

## **Toronto Port Authority responds to inaccuracies in Toronto Star articles dated November 5 and 6, 2009**

Error No. 1

-----

In the Star article on expenses, TPA director Michele McCarthy was quoted as saying that "(The London trip) was not pre-approved and she (former CEO Lisa Raitt) signed off on it when I would not."

Facts

-----

Star reporter Linda Diebel was advised by the TPA in writing on October 29, 2009 (well before the Star article was published) that TPA auditor Deloitte LLP reported to the TPA Board in writing last summer that the travel expense was approved during the TPA Board's 2008 budget process. Prior to the publication of the article, the TPA provided Ms. Diebel with a copy of an August 21, 2009, letter written by the TPA to the Auditor General of Canada quoting Deloitte's June 23, 2009, reporting letter on this point. The excerpt from the Deloitte reporting letter read: "The (management) trips had been pre-approved through the budget process...."

The Star failed to report on this authoritative third-party and independent perspective on the expense approval process, despite having primary documents in support of the point in advance of the publication of the Star article.

A copy of the Agenda for the December 10, 2007, TPA Board meeting, chaired by Ms. McCarthy, has been posted on the TPA website. Item 3 a) is described as "Draft 2008 Business Plan and Budget."

As is demonstrated by the documents, the 2008 TPA Budget was unanimously approved by the TPA Board of Directors at the December 10, 2007, Board meeting. The proposed travel expense has been posted on the TPA website as part of the TPA Budget (Page 58). It outlines Ms. Raitt's proposed February, 2008, trip to London, England, along with an estimate of the cost (\$3,500) and the purpose ("meetings with insurance underwriters").

Contrary to Ms. McCarthy's false claim, reported in the November 5, 2009, Star article, the December 10, 2007, TPA Board meeting she chaired did, in fact, approve the purpose, destination and cost of Ms. Raitt's February, 2008, England business trip prior to her commencement of travel.

The 2008 hospitality expenses incurred by Ms. Raitt were separately approved under the category "Promotion" of the 2008 TPA Budget posted on the website (Page 52).

Ms. McCarthy voted in favour of the 2008 TPA Budget, as did the rest of the TPA Board. In fact, former TPA Director Doug Reid moved the motion to approve the 2008 TPA Budget. A copy of the approved TPA Board minutes describing and evidencing the Board's approval of the 2008 TPA Budget have also been posted on the TPA website.

Error No. 2

-----

In the Star article on expenses, Ms. McCarthy was quoted to say: "I was waiting for a justification of the expenses. ... Expenses are either right or wrong."

Facts

-----

As was widely reported in the national print media earlier this year, former TPA CEO Lisa Raitt's London trip led to a \$20,000 reduction in the annual insurance premiums of the TPA. This was the rationale for the trip and the business case. Inexplicably, unlike other print outlets who reported this fact earlier this year, the Star chose to ignore this information despite having it in hand. During her interviews with Mr. McQueen and Mr. Paul in the preparation of the Star articles, Ms. Diebel did not ask for the rationale for the London trip, despite having every opportunity to validate what other national media outlets, such as The Ottawa Citizen, reported on April 2, 2009.

Ms. Diebel did not ask Ms. McCarthy for justification or the business case for Ms. McCarthy's \$8,200 TPA-paid travel to England and Germany in 2005, despite the allegations Ms. McCarthy was making about unjustifiable foreign travel by the former TPA CEO. As a demonstration that the TPA had nothing to hide on such matters, all board expenses for existing TPA Directors were released to the public by the TPA at its September 3, 2009, annual meeting. These expenses are updated quarterly on the TPA website and were possessed by the Star prior to publication of the article.

A summary of TPA Board members' expenses can be viewed here:

<http://www.torontoport.com/PortAuthority/REPORTS/BoardExpenses2005to2009.PDF>

Also posted on the TPA website is a copy of the 2007 and 2008 hospitality and travel expenses for the former TPA CEO as were tabled in the House of Commons earlier this year.

In a press release dated January 28, 2009, the TPA board of directors announced it made clarifications to management policies governing hospitality expenses in order to tighten up guidelines for entertaining colleagues and business associates.

The board's Audit Committee recommended the clarifications to ensure TPA management and staff could improve transparency and deliver higher standards of financial accountability.

The clarifications were established after a Dec. 23, 2008, Audit Committee meeting during which committee members felt that certain management hospitality and travel expenses between 2006 and 2008 should have been reviewed more closely at the time they were incurred.

"Based upon this initial review, there is nothing in these expenses that is unusual for a business of this size. In order to improve transparency and certainty in the future, clarifications have been made to the TPA's hospitality expense policies," said Colin D. Watson, Chairman of the Audit Committee. "Our auditors have been consulted on the matter. I have asked our auditors to examine the clarifications that have been made to the TPA's hospitality expense policies as part of their upcoming Special Examination audit, which takes place every five years."

At the time the expenses in question were incurred, TPA management followed the existing Purchasing Policy at all times.

Error Nos. 3, 4 and 5

-----

In the article on Board minutes published Nov. 6, the Star published minutes from the April 22, 2008, TPA Board meeting. The newspaper identified the initials "RP" at the bottom of these minutes to be those of "Ron Paul," described as the TPA's Acting CEO. The newspaper further alleges that "Ron Paul's" initials indicate the TPA's Acting CEO approved these minutes.

Facts

-----

These were the initials of Ron Podolny, a former law student with an outside law firm. Alan Paul is the Acting President and CEO of the TPA. He did not initial the minutes in question.

Ms. Diebel had the opportunity to ask Mr. Paul during her interview with him prior to the publication of the article if he had initialled these minutes. She was negligent by falsely assuming that Mr. Paul approved the draft minutes.

Error No. 6

The article regarding board minutes suggests that the TPA hired law firm Goodmans LLP “to seek another opinion about McQueen's election” as Board Chairman in March 2008.

Facts

-----

Goodmans LLP was not retained for this purpose. Ms. Diebel was advised in writing prior to the publication of the article that former TPA CEO Lisa Raitt engaged Goodmans LLP to give TPA management advice on “how to deal with a split board.”

Error No. 7

The article regarding board minutes suggests that former TPA Chair Ms. McCarthy was unaware of why a board vote was held on March 27, 2008 to remove her as Chair of the TPA board of directors.

-----

Facts

-----

Ms. McCarthy was removed as TPA Chair in March 2008 by the authority of the TPA board of directors, following the process for such changes under TPA Bylaws. Ms. Diebel was advised in writing on October 29, 2009, (prior to the publication of the article) that Ms. McCarthy was removed as Chair due to her \$50,000 annual salary for a part-time role as Chair of the TPA Board. In an effort to reduce the cost of the Board, the salary was cancelled.

Subsequent to her removal as Chair, Ms. McCarthy’s travel and hospitality expenses were released and are posted on the TPA website, along with all other Director expenses. As Chair, Ms. McCarthy expensed over \$33,000 of travel and hospitality between 2005 and 2007. Her 19 different trips included stops in London (England), Hamburg (Germany), Vancouver, New Orleans (USA) and Virginia (USA).

The current TPA Chairman, Mr. McQueen, receives no compensation for his role as Board Chairman. He donates his Director fees to charity each year.

Error No. 8

The article regarding board minutes claims that the TPA Board has eleven members, and is as large as any Port Authority board in Canada.

-----

Facts

The TPA Board has nine members, as is clear from its corporate website. Subsequent to the removal of former TPA Board Chair Michele McCarthy, under the direction of the current Board, the annual cost of the TPA Board of Directors has been reduced by approximately 33% -- as outlined in the 2008 TPA audited financial statements.

Error No. 9

The article regarding board minutes misidentified the name of Mr. McQueen's private sector firm.