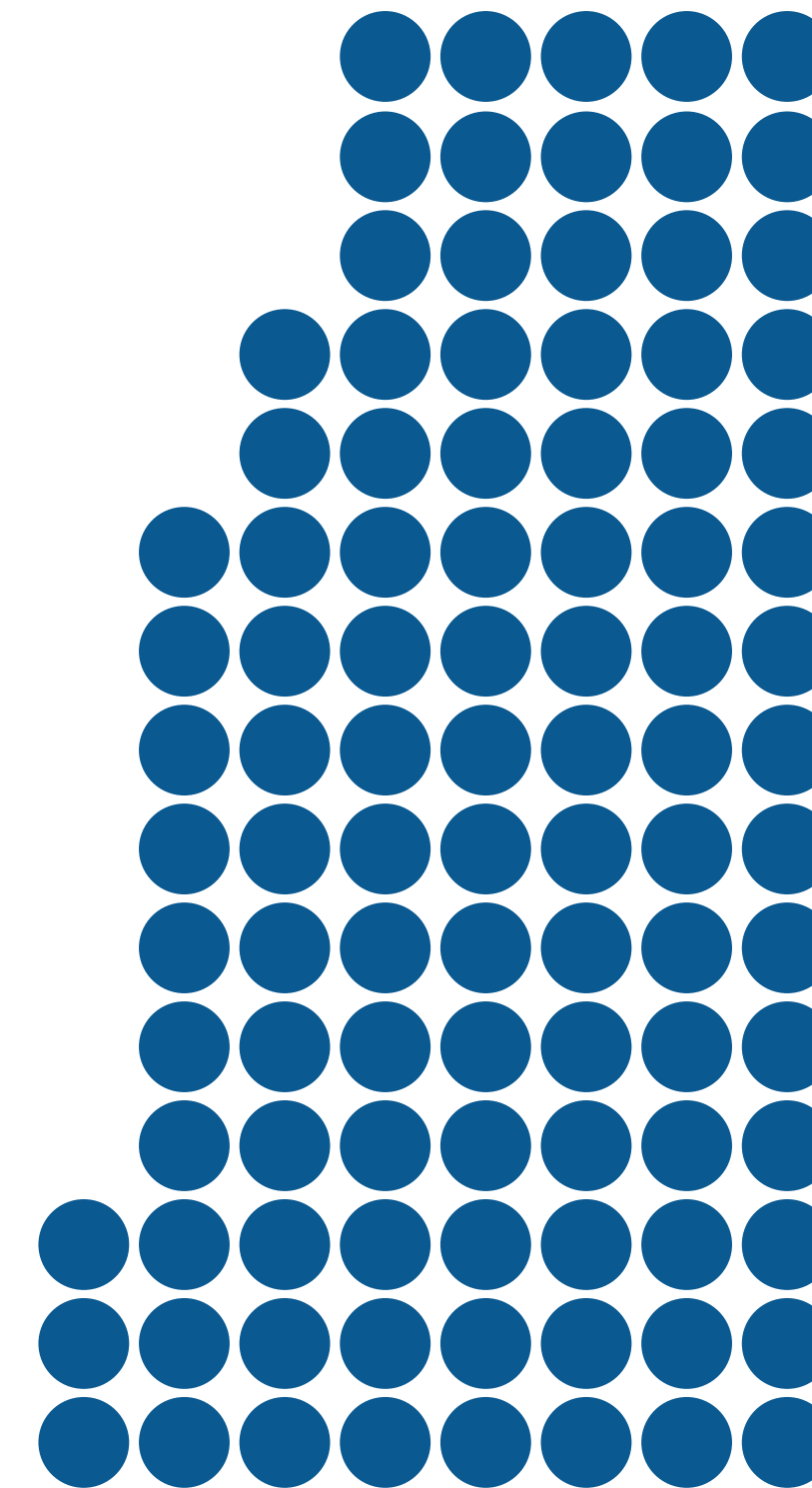
# Clearly these are unusual times.

The International Civil Aviation Organization (ICAO) recently reported that the full year 2020 passenger totals were only 40% their 2019 levels, and international passenger levels were much worse at just 26% of what was seen last year. Here at YVR our passenger volumes for the nine-month period of April to December were only 12% of what they were during the same period last year. Further, our revenue has declined by 63% over the same period. This has forced us to reduce our operating expenses by 30% and our capital expenditures by over 65%. Most countries have imposed travel restrictions at the national level and many local health authorities are adjusting mobility and safety protocols regularly in response to changes in COVID case numbers.

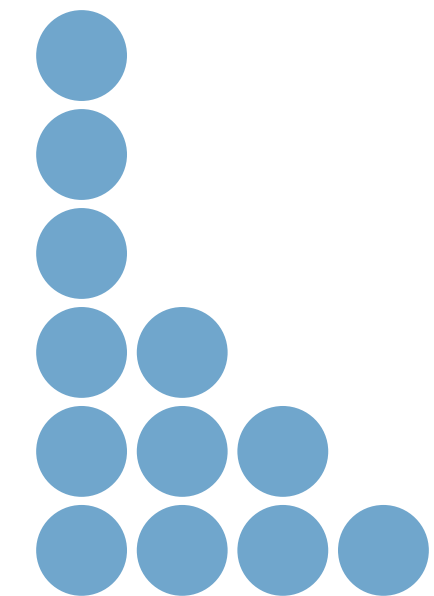
What we hoped in March might be a short-lived health emergency has turned out not to be so. The effects of the pandemic will be with us well into 2021, and perhaps beyond. And the pandemic has been so comprehensive and widespread many aspects of our lives will be permanently changed – including the

way we work and the way we travel. As we work to consider how to respond to these changes, we are reminded that pain points and trends that existed before the pandemic – such as the shift toward more digital and personalized services, and an increased emphasis on wellness and sustainability – have not gone away. In fact, their necessity has only been validated and the need to respond to them accelerated.

We had identified many of these trends here at YVR and had taken the initial steps to address them: our move to touchless kiosks, our work with partners to reduce waste and recycle, our work from home protocols, and electrifying our fleet and operations. However, the pandemic has called on us to fundamentally re-examine our assumptions for the future and our planned response to them. YVR does need to strengthen its operations and modify its business strategy in order to thrive in the future. The COVID context pushes us beyond considering these changes – to requiring them.



YVR TRAFFIC IN 2019  
APRIL - DECEMBER



YVR TRAFFIC IN 2020  
APRIL - DECEMBER





## 2021 PLAN

# Our Way Through

If the pandemic has taught us anything, it is this: the path to a post-pandemic world cannot go over, around, or alongside COVID-19: the only way forward is to go through. Therefore, our strategic and business plans must first address what it means to operate an airport during a global pandemic and then beyond. This requires us to change our traditional approach to planning – taking a one-year view (2021) to test and adjust and then based on those learnings, set the plan for the longer term (2022 to 2024).

At the same time, we must never waiver from our commitment to safety. Ensuring the safe running of our airport for everyone who works here, as well as safe surroundings for passengers and local residents, is not only essential, it is our license to operate.













STAYING AHEAD OF COVID

STRENGTHENING THE CORE

PURPOSE THROUGH PEOPLE

FINANCIAL SUSTAINABILITY

CLIMATE

GATEWAY TO THE NEW ECONOMY

## OVERVIEW

Building on YVR's history of leadership – a more focused attention in 2021 is needed on the core of our business. 2021 will be a key year to get our operational house in order. Our focus on building for growth has meant we have deferred maintenance and operational inefficiencies in many areas. With passenger and flight volumes down, now is the time to focus on these key areas. Whereby ensuring that when passenger volumes return, they do so with far greater efficiency in terms of passenger experience, departure punctuality, baggage connections and cargo.

In addition, our work to improve our operational efficiency will also need to contribute to our climate objectives through reducing our overall GHGs. Efficiency will be measured in terms of operating savings, improved safety, efficiency of staff resources, improved customer satisfaction and climate objectives.



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## WHAT WE'LL DO

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A focus on asset planning, asset management and optimization will be key to ensuring we strengthen our core assets, infrastructure and operations. As we move towards strengthening our asset management mindset, it is important for us to have a more holistic view, considering both the capital and maintenance expenditures to ensure that we have the right areas targeted for improvement and investment. We will place greater emphasis on maintaining our assets and infrastructure in a state of good repair, maximizing the value of assets, reducing enterprise risk, while continuing to ensure safety and regulatory compliance.

Operationally we will seek to be more efficient across all areas, using data and analytics to guide optimization with the objective of improving customer experience while reducing overall operational costs.

In addition, a focus on data and analytics applied to our assets, as well as investments in digital tools such as the Digital Twin will provide new ways to test the resilience of critical systems such as HVAC and power supply, to reduce the risk of failures, power outages, fire, flood and contamination as well as improve overall maintenance and efficiency.











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## OVERVIEW

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At the core of our business model are three simple concepts: do the right thing (follow our purpose), do it well (our commitment to operational excellence and quality), and do it sustainably (do it in a way that allows us to keep doing the right thing and doing it well in the future). There are many aspects of sustainability – but a key one is the ability to generate sufficient income to meet both our current and future obligations.

**We start 2021 with the single biggest operating deficit and debt burden in the history of YVR.**

While we work to achieve our other strategic goals in 2021, we must do so in a way that improves our profitability and financial resilience in the medium and longer term. Until we see significant volumes of traffic return, we will continue to see operating losses, requiring us to fund our operations with debt. When we emerge, it is imperative that we are more profitable. The amount of expense it takes to generate a dollar of revenue must decline to be less than what it was pre-COVID.



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Our revenue sources must be strengthened and diversified. The financial relationships with our major customers will be consolidated and aligned to the future, including re-designing our aeronautical rate structure. Through our work towards being the Gateway to the New Economy, we will look for opportunities to diversify into industries and sectors that are outside of aviation and less reliant on passenger traffic.

Our financial model will be revised to reflect our new and changing circumstances. It will provide a frame for us to better understand 'how we make money' and the relationship between costs and profits, which will allow us to better control and allocate our funds. Our preference for capital expenditures over operating dollars must be neutralized so that we make the right business decision for the long-term.

Monitoring of our corporate performance against indicators will help us ensure we are improving our efficiency over time. After all, what gets measured, usually gets done.

And integral to all of this is information. Re-defining the process and the data we use to generate our annual budget, to monitor our performance and to evaluate our business decisions will simplify and make more transparent the information and business decisions we make.

Doing these things will not solve our financial sustainability challenges in and of themselves, but they are necessary steps to ensure our collective financial foundation and understanding are robust and aligned with our strategy going forward.



















2022-2024

## The Next Normal

Taking an entire year to test and learn is a changed approach of our airport. As a business that requires large capital investments designed to generate long term value, we are used to thinking in decades not months. However, the pandemic and its effect on the aviation industry presents a once-in-a-generation opportunity. The opportunity to truly re-examine every aspect of our business to ensure it is designed to thrive in the future. It forces us to take a few steps back, in order to take a giant leap forward.



If we are successful by the end of 2021 we will have improved the foundation of our business: from the way we operate our facilities, to the way we include our customers' perspectives in our decisions – from the way we budget, to the way we work. In each and every part of our business, the six strategic areas of focus in 2021 will lay the groundwork for our success in 2022 and beyond.



## We've got this.

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It has been said that weak organizations are destroyed by crises, good organizations survive them, and great organizations are improved by them.

**YVR is a great organization.**