

TORONTO  
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AUTHORITY



ADMINISTRATION  
PORTUAIRE  
DE TORONTO

60 Harbour Street, Toronto, Ontario, Canada M5J 1B7  
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## **MEDIA ADVISORY**

# **Toronto Port Authority to hold Annual Meeting on Tuesday, June 12**

**TORONTO (June 11, 2007)** – The Toronto Port Authority invites all media to attend its annual meeting.

**WHEN:** Tuesday, June 12, 2007 at 10:30 a.m.

**WHERE:** Royal York Hotel, Upper Canadian Room (18<sup>th</sup> floor), 100 Front Street West

**WHO:** Toronto Port Authority Chair Michèle D. McCarthy, and TPA President and Chief Executive Officer Lisa Raitt, and TPA directors will be on hand to answer questions about the operation and direction of the federal agency.

**WHY:** Along with reporting financial and operational statements for the 2006 fiscal year, the TPA will also present results of a recent opinion poll on Torontonians' awareness of the agency and its mandated activities.

The Port of Toronto is one of the largest city and inland ports in Canada, handling approximately 2.5 million tonnes of cargo every year. The TPA promotes sustainable development of our harbourfront community for families and business to enjoy in the coming years.

The TPA will be focusing on improving its stewardship of Toronto's harbour environment so future generations will also enjoy its beauty and facilities. The TPA will also announce a fun contest to get Toronto's schoolchildren views on what they like best about our harbour community.

Photographers and television camera crews are welcome to attend.

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For more information contact:  
Lisa Raitt, TPA CEO  
(416) 863-2016

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**MEDIA ADVISORY**

**Multicultural media invited to  
Toronto Port Authority Annual Meeting  
on Tuesday, June 12**

**TORONTO (June 11, 2007)** – The Toronto Port Authority invites all multicultural media to attend its annual meeting.

**WHEN:** Tuesday, June 12, 2007 at 10:30 a.m.

**WHERE:** Royal York Hotel, Upper Canadian Room (18<sup>th</sup> floor), 100 Front Street West

**WHO:** Toronto Port Authority Chair Michèle D. McCarthy, TPA President and Chief Executive Officer Lisa Raitt, and TPA directors will be on hand to answer questions about the operation and direction of the federal agency.

**WHY:** Along with reporting financial and operational statements for the 2006 fiscal year, the TPA will also present results of a recent opinion poll on Torontonians' awareness of the agency and its mandated activities.

Toronto's harbourfront has been a window to the world for the city's multicultural community dating back 200 years. Today, the Port of Toronto is one of the largest city and inland ports in Canada, handling approximately 2.5 million tonnes of cargo every year, and is used to import and export a wide range of goods specific to multicultural communities.

The TPA promotes sustainable development of our harbourfront community for families and business to enjoy in the coming years. The TPA will be focusing on improving its stewardship of Toronto's harbour environment so future generations will also enjoy its beauty and facilities. The TPA will also announce a fun contest to get Toronto's schoolchildren views on what they like best about our harbour community.

Photographers and television camera crews are welcome to attend.

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For more information contact:  
Lisa Raitt, TPA CEO  
(416) 863-2016

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## **News Release**

# **Toronto Port Authority unveils essay contest, poll results at annual meeting**

## **Federal agency bolstering community dialogue**

TORONTO (June 12, 2007) – The Toronto Port Authority continued to reach out to the harbour community with the 2007 annual meeting.

The Toronto Port Authority wants to hear what Toronto schoolchildren like the most about their harbour community through an annual essay contest. And the TPA also released the results of a public opinion survey indicating Torontonians' approve of its mandate and objectives.

These initiatives are in keeping with the recommendations of the Tassé Report, a review of the Toronto Port Authority submitted last October in response to ongoing misunderstandings about the role of the authority.

“Roger Tassé was very clear in recommending the TPA step up its communications and consultation initiatives to clear the air about our role in the harbour community,” said TPA Chair Michele McCarthy. “We are working very hard to improve our relationship with the community and other levels of government, and the essay contest and poll are just two more ways to reach out to the community.”

TPA officials announced an essay contest open to Toronto elementary school students beginning in the 2007-08 school year. They will be asked to write on what their favourite memory or activity is in the harbour community. Winners and their schools and teachers will be recognized by the TPA, and a sampling of the submissions will be published on the TPA web site. Also, educational prizes will be awarded to the top writers.

“One of our most important roles is as a steward of these harbour facilities and natural areas for future generations. There is no better voice to articulate the best things about Toronto's harbour community than the children who live, go to school and play here,” said TPA president and CEO Lisa Raitt.

Results from a recent public opinion survey on Torontonians' awareness of TPA activities were also presented. The poll was conducted by POLLARA, a market leader in public opinion research, and found that the majority of Torontonians have a favourable view of the agency's mandate.

Fifty-two per cent of those surveyed have a fair-to-very favourable impression of the TPA, compared to only 16 per cent who had an unfavourable impression. Also, 52 per cent agree that the TPA provides economic benefits, compared to 10 per cent who disagree. And 59 per cent agree the TPA plays a role in the environmental well-being of Toronto, compared to 10 per cent who disagree.

Full results will be available on the TPA website ([www.torontoport.com](http://www.torontoport.com)).

"The survey results endorse the general direction of our desire to demonstrate that the Toronto Port Authority plays an important role in the sustainable development and economic prosperity of our city," said TPA chair Michele McCarthy. "But the poll also shows us that we can do better in communicating with our community. We look forward to strengthening our partnerships with other levels of governments and community groups in order to fulfill our mandate."

The TPA welcomes the opportunity to have a dialogue with the community at its annual meeting, in accordance with the legal requirements of the Canada Marine Act. But it also seeks input from the community throughout the rest of the year through other informal consultative forums.

The annual meeting is also a formal mechanism to present the agency's audited financial statements to the community. This year, the TPA reported increases in overall revenue, port revenue and marina revenue.

Financial statements have been available since May at the TPA website, [www.torontoport.com](http://www.torontoport.com).

For more information contact:  
Lisa Raitt, TPA CEO  
(416) 863-2016

# **TORONTO PORT AUTHORITY**

## **ANNUAL MEETING**

**The Annual Meeting of the Toronto Port Authority (The “TPA”) will be held on Tuesday, June 12, 2007 at 10.30 am, at the “Upper Canada Room” of the Fairmont Royal York Hotel, located at 100 Front Street West, Toronto, ON.**

## **AGENDA OF THE ANNUAL MEETING**

- |    |                                    |                             |
|----|------------------------------------|-----------------------------|
| 1. | Opening Remarks                    | Beverly Bain                |
| 2. | Remarks from the Chair             | Michele McCarthy            |
| 3. | Remarks from the President & C.E.O | Lisa Raitt, President & CEO |
| 4. | Questions & Answers                | Beverly Bain                |

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### **Annual Meeting Procedures**

1. The Meeting will have a 90 minute time limit and will be facilitated by a neutral third-party.
2. The Facilitator has the final say in all matters regarding the order of the meeting.
3. Individuals are asked to register prior to the meeting at the sign in desk.
4. Individuals are expected to follow these Annual Meeting Procedures
5. Disruption of the meeting may result in the expulsion of the individual from the meeting.
6. No one can attempt to claim the floor until the Facilitator has indicated that the floor is open for questions.
7. As in previous years, each individual can ask one question and one supplementary question.
8. Before asking a question, an individual will raise their hand. The Facilitator will recognize the individual by bringing the microphone to the individual in their seat.
9. Prior to speaking, each individual must identify himself or herself, or organizational affiliation.
10. The decision of the Facilitator as to the order of questions is final.
11. When an individual has been recognized for a question by the Facilitator, that individual cannot be interrupted by anyone except the Facilitator. IF any individual for any reason interrupts the questioner, the Facilitator will interrupt the other individual and allow the questioner to complete their question.
12. During the meeting, all present are to refrain from attacking presenters or questioners and the motives of the same.
13. Individuals are not permitted to address one another directly. All remarks to be made to other individuals must be made through the Facilitator.
14. The Facilitator is not entitled to participate in questioning except in the capacity of a neutral third party.

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**Annual Meeting Opening Remarks  
Michele McCarthy and Lisa Raitt  
June 12, 2007**

**Michele McCarthy**

Good morning. I'd like to welcome you to the Annual Meeting of the Toronto Port Authority. We're looking forward to telling you about some of the great projects on the horizon to enhance our fantastic harbour resources.

My name is Michele McCarthy, and I'm the chair of the Toronto Port Authority. I'm looking forward to hearing your questions and constructive feedback, because that is how we'll improve our services and facilities.

This year, the TPA is focusing on the stewardship of our harbour community. The care and improvement of our community has always been important. But we have an obligation to seek out ways to protect and enhance our harbour environment.

Furthermore, we want to let the people of Toronto know about all the things the TPA does to facilitate the operation of the port and harbour, and protect and enhance the waterfront area for everyone. And we have invited some special guests from the Toronto District School Board to help us get the word out.

It is important to say this: everything we do at the Toronto Port Authority is to protect and enhance the amazing resources and features of our waterfront for our children, and your children.

This includes cleaning up the sludge and debris in the Don River and in the Inner Harbour along the lakeshore. This includes caring for and expanding our network of parks and recreation areas such as the Leslie Street Spit. And this includes a dedicated, vigilant effort to make the harbour community safe and accessible to Torontonians of all ages who use the Harbour.

Our children are the most important visionaries for our waterfront environment. Therefore, we're pleased to announce that the Toronto Port Authority is sponsoring an annual essay contest for children attending Toronto elementary schools.

We are looking forward to hearing what you and your friends think about their favourite harbour activities, your favourite harbour places, and their favourite harbour memories.

What's more, we're looking forward to seeing how we can do better. I think we're going to get some good advice there. Just remember you parents in the audience, no helping.

The Canada Marine Act states that this annual meeting must meet strict requirements of financial disclosure. Last month, we posted the audited financial statements from 2006 on our website, [www.torontoport.com](http://www.torontoport.com). They are also available here for your review. Notice of this meeting was published in the Globe and Mail and in L'Espresso in the time prescribed and therefore is properly constituted. The timing for the Annual Meeting is in accordance with the requirements of the Canada Marine Act (section 34) and all other provisions relating to this meeting and information disclosure have been met.

I'd also like to take the opportunity to recognize the excellent work of Deloitte & Touche LLP, our auditors. I'm pleased to report that the Board of the TPA has re-appointed Deloitte & Touche LLP as auditor for the fiscal year ending December 31, 2007. Mr. Steve Stewart of Deloitte & Touche is here with us today.

I must express my gratitude to the Toronto Port Authority's counsel and directors of the Toronto Port Authority. They have guided this organization through some challenging times, and have never wavered in supporting our vision of a sustainable, vibrant and accessible waterfront.

I'd like to introduce them one by one.

**Mr. Christopher M. Henley** is president of Henley Capital Corp. He holds a bachelor of arts from Memorial University of Newfoundland, a Masters in business administration from Dalhousie University and has completed studies at the Rotman School of Management in Toronto, obtaining his ICD.D designation.

Mr. Henley has spent the last 24 years in industry and investment banking, analyzing and evaluating projects and advising public and private companies.

Mr. Henley is a current or former board member of Transition Therapeutics Inc.; Memorial University of Newfoundland's Faculty of Business Administration advisory board; and the Limited Market Dealers Association of Canada.

**Mr. Douglas Reid** teaches and conducts research in business strategy at Queen's University's School of Business. He is also a faculty member at Cornell University's Johnson School of Business. He holds a Bachelor of Science degree and a Masters degree in business administration from the University of Toronto, a Masters of Public Administration degree from Queen's University (School of Policy Studies), and a PhD from the University of Western Ontario's Ivey School of Business.

Dr. Reid recently served as a director of an Alberta-based energy company, and is also an advisor to companies in Canada and the United States.



**Ms Krista L. Scaldwell** holds a Bachelor of Arts degree from Trent University. She currently serves as international director of consumer healthcare at Johnson & Johnson. She currently chairs the government affairs committee for the Non-prescription Drug Manufacturers Association.

Ms. Scaldwell began her career working for both the John Howard Society and Durham Mental Health Services, where she held management positions responsible for staff and budgets. She is currently a member of the board of the Ontario Lung Association, Abilities Centre Durham, and the advisory board of Medic Alert.

**Mr. Cameron J. Turner** is currently the Canadian partner of Corporate Development International, a company that provides international strategic acquisition and divestiture advice.

Mr. Turner has worked previously for Inter-City Products Corporation, starting as vice-president, corporate development, then senior vice-president. His responsibilities included acquisitions, corporate development and strategic planning along with marketing, product development and sales.

Mr. Turner holds a Bachelor of Arts degree from the University of British Columbia, a Masters in Business Administration from the University of Western Ontario's Ivey School of Business, and a chartered financial analyst designation. He is currently a member of the Toronto Board of Trade.

**Mr. Colin D. Watson** has been a director of Rogers Cable Incorporated since May 2004. He was president and chief executive officer of Vector Aerospace Corporation, an aviation services firm, from 2003 to 2005.

Mr. Watson served as vice-chairman, president and chief executive officer of Spar Aerospace Limited between 1996 and 2002. Prior to 1996, he was president and chief executive officer of Rogers Cable Incorporated.

Mr. Watson also serves as a director of a number of companies, including Great Lakes Carbon Income Fund, Pelmorex Inc. and Mason Capital. He holds a Bachelor of Applied Sciences degree in mechanical engineering from the University of British Columbia and a Master of Business Administration from the University of Western Ontario's Ivey School of Business.

**Lisa Raitt**  
**Annual meeting remarks**

Good morning everyone...

Welcome to the Annual Meeting of the Toronto Port Authority. My name is Lisa Raitt, and I'm the Chief Executive Officer of the port authority. It has been an honour to serve the harbour community in this position for the past 5 years.

This year marks the 96<sup>th</sup> year our organization has been dedicated to building and protecting Toronto's harbour community.

As you can see by the historical prints and photos on display, the history of the Port is the history of Toronto. This city could not have made its great achievements without a vibrant harbour that balanced the needs of commerce and the community.

The theme we're stressing in 2007 is stewardship. Specifically, we want to look at everything we do at the Toronto Port Authority through the prism of how it can enhance the quality of life of all Torontonians for years to come.

The most important part of our vision of providing sound stewardship means consulting with the people who use the waterfront. In our view, that's not just boaters, shipping interests and transportation interests. That means every single Torontonian.

That is one of the reasons we are here today, but consultation and communication with our community is a job that occupies our wonderful team of professionals, some of whom are with us today. It's fair to say, I think, that we are all in this for the good of the community in which we serve and live. And if you will indulge me, I'd like to introduce a few of those people...

Each and every one of the TPA staff is dedicated to the betterment of Toronto's Port. We're results oriented, and we deliver.

If I can draw your attention to the screen I'd like to give you a better idea of what I mean. In our last AGM we committed to getting a number of tasks done between then and now. I would like to share with you the results of that work.

I'd like to thank the staff here for ensuring that we delivered on what we said we would do. We all know that there's much more for us to do in the weeks and months to come, but seeing where we've come in such a short time gives me confidence that we're on the right track.

But we can do better.

We have been told in recent months that we do not do a very good job of explaining to the people of Toronto what it is we do. We were also told that we need to get on with that work. We have taken that to heart and we are beginning to act on it. The first step in that process is getting a sense of what the public knows and thinks about the TPA.

For that reason, earlier this spring, we commissioned a public opinion survey to see how Torontonians felt about the job we were doing. I'm pleased to share those results with you now.

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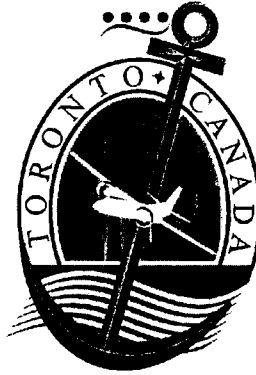
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## **AGM Review**

<b>Business Arising</b>	<b>Progress</b>
Whether TPA would drop the defamation lawsuit.	Lawsuit settled, retraction and apology received by Community Air.
Whether agreement between Porter and TPA permitted Porter to obtain damages should TCCA close.	President and CEO put issue in writing to Mr. Bill Freeman and quoted appropriate section of tri-partite agreement.
Summary of noise complaints.	President and CEO reviewed the process of noise complaints; summary posted on website.
Concern over noise monitoring and safety issue at Algonquin Island.	President and CEO investigated with NAV Canada and Chief of Engineering and Operations; noise levels are monitored consistently.
Whether future AGM's could be held within 60 days of receipt of the auditor's report and requested MD & A report.	Letter sent by Chair to Mr. Roger Wilson.
Whether Directors would consider released monthly financial reports.	Considered and denied.
Enforcement of hours at airport and incidents of larger planes approaching eye levels.	President and CEO investigated and resolved.
Porter Airlines were noisy while taxing on tarmac.	President and CEO investigated and resolved.
TCCA ferry beeping daily at 5:30AM.	President and CEO investigated issue with Chief of Security and Harbourmaster; issue resolved.
TPA's Board Policy with respect to community outreach and citizen's concerns.	Established the Communications & Outreach Committee.

Request that Board meet with Mr. Douglas Finlay and community group.	Chair has met with Community Air representative.
Request that a letter be sent to group outlining the details of public consultations that had taken place since 2001.	Letter sent to Julia Beddoes, Gooderham & Worts Associations.

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### **Backgrounder**

- The Toronto Port Authority (TPA) plays a pivotal role in conserving and protecting Toronto's waterfront.
- The TPA was established on June 8, 1999, under the Canada Marine Act, with a seven-member Board of Directors.
- The TPA is a federal public authority providing transportation, distribution, storage and container services to businesses.
- The TPA owns and operates the Toronto City Centre Airport, Marine Terminals 51 and 52, and the Outer Harbour Marina.
- The TPA is the only port authority in Canada that operates a land-based airport.
- The TPA provides regulatory controls and public works services to enhance the safety and efficiency of marine navigation and aviation in the port and harbour of Toronto.
- The TPA grants operators permits to recreational boaters in the harbour of Toronto, oversees land development, engages in trade development for its terminals, and appoints the Harbour Master.
- The TPA carries out dredging to provide flood protection and remove debris around the don and inner harbour.
- The TPA designed and continues to construct the Leslie street spit.
- The TPA coordinates all water activities in the harbour.

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## **Public Opinion Survey Backgrounder**

June 12, 2007

POLLARA conducted a telephone survey with a representative sample of Torontonians to determine their impressions of the Toronto Port Authority (TPA) and to measure the impact of TPA's responsibilities and mandate on overall perceptions of the Authority.

Specifically, the survey addressed issues related to:

- Usage of the waterfront
- Perceptions of the revitalization of the waterfront
- Awareness and impressions of the TPA
- Perceived responsibilities of the TPA
- Impact of TPA's areas of responsibilities on the overall impressions of the TPA

In total, 503 telephone interviews were conducted with Torontonians 18 years of age and older, resulting in an overall margin of error of plus or minus 4.4%, 19 times out of 20. Interviewing was conducted between May 25 and May 29, 2007.

Findings from the survey reveal that usage of the waterfront area is high and many Torontonians enjoy the area for recreational activities on a regular basis. Residents are also optimistic about the future of the waterfront area, with the majority thinking the waterfront revitalization is on the "right" track.

Other key findings:

- While awareness of the TPA is high, few Torontonians volunteer the TPA as one of the organizations involved in the revitalization of the waterfront;
- Perceptions of the TPA are neither strongly positive nor strongly negative, but Torontonians develop more favourable impressions of the Authority after hearing about its environmental initiatives along the waterfront;
- In contrast, the TPA's responsibilities toward businesses and boaters have little impact on overall impressions of the Authority;

- A majority of Torontonians (52 per cent) have a fair-to-very-favourable impression of the TPA, compared to only 16 per cent who had an unfavourable impression;
- A majority (52 per cent) agree that the TPA provides economic benefits, compared to 10 per cent who disagree;
- A majority (59 per cent) agree the TPA plays a role in the environmental well-being of Toronto, compared to 10 per cent who disagree.

POLLARA is a market leader in public opinion research throughout North America with a 20-year history servicing public and private sector clients.

More information about the survey can be obtained by contacting:

Roland Merbis, Vice President, Public Affairs  
POLLARA  
647-258-8876  
[rmer@pollara.ca](mailto:rmer@pollara.ca)



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**Management Discussion and Analysis - Annual Meeting  
June 12, 2007**

**Key Points**

The past year has been one of financial adjustment and transition for the Toronto Port Authority. Between 2002 and 2005, the TPA moved to improve its facilities, especially access to the City Centre Airport, and make long-term investments in its infrastructure capacity.

In 2006, many of these projects finally came to fruition, and have had a positive effect on the TPA's bottom line. At the same time, legal costs and unresolved financial matters with the City of Toronto has prevented TPA from breaking even.

**Overall revenue increases**

Operating revenues from all activities increased by \$227,000 to \$9,913,000 last year over 2005, a tribute to the hard work of all our employees.

**Improved port revenue**

Port revenue increased \$115,000 in 2006 over 2005, with the TPA's marine terminals handling higher value cargo.

**Port expenses decreased**

Port expenses dropped by 12.5 per cent, or \$744,000, as TPA management improved efficiency in labour staffing, repairs and maintenance.

**Improved Outer Harbour Marina revenues**

Last year, larger boats berthing in the Outer Harbour Marina increased revenues \$212,000, over 2005, helped along by a 3 per cent increase in customers.

**Porter Airlines launches**

October 23, 2006, saw the launch of Porter Airlines with its hub at the City Centre Airport.

The TPA collects a carrier landing fee and airport improvement fee from arriving and departing air passengers, which finance ongoing capital improvements, and pay back borrowed funds incurred to pay for the \$15-million improvement to the airport's ferry, ferry terminal and passenger transfer facilities.

With only a little over two months of commercial activity to report in 2006, Porter's impact on the TPA's bottom line will not be fully realized until 2007 year end. Revenue at the City Centre Airport was down \$260,000 in 2006 from the previous year.

### **Capital payments withheld by City of Toronto**

The TPA was owed \$3-million in capital payments in 2006 in accordance with the settlement agreement between the City of Toronto and the authority.

### **Increased corporate costs, airport inactivity add to operating loss**

The TPA reported a \$6,098,000 operating loss in 2006, up from \$4,733,000 in 2005. The major reason for the loss is that 2006 was a transition year for the City Centre Airport. For approximately eight months, there were no commercial flights out of the TCCA. With the launch of Porter Airlines in October, we expect the airport's revenue to increase dramatically.

We are working diligently to end the misunderstandings of the past and move forward toward a productive working relationship that will benefit all Torontonians.

The TPA also took the initiative to launch an extensive communications and community outreach effort to establish itself as a responsive public body that is vital to the economic growth of Toronto, Ontario and Canada. This was in response to the main recommendations of the Tassé Report, the review of the TPA's mandate completed last October. This outreach initiative had extensive one-time, front-end costs, but management and directors feel it will pay significant dividends in the future in avoiding misunderstandings about the role and mandate of the agency.

**TORONTO PORT AUTHORITY**  
**MANAGEMENT'S DISCUSSION & ANALYSIS – 2006**

**(in thousands of dollars)**

*Management's discussion and analysis (MD&A) is intended to assist in the understanding and assessment of the trends and significant changes in the results of operations and financial condition of the Toronto Port Authority for the years ended December 31, 2006 and 2005 and should be read in conjunction with our audited financial statements and accompanying notes.*

**Introduction**

The Toronto Port Authority ("Port Authority", "TPA") was incorporated on June 8, 1999 as a government business enterprise under the *Canada Marine Act* as the successor to the Toronto Harbour Commissioners.

It is responsible for operating the lands and harbour in the service of local, regional and national social and economic objectives, and for providing infrastructure and services to marine and air transport to help realize these objectives.

The TPA is an important part of the Southern Ontario Gateway as it is one of five ports of significance in the province, while the Toronto City Centre Airport is one of four airport facilities in the region with the capability to provide international service. In this regard, the TPA is and will remain an important factor in Southern Ontario's ongoing economic health.

The main operations of the Port Authority are Port Operations, the Outer Harbour Marina ("OHM"), the Toronto City Centre Airport ("TCCA"), Property, Investments and Corporate Services.

The TPA owns and operates Marine Terminal 51 and Warehouse 52 ("Marine Terminals") located at the foot of Cherry Street and has contracted with Logistec Stevedoring Inc. to manage this operation. The TPA also owns the International Marine Passenger Terminal ("IMPT"), which currently services the cruise ship industry.

A recent trend in marine has been toward short-sea shipping, which uses smaller ships and barges to move a variety of commodities from point to point over relatively short distances. Bottlenecks and backlogs at major coastal ports, highway congestion, labour shortages, limited railcar availability and border crossing delays are making short-sea shipping an attractive alternative. The TPA is actively pursuing short-sea shipping opportunities.

The TPA is well-positioned to handle containers both in terms of proximity to markets in Toronto and the GTA and in terms of its infrastructure. Fully equipped with top loaders, refrigerated power supply, an open terminal area of 20 acres that translates into between 4,000 and 5,000 containers and the expertise to handle containers gives TPA a competitive advantage over other ports making it the only choice for containers in the Great Lakes.

For the Outer Harbour Marina low interest rates and a generally strong economy have encouraged consumers, led by people aged 45 to 65, to buy more and bigger recreational boats in recent years. New technology in both the power and sail categories is making it much easier for novice boaters to enter immediately into larger boat classes.

The Toronto City Centre Airport has a clear competitive advantage over adjacent airports (Toronto-Pearson, Hamilton and Buttonville) in attracting regional business travelers, with its close proximity to downtown Toronto.

To finance the new ferry and ferry infrastructure, the TPA has drawn down on a \$15 million credit facility from a major financial institution.

The City of Toronto is withholding scheduled Capital Payments to the TPA, claiming the TPA owes property taxes to the City. The TPA is governed by the PILTS Act, which requires that federal bodies pay an amount in lieu of taxes to the municipalities in which they operate. The Act does not give a municipality, in this case the City of Toronto, the actual right to a payment. The City applies for payments and then the TPA considers the value of the property on which PILTS will be based and then calculates amounts to be paid. The City sent correspondence to the federal government on April 13, 2006, requesting a review by the PILTS Advisory Panel and that review will take place on November 19, 2007.

### **Fiscal Period – January 1 to December 31, 2006 versus 2005**

#### **Statement of Revenue & Expenses**

The 2006 loss from operations for the Toronto Port Authority (“TPA”) was \$6,098, up from \$4,733 in 2005. This is before Payments in respect of Land Disposition, Payments in Lieu of Taxes and Amortization. There were several reasons for the increased loss, explained below in the different operations.

The major reason for the increased loss came from the operation of Toronto City Centre Airport. The bottom line loss for the Airport was \$1,743 higher in 2006 than in 2005. For 2007, the Toronto Port Authority expects there to be a dramatic improvement in the bottom line, as Porter Airlines will operate for a full year.

Port Operations, the Outer Harbour Marina and Investment Income accounted for an improvement of \$1,102 in the 2006 bottom line over 2005.

Property and Other, Corporate Services and the Charge on Gross Revenue increased the loss in 2006 by \$724 over 2005.

A reduction in Amortization of \$138 and a \$17 increase in Payments in Lieu of Taxes accounted for the remaining change in the overall increase in the bottom line loss, from \$3,366 in 2005 to \$4,610 in 2006.

### Port Operations

Port revenues are generated from the operation of the Marine Terminals and include terminal handling charges, container services and an intermodal operation. In addition, revenue is generated from the International Marine Passenger Facility ("IMPT"), including charges for cruise ships and filming. From waterside, there are Harbour User Fees paid by Tour and Charter boats and Cargo Dues paid by large industrial ships. Finally, the Works & Environmental Services department generates revenue from services provided to Port users and other general customers.

Port revenue was up marginally in 2006, with an increase of \$115. Port tonnage actually decreased in 2006 versus 2005, from 2,560,600 to 2,154,914, however, there was more high value cargo handled at TPA's Marine Terminals (steel and project cargo), generating higher per tonne revenues. Berthing charges for ship lay-ups were up in 2006, while dry storage at the Marine Terminals was down. Ship lay-ups can fluctuate year over year due to weather and the positioning of ships for winter.

Port expenses decreased by 12.5% in 2006 or \$744, as savings were achieved in labour at the Marine Terminals, and both repairs and maintenance and operating materials at the Marine Terminals and the Works & Environmental Services Department. Promotional expenses were also lower, while Realty Taxes were up due to tax billings for the IMPT.

### Outer Harbour Marina ("OHM")

The current occupancy rate at the OHM is about 80% for summer berthing and 100% for winter storage. There is an 8% to 10% turnover rate for summer contracts.

In addition to berthing and storage, marina services include shore power, pump-outs, power wash, fresh water and the sale of fuel and other products. There is also a 35-ton travellift for haul out and launch, and masting/demasting services.

Revenues at the Outer Harbour Marina were up \$212 in 2006 over 2005 as summer berthing and land storage fees increased. A 3% increase in customers and a trend to larger boats drove revenues higher.

The expense side remained relatively flat from 2005 to 2006.

### Toronto City Centre Airport ("Airport")

Revenues at the Airport were down \$260, primarily due to a loss of revenue from the ferry during repairs to the ferry slips and building the new Airport infrastructure throughout most of 2006. Also, the departure of Air Canada Jazz at the end of February 2006 meant there were no commercial passengers after that, until Porter Airlines started service on October 23, 2006.

On October 21, 2006, the Airport converted from a Passenger User Fee for scheduled commercial passengers to a Carrier Landing Fee and Airport Improvement Fee collected from enplaning/departing passengers. The Landing Fee covers expenses at the TCCA. The Airport Improvement Fee or AIF will finance the Airport's ongoing capital expenditure program, including debt service on the Bank Loan.

Passenger volumes are expected to grow dramatically in 2007, as Porter Airlines will operate with 19 round trips to Ottawa and Montreal and summer season flights to Halifax.

On the expense side, there was an increase of \$1,483 in 2006, due primarily to legal fees associated with actions brought by Jazz against the Port Authority.

Also, labour costs increased with the acquisition of the new ferry. On October 23, 2006, the ferry started operating on a longer daily schedule. Additional firefighters were hired and trained in late 2006. Airport expenses also include costs to maintain runways and provide security.

### Property and Other

Revenues from ancillary property holdings and other sources, such as filming, were up marginally in 2006 over 2005, increasing \$105.

Expenses increased \$365, as the TPA continues to work on leases for lands at the eastern end of the Ship Channel, an integral part of the City Settlement Agreement. Additional resources both internal and external of \$160 were required for this. The remaining increase in expenses of \$205 was an accrual for Realty Tax billings for 2004 to 2006 from the City of Toronto. These billings are being disputed by the TPA, but have been accrued to reflect conservatism.

### Investments

Investment Income increased by \$55 in 2006 over 2005, from \$343 to \$398, as average interest rates on TPA short-term investments moved slightly higher.

### Corporate Services

Corporate Services supports the operations of the Toronto Port Authority by providing administrative support and services. These include executive, finance, accounting, human resources, information technology, legal, risk management, promotion and the

functioning of the Board of Directors. General expenses, related to TPA, but not related to any particular operation are assigned to Corporate Services.

Expenses in Corporate Services increased in 2006 by \$462 over 2005. The very successful Media Campaign in the spring of 2006 accounted for \$335 of the increase, while ongoing legal issues accounted for the remainder.

#### Payments in Respect of Land Disposition

These amounts are the Operating Payments from the City Settlement Agreement.

#### Payments in Lieu of Taxes

These are amounts booked each year based on the calculations by the Toronto Port Authority. The City of Toronto has disputed these amounts and a review by the PILTS Advisory Panel is scheduled for November 19, 2007.

#### Amortization of Capital Assets

These amounts allocate the cost of assets purchased to the operations on a straight-line basis over the estimated useful lives of the assets.

### **Balance Sheet – As at December 31, 2006 versus 2005**

Cash and Cash Equivalents have gone from \$7,970 at the end of 2005 to \$5,314 at the end of 2006, a decrease of \$2,656. An analysis of The Statement of Cash Flows is included below.

Accounts Receivable increased from \$4,102 at the end of 2005 to \$4,922 at the end of 2006. The details of the increase are found in Note 3 to the Audited Financial Statements. The increase in Trade Receivables of \$314 resulted from additional revenues generated near the end of 2006. These Trade Receivables were collected early in 2007. In addition, the amount outstanding for Harbour User Fees from the City of Toronto increased in 2006 from \$2,172 to \$2,523 to reflect fees of \$351 invoiced to the City in 2006. The amount receivable for the Marine Security Contribution Program increased by \$94, from \$153 to \$247 to reflect amounts spent in 2006 on approved projects.

City Settlement Payments Receivable reports amounts owed at the end of 2005 and 2006 by the City of Toronto (“City”) to the Port Authority. The City has withheld \$3,000 in Capital Payments and \$1,000 for past operating and capital amounts, for a receivable owing of \$4,000 as at December 31, 2006. In addition, the City has now withheld another \$1,500 Capital Payment in 2007. Note 4 reports on the City’s course of action and the Port Authority’s response.

The details of Long-term Investments are found in Note 5. These include two mortgages held by the Toronto Port Authority for hangars at the Toronto City Centre Airport.

The details on Capital Assets are found in Note 6. Capital Assets increased by \$14,442 and on a Net Book Value basis increased by \$12,754 in 2006, due mostly to the purchase of the new Airport Ferry and Airport Infrastructure projects. The details of the gross increase are as follows:

Airport Ferry and Infrastructure	\$13,653
Other Airport Airside	141
TPA Capital Expenditures	<u>648</u>
Total	<u>\$14,442</u>

TPA Capital Expenditures include a New Guardhouse at the Marine Terminals, I.T. Hardware and Software, a new forklift at the Outer Harbour Marina, new vehicles and other replacement equipment.

Amortization allocated to the operations over the years is deducted and amounts received for capital funding from various sources is also deducted from the gross capital asset amounts.

Other Assets and Other Liabilities are described in Note 8 and represent accounting for Employee Future Benefits.

Accounts Payable and Accrued Liabilities have increased by \$622, from December 31, 2005 to December 31, 2006. The increase can be attributed to timing as it relates to ongoing Account Payable issues.

The current portion of the Bank loan is the principal amount to be repaid in the next fiscal year, in this case 2007.

The liability for Payments in Lieu of Taxes has increased by \$485, the amount calculated by the Port Authority in 2006 as a fair PILTS payment. Note 10 describes the status of the PILTS situation.

Unearned Revenue has increased \$209 year over year. This liability records the amount of Unearned Marina revenue the Port Authority will provide to customers in the upcoming year, as well as Unearned Harbour Permits and Unearned Rents. As at December 31, 2006, funds held for services to be provided in 2007 totaled \$803, with \$730 for unearned 2007 Outer Harbour Marina services.

The Bank Loan is described in Note 9. The amount drawn on the Loan to the end of December 31, 2006 was \$13,750, with an amount recognized in current liabilities. At December 31, 2006, there was \$869 in 2006 Airport capital expenditures to be drawn on the credit facility provided by the major financial institution.



Deferred Revenue relates to the gain on the sale of Airport hangars. The gain is being recognized over the term of the land lease with the tenants. This is described in Note 11.

Deferred Capital Payments are payments made to the Port Authority by the City of Toronto pursuant to the Settlement Agreement that have not yet been spent on capital. In 2006, the City withheld \$3,000 in Capital Payments. The Port Authority has recognized this as a Receivable. The amount of these funds utilized by the Port Authority for capital in 2006 was \$535 and the difference between the Receivable \$3,000 and the funds utilized, leaves the Deferred amount at \$2,465. Having not received the payments from the City, the Port Authority is considering spending less on capital than planned.

Equity or General Surplus represents the difference between Assets and Liabilities. Equity decreased in 2006 due to the loss of \$4,610 in the Statement of Revenue and Expenses.

### **Statement of Cash Flows**

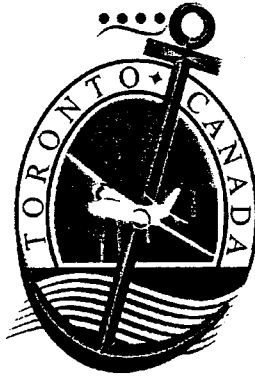
The Statement of Cash Flows begins with the Net Loss reported in the Statement of Revenues and Expenses and adds back any non-cash items. These include Amortization, the non-Cash portion of Other Assets and Liabilities, Amortization of Deferred Revenue and Deferred Dredging costs. The non-cash portion of Other Assets and Liabilities represents the difference between the amount charged to expenses for the pension plan and other benefits and the actual cash payment made by the Port Authority for these items.

An amount is then added or deducted for non-cash working capital. In 2006, this amount increased cash by \$483. This was due to an increase in Accounts Payable of \$622, an increase in Payments in Lieu of Taxes of \$485 and an increase in Unearned Revenue of \$209, offset by an increase in Accounts Receivable of \$820. Other small changes account for the difference.

Financing Activities and Investing Activities are then listed. Financing includes the City Funded Capital Payments receivable in 2006, City Funded Capital Payments applied and Deferred City Funded Capital Payments, amounts drawn on the Credit Facility in 2006 and amounts to be received under the Marine Security Contribution Program. Investing Activities include a decrease in Long-term Investments, a decrease in Short-term Investments a small increase in Deferred Dredging and the Acquisition of Capital Assets listed above.

The end result is the Cash and Cash Equivalents position decreased in 2006 by a total of \$2,656, from \$7,970 to \$5,314. In future, it is expected that the Cash position of the Port Authority will improve dramatically, reflecting an improvement in the financial performance of the Airport as well as the other areas of the Port Authority.

**Toronto  
Port  
Authority**



**Administration  
Portuaire  
de Toronto**

**Annual General Meeting – June 12, 2007**

**Evaluation Form**

How are we doing? \_\_\_\_\_

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Do you have any further questions? \_\_\_\_\_

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The Toronto Port Authority wants to hear from you. Please send your questions or comments to:

*The Toronto Port Authority, 60 Harbour Street, Toronto, Ontario M5J 1B7*

Further contact information can be found at <http://www.torontoport.com>