

ANNUAL REPORT 2012



Toronto
Port
Authority

Administration
Portuaire
de Toronto

© Toronto Port Authority 2013. All rights reserved.

60 Harbour Street, Toronto, ON M5J 1B7 Canada

The Toronto Port Authority is a government business enterprise operating pursuant to the Canada Marine Act and Letters Patent issued by of the federal Minister of Transport.

To obtain additional copies of this report, please contact:

Toronto Port Authority
Communications and Public Affairs Department
60 Harbour Street, Toronto, ON M5J 1B7 Canada

Phone: 416-863-2075

Fax: 416-863-0495

E-mail: communications@torontoport.com

Canada





TABLE OF CONTENTS

1	ABOUT THE TORONTO PORT AUTHORITY
3	MESSAGES FROM THE CHAIRMAN AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER
9	CORPORATE GOVERNANCE
13	SUPPORTING ECONOMIC GROWTH
19	INVESTING IN THE FUTURE
23	WORKING WITH OUR PARTNERS
29	ENVIRONMENTAL STEWARDSHIP
33	FINANCIAL SUSTAINABILITY



ABOUT THE TORONTO PORT AUTHORITY



Established in 1911 as the Toronto Harbour Commissioners, the Toronto Port Authority is a government business enterprise that owns and operates Billy Bishop Toronto City Airport, the Port of Toronto, and the Outer Harbour Marina.

The Toronto Port Authority is also responsible for environmental protection, monitoring and promoting boating safety and maintaining the efficiency of marine navigation in Toronto's port and harbour.

MISSION

To effectively manage the Billy Bishop Toronto City Airport, the Port of Toronto, and the Outer Harbour Marina on a self-sustaining basis, allowing us to reinvest funds into transportation infrastructure, marine safety, environmental protection and community programming. Through the successful pursuit of this mission, we play an important city-building role in the economic growth and sustainable future of Toronto.

VISION

As the guardian and steward of Toronto's waterfront resources, we work closely with the broader harbour community to ensure these assets will provide prosperity and enjoyment for future generations.

MESSAGE FROM THE CHAIRMAN

I am pleased to present our annual report, which takes the form of a brief catalogue of the organization's achievements and performance in 2012. It represented another year of remarkable activity. Building on the successes of 2011, our centennial year, we began our second century of operations with the initiation of construction of the pedestrian tunnel to Billy Bishop Toronto City Airport (Billy Bishop Airport) and ended it with record profitability due to contributions from all of our operating divisions.

In 1935, the Globe and Mail editorial board called the tunnel "inevitable". Not so, it turned out, in the absence of a robust passenger market, a creative financing strategy and the confidence of our board of directors in Toronto's newfound love for Billy Bishop Airport – an airport that Billy Bishop's business partner, William G. Barker, VC, first advocated establishing in November 1919.

I'm proud that our management, employees and board of directors were able to achieve so much within an atmosphere of rigorous regulation, new demands on our business and evolving public expectations, all of which challenge us every day.

The agency is a unique organization, with the opportunity to play an important role in Toronto's prosperity. The Toronto Port Authority (TPA) also has an important role as a regulator and monitor, which has been thrust into the limelight in 2013 with the new business proposal of one of our carriers.

The airport offers convenient air travel to business travellers coming to and from the city, and attracts visitors who in turn spend money enjoying the local sights and sounds of our hometown. The significant economic impact of the airport's operations was documented in an Economic Impact Study that we released in November 2012 in partnership with the Toronto Board of Trade.

The 1983 Tripartite Agreement that governs Billy Bishop Airport prescribes strict criteria for our operations and is one of the most stringent governing agreements of any airport in North America. The agreement defines the type of commercial aircraft that can fly into and out of the airport and places limitations on its total noise output. For 30 years, the Agreement and the TPA have restricted the type of propeller aircraft that can use the airport. Whatever the future holds, we will continue to manage the airport in a fashion that acknowledges its unique urban location. Our goal is to "do no harm", to borrow from ancient writings.

The airport's passenger loads reflect a sense that Torontonians and visitors alike see Billy Bishop Airport as an essential part of the GTA's transportation infrastructure. However, we believe that any growth, including any proposed changes to our infrastructure, must be supported by a business case that contributes to the TPA's long term sustainability as well as the well-being of the broader community in which we operate. We do not want to look back at this period with regret, say, ten years from now.

As we've reminded our customers and neighbours for more than half a decade, every Toronto neighbourhood experiences its own urban noise. But that doesn't mean that changes to the Tripartite Agreement will be considered without appropriate and considerable reflection by our Board of Directors – which has been appointed by the three levels of government: City of Toronto, Province of Ontario and the Government of Canada.

We operate our businesses within a dynamic environment and we are open to change that provides for greater efficiencies and improvements – both for the agency, its customers and for our neighbours. This is one of the major reasons we have worked hard to bring the pedestrian tunnel project to fruition while, at the same time, making needed improvements to Eireann Quay. We will continue to explore opportunities that improve the travelling experience while considering every feasible proposal that helps address the needs of the surrounding community.

For example, we are constantly evaluating new ways to make the airport even better in terms of its day-to-day operations, noise output and issues related to traffic. This is our responsibility as operators of an urban airport. We strive to be good neighbours, and will reject no feasible idea that improves our operations or their impact on the ever-growing residential community that has been attracted to the airport's neighbourhood.

In 2012, we made further progress on the implementation of the recommendations of a 2010 noise management study. We installed the first of two large noise barriers at the airport to mitigate aircraft noise for Stadium Road residents and established a Tunnel Construction Committee that meets regularly in an open public setting for the duration of the Billy Bishop Airport pedestrian tunnel project.

On the safety front, enhancements have also been made to Billy Bishop's Airport's firefighting and medical response capabilities, as well as for continuous training and versatility of our first responders. Importantly, these expenses have been paid by the airport itself, and not taxpayers as the TPA is a self-funding business enterprise.

Being a custodian of the waterfront is a responsibility we take very seriously, more so now that Torontonians are rediscovering this part of the city. Public demand for recreational space and societal expectations of the stewardship of our natural resources continue to grow. We are proud to be part of a revitalized waterfront that is accessible and enjoyable for Torontonians and visitors to our uniquely liveable city.

We have made multi-million dollar investments to the Outer Harbour Marina to enhance the customer experience. Improvements include the addition of heated indoor winter storage and the conversion our docks to a new state-of-the-art docking system. We have also enhanced environmental stewardship programs to prevent pollution at the marina, leading to a new "best-in-class" rating from the Ontario Marine Operators' Association (OMOA).



For over 50 years we have worked hard to create what is now one of North America's largest man-made parks on the Leslie Street Spit, Toronto's largely undiscovered Tommy Thompson Park, and that work is still ongoing. With its rich biodiversity and stunning waterfront views, the park is just one of the many achievements this organization is proud of. In addition to our continued construction of the Spit, we have also been working closely with the Toronto and Region Conservation Authority over the past year to create a wetland conservation area that will improve water quality, mitigate flooding and encourage more fish, birds and wildlife in the area.

What's more, we continued to support a number of community organizations whose work fosters strong, healthy, artistic and involved communities, and we hosted our second Sail-In Cinema™ – all of which are the types of things the community has shown it values. Going forward, we want to be even more engaged with the organizations we support as we help to shape the future of the South Core and waterfront community.

The port, too, is vital to industry, offering access to marine ports worldwide via the St. Lawrence Seaway and located in convenient proximity to air, rail and road transportation infrastructure. In addition to handling growing volumes of bulk cargo for overseas markets, it has become an increasingly important part of downtown Toronto's construction boom as we have expanded our warehouse and staging capacity.

Importantly in 2012, the Toronto Port Authority booked \$2.137 million in Payments-in-lieu of Taxes (or PILTs) for payment to the City of Toronto and an additional \$1.674 million in property taxes. Another \$2.368 million in Gross Revenue Charge was paid to the Federal Government by the TPA.

On the transparency front, all Board and CEO expenses are posted online on a quarterly basis: we are the first Port Authority to do so in Canada. And we continue to disclose all of our executive correspondence with all levels of government on our website in real time. You will note, too, that as a group, the TPA Board is one of the most cost effective governing bodies of any Port Authority.

The Toronto Port Authority and all its businesses contribute to the economic growth of the Toronto region, and are at the forefront of managing its waterfront resources. On behalf of the staff and Board, I am pleased to share with you our 2012 results and the ways in which we are meeting our commitments to all of our stakeholders.



Mark McQueen
Chairman



MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

The Toronto Port Authority (TPA) began its second century of operations in 2012 on very strong footing. I'm proud to report that it was another extraordinary year for us in many ways.

All areas of our business experienced growth this year, resulting in our fifth consecutive year of profitability. In fact, we reported net income of \$19.7 million, up 41 per cent from \$13.9 million in 2011.

This past year marked the fourth consecutive year of double-digit growth at Billy Bishop Toronto City Airport. In 2012, we served 2.3 million passengers, a 24 per cent increase over 2011, and did so while receiving excellent customer satisfaction ratings and being ranked the world's tenth best with under 5 million passengers by the 2013 Skytrax World Airport Awards.

The port and marina contributed to TPA's financial success this year as well. The Port posted increased operating income, saw a rise in overall Port tonnage and experienced additional growth by diversifying into warehousing and project staging, handling significantly more construction cargo than we saw last year.

The Outer Harbour Marina's operating income was also up, during a year that saw significant infrastructure improvements at the facility. In other good news, the marina's rating by the Ontario Marine Operators Clean Marine program increased to *5 Green Anchor Gold* in recognition of our implementation of environmental best practices.

All of our businesses are mandated to be and are self-sustaining, operating without any government funding. Our growth and profitability enable us to continue making important investments in Toronto's waterfront infrastructure, the environment and community organizations. Over the past year, in addition to supporting many worthy community organizations, we brought back Sail-In Cinema™ for the second time and it was a great success. We are very excited to have begun construction on the Wetland Creation Project, bringing our expertise in lakefill construction and management to a partnership with the Toronto and Region Conservation Authority that will create new habitat for fish, migratory birds and other wildlife in Tommy Thompson Park. We also continue to invest in measures that minimize the environmental impact of our businesses, such as purchasing 100 per cent of our power from renewable sources like wind and hydro, through Bullfrog Power.

We know that Torontonians believe it is a priority to invest in the city's transportation infrastructure, and we are working with a sense of urgency to do this on the waterfront. We kicked off some significant projects in 2012 that will have a long-lasting impact on our business and our city.

In March, Prime Minister Stephen Harper, Federal Finance Minister, Jim Flaherty, and Toronto Mayor Rob Ford joined us to announce a very exciting milestone – the start of construction of a pedestrian tunnel

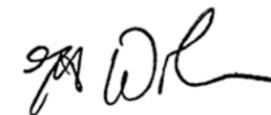
to Billy Bishop Airport. We are extremely proud that this project is being built at no cost to taxpayers and will be funded entirely through the Airport Improvement Fee paid by departing passengers. Most importantly, the tunnel will provide fast, convenient and reliable airport access for our passengers while easing traffic congestion. We also began work on the redevelopment of our 1.8-acre site at Bay and Harbour Streets, an important element of our long-term financial sustainability. Home to the historic Harbor Commission building that houses our head office, the site is otherwise largely used for surface parking. Redevelopment will see the construction of new commercial and office space that is well-aligned with Toronto's vision for a balance of office, commercial and residential space in the South Core area.

TPA's contributions to Toronto go beyond the waterfront though; we are also a significant contributor of taxes and employment to the City, and to the overall prosperity and growth of our local and provincial economies.

Billy Bishop Airport is now a world-class gateway that is becoming increasingly essential to business, trade and tourism. In November 2012, we released an economic study that found the airport contributes nearly \$2 billion in economic output each year and 5,700 jobs. With the volume of passengers expected to increase again in 2013, we are confident Billy Bishop Airport will continue to stimulate business and economic growth for many years to come.

Through our port and airport, we offer Canadian and international businesses convenient, cost-effective access to Canada's largest city. We will continue to pursue a successful strategy of managed growth in the coming years. We recognize and respect that we are in a unique position, operating a port and airport in the midst of a vital residential and business community. Projects such as the construction of the pedestrian tunnel to Billy Bishop Airport allow us to meet the demands of a growing city while respecting the strict terms of our operating agreement with Transport Canada and the City of Toronto, and preserving the quality of life in our neighbourhood.

Not least, our considerable achievements in the last year were made possible, in large part, by the dedication of our fine employees, the support and commitment of our board, and the cooperation and feedback of our stakeholders and community partners. Together, we are building a waterfront that is prosperous and enjoyable, and one that will support our city's growth for years to come.



Geoffrey A. Wilson
President and Chief Executive Officer





CORPORATE GOVERNANCE

The Toronto Port Authority was established in June 1999 under the Canada Marine Act. As successor to the Toronto Harbour Commissioners, which was constituted as a corporation in 1911 under the Toronto Harbour Commissioners Act, we operate pursuant to Letters Patent issued by the federal Minister of Transport. In addition to our ownership and operation of Billy Bishop Toronto City Airport, the Port of Toronto and the Outer Harbour Marina, we also own several properties and have jurisdiction over Toronto Harbour.

The TPA is a financially self-sufficient corporation governed by a nine-member Board of Directors nominated by government and industry.

The Board of Directors are appointed as follows:

- one appointee nominated by the federal Minister of Transport
- one individual appointed by the City of Toronto
- one individual appointed by the province of Ontario
- six individuals nominated by the federal Minister of Transport in consultation with users

Board members are appointed based on their stature and expertise in the transportation industry or business community. Our Board met 15 times in 2012.

The following five standing committees oversee organizational matters, assessing various facets of our operations and receiving input from management and employees:

- Board Executive
- Audit and Finance
- Governance, Nominating and Human Resources
- Communications and Outreach
- Pension

The Board relies on these committees to facilitate business and guide its decisions. During 2012, the standing committees met 29 times in total.

For more information about our governance, please visit our website at:

 www.torontoport.com/About-TPA/Governance.aspx

Board of Directors

TPA's Senior Management Team reports to a Board of Directors reflective of the organization's major stakeholders. Each Director brings a breadth of knowledge in their field of expertise.

Members

MARK MCQUEEN, Chairman of the Board

COLIN WATSON

CRAIG RIX

G. MARK CURRY

JEREMY ADAMS

JAN INNES

JIM GINO

ROBERT D. POIRIER

SEAN MORLEY

Senior Management

GEOFFREY A. WILSON, President and Chief Executive Officer

GENE CABRAL, Executive Vice President, Toronto Port Authority and Billy Bishop Toronto City Airport

ALAN J. PAUL, Vice President and Chief Financial Officer

J. MARK RICHARDSON, Vice President and General Counsel

KEN LUNDY, Director of Infrastructure, Planning and Environment

ANGUS ARMSTRONG, Harbour Master and Chief of Security

PAMELA MCDONALD, Director of Communications and Public Affairs





SUPPORTING ECONOMIC GROWTH

For more than 100 years, the Toronto Port Authority has worked with our partners at the federal, provincial and municipal levels to enhance the economic growth of the City of Toronto and the Greater Toronto Area. Today, Billy Bishop Toronto City Airport and the Port of Toronto act as urban transportation hubs for Canadian and international businesses to gain easy, convenient and cost-effective access to the heart of Canada's most populated city and province.

The Airport

In 2012, a record year for Billy Bishop Toronto City Airport, the airport served 2.3 million passengers, making it the fastest growing airport in North America and the ninth busiest in Canada ahead of airports in Victoria, B.C., St. John's, N.L., and Quebec City, Q.C.

Billy Bishop Toronto City Airport now sees, on average, more passenger traffic in one week than it did in the entire year of 2006, and we expect to welcome 2.4 million passengers in 2013. The airport's convenience has made it popular with business travellers since commercial service improvements were implemented in 2006, however it has seen a dramatic rise in leisure travellers since 2010.

The airport, which hosts two major commercial air carriers, has gained an excellent reputation throughout the travelling community for its superior customer service, fast check-in times, first-class lounge experience and convenient location close to Toronto's downtown core. The airport serves 18 destinations in Canada and the United States.

Billy Bishop Toronto City Airport is also a base for air ambulance service and home to a sizable personal aviation community that includes approximately 50 private planes and one flight school.

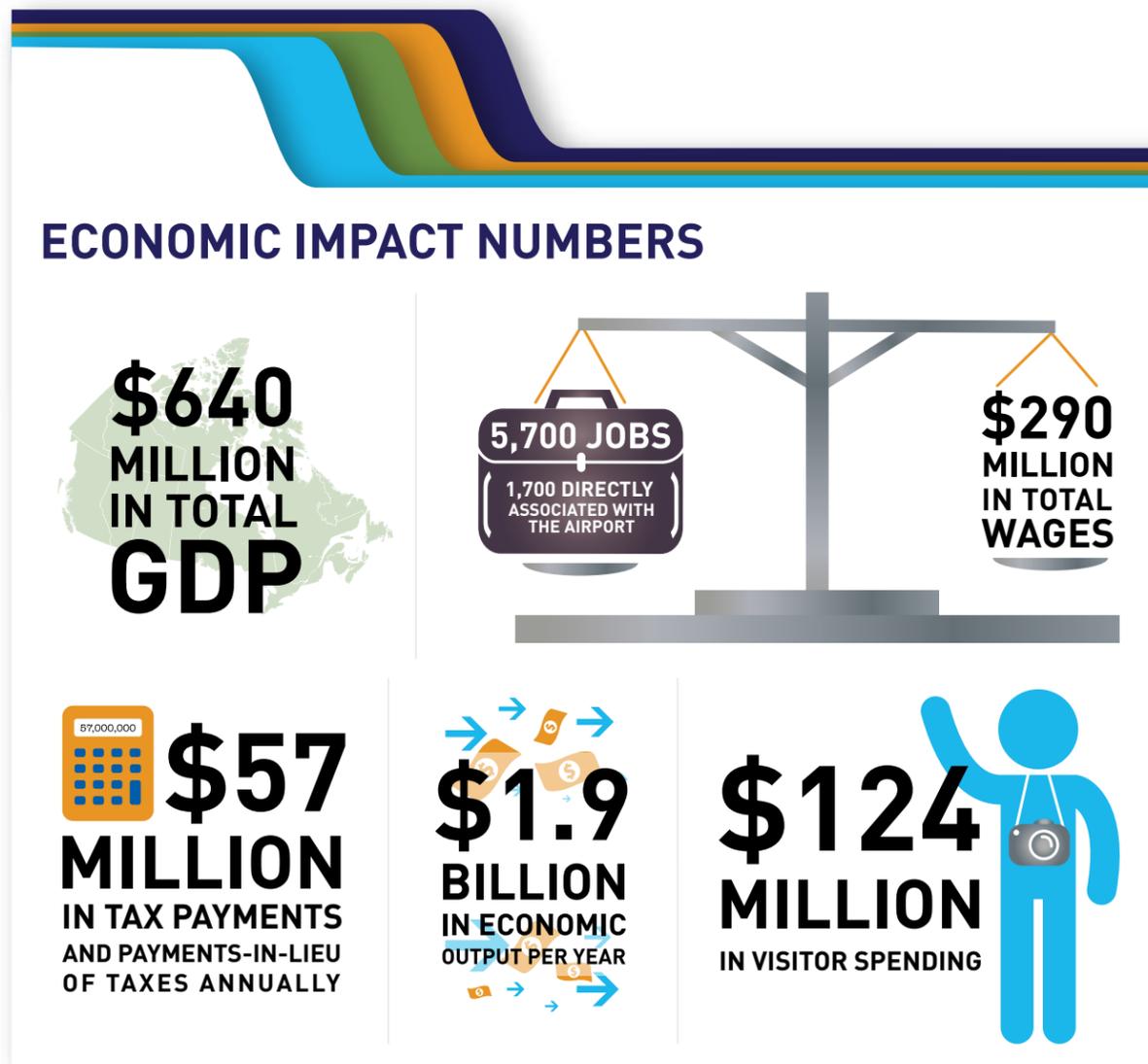
Contributing to the Economy

Billy Bishop Toronto City Airport is fast becoming a key facilitator of business travel and tourism and a significant contributor to Toronto's economic growth.

As an emerging regional hub, the airport links the Greater Toronto Area (GTA) to major North American cities, and has become a vital part of business growth, supporting Toronto's international competitiveness. The airport brings direct and indirect economic benefits to the GTA, supporting Toronto's key sectors; financial services, life sciences, creative industries, food and beverage, and film and television.

In addition to generating* \$1.9 billion in total annual economic output each year, the airport contributes \$640 million to Toronto's annual Gross Domestic Product (GDP) and supports 5,700 jobs, including 1,700 directly associated with the airport. It also boosts the local economy, with visitors who come through Billy Bishop spending approximately \$124 million a year on accommodation, transportation, retail and food and beverage.

Since 2006, the airport has seen exponential year over year growth in passenger numbers. With the volume of air travellers expected to reach 2.4 million in 2013, we expect a significant increase in the airport's economic contributions and the creation of new jobs. Looking to the future, we are confident that the airport's operations will continue to stimulate business and commerce, translating into measurable and sustainable economic growth for years to come.



*According to economic impact study results based on a review of March 2012 operations.

Find out more about the study at: www.torontoport.com/About-TPA/Media-Room/Videos.aspx

The Port

The Port of Toronto, which dates back to 1793, is Toronto's gateway to the St. Lawrence Seaway and to marine ports around the world. Serving primarily as a bulk cargo facility, the port is a unique addition to Toronto's economic infrastructure that provides a network of intermodal links to road, rail and air transportation.

The Port also provides premier warehousing and staging services to support downtown Toronto's booming construction activity. The 50-acre facility has more than 225,000 square feet of warehouse space and over 30 acres of paved marshalling area, ideal for short/long-term storage, warehousing and project staging.

Our traditional marine cargo business experienced steady growth in 2012, with nearly 1.86 million metric tonnes passing through the port, a five per cent increase over 2011. Overseas bulk cargo shipments rose by 44 per cent rise in 2012. The most common cargoes in 2012 included sugar, salt, cement and aggregate.

In 2012, the Port of Toronto concentrated on diversifying operations with a focus on marketing its warehousing and project staging services. These efforts resulted in a strong rise in construction staging cargo. More than 2,800 tonnes of construction staging cargo came through the port, a dramatic increase over 2011. The outlook for 2013 remains strong with record construction in Toronto expected to continue for the next few years.



In addition to traditional marine cargo, the Port's International Marine Passenger Terminal also saw continued cruise ship activity in 2012. Three cruise ships visited the port between June and August. The *MV Yorktown*, *MV Grand Caribe* and *MV Grand Mariner* sailed into port as part of their Great Lakes itineraries.

With its unmatched vistas of downtown Toronto and proximity to the city's cultural centre, the port has become a popular filming location for major television dramas and big-screen blockbusters.

In what was another strong year for the industry in Toronto, filming activity at the port generated over \$168,000 in revenue in 2012. Several productions, including *Rookie Blue*, *Flashpoint*, *Cracked*, and *Nikita* were filmed at the port. Film and television activity is expected to grow in the year ahead.

Beaver Hat Ceremony

In 2012, the Port of Toronto welcomed the first 'saltie' of the year at the Annual Beaver Hat Ceremony. The *MV Barnacle*, carrying sugar, arrived from Nicaragua on March 24.

Every year, the Port of Toronto marks the arrival of the first ocean-going vessel of the year with the Beaver Hat Ceremony. This port tradition dates back to 1861.

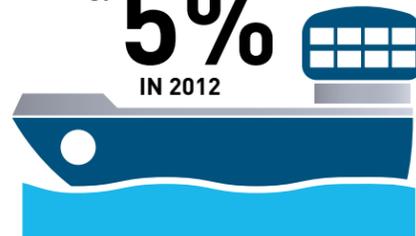
The annual ceremony is the official opening of the shipping season for the Port of Toronto. The captain of the first ocean vessel of the season to reach port is 'crowned' with an antique silk-and-beaver skin top hat by the Harbour Master.

PORT HIGHLIGHTS

1,861,082
METRIC TONNES TOTAL
PORT TONNAGE IN 2012



OVERALL PORT
TONNAGE
UP
5%
IN 2012



CEMENT
TONNAGE
UP
12%



SUGAR
SHIPMENTS
UP **44%**



CONSTRUCTION
STAGING CARGO
UP **2,261**
TONNES



4 CRUISE
SHIP
VISITS*



690
CRUISE SHIP
PASSENGERS



* (MV Yorktown came to port twice)



INVESTING IN THE FUTURE

The Toronto Port Authority's vision of being a vital, solution-oriented steward of key waterfront assets begins with investing in the city that we have served for more than 100 years. Since 1911, we have made strategic investments in various facilities along Toronto's waterfront.

In 2012, the Toronto Port Authority reinvested more than \$48 million in waterfront infrastructure. Investments ranged from replacement of equipment to the maintenance and restoration of our various facilities.

Highlights of the 2012 investments include:

- More than \$3.3 million in improvements at the Outer Harbour Marina
- Over \$42 million in capital improvements at Billy Bishop Toronto City Airport
- Nearly \$1 million in environmental initiatives and remediation

We are continually pursuing opportunities to make investments that will allow us to better serve our customers, stakeholders and community in the 21st Century. The largest of these investments to date is the construction of a pedestrian tunnel that will connect Billy Bishop Toronto City Airport to the mainland for the first time since the airport was opened in 1939. The innovative project will provide travellers an alternative, reliable point of access and help ease congestion during peak travel periods.

The tunnel, which is being built through a public-private partnership model, is slated for completion in 2014. The \$20 Airport Improvement Fee (AIF) paid by departing passengers will finance the tunnel's \$82.5 million construction cost.

In addition to improving access to the airport, the proposed pedestrian tunnel will carry new water and sanitary lines to serve residents and businesses on the Toronto islands following a landmark agreement with the City of Toronto that will save municipal taxpayers \$10 million.

In the next few years, work is expected to begin on another exciting project, the redevelopment of our property at Bay and Harbour Streets. Our headquarters, the landmark Toronto Harbor Commission building at 60 Harbour Street, which will be maintained and preserved, anchors the 1.8-acre site.

In March 2012, we selected a consortium led by Oxford Properties Group, the real estate investment arm of the OMERS Worldwide Group of Companies, as the preferred proponent for the 30 Bay/60 Harbour Project. The significant development initiative is an element of the TPA's long-term financial sustainability planning and will increase our ability to undertake essential public works projects over the coming years.

Once completed, the redevelopment will allow us to showcase our historic headquarters in an enhanced public arena while also creating a new and exciting space to support the city's expanding financial services sector and the overall growth in the South Core. The proposed development will focus on high quality office and commercial opportunities, which is consistent with the City of Toronto's goal to achieve the right balance of office, commercial, and residential mixed use in the South Core area. A public consultation process will be incorporated into the planning and design phase.

PEDESTRIAN TUNNEL PROJECT

In spring 2012, construction began on the pedestrian tunnel to Billy Bishop Toronto City Airport. The innovative project will mean that passengers and airport users can walk to the airport for the first time in its history. Prime Minister Stephen Harper, Federal Finance Minister Jim Flaherty and Toronto Mayor Rob Ford paid the airport an historic visit for the tunnel's ground breaking.

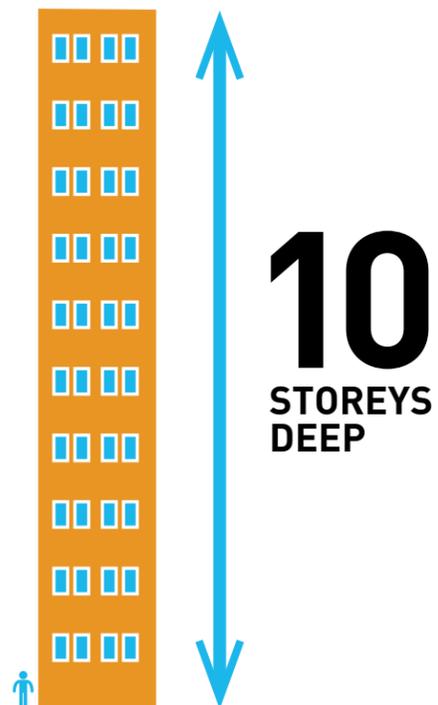
FAST

TUNNEL FACTS

853 FEET LONG

YOU'RE HERE

853 ft.



4

MOVING SIDEWALKS

2.3

km/h

SPEED OF MOVING SIDEWALK

1

NEW COFFEE SHOP ON MAINLAND

TOTAL CONSTRUCTION COST:

\$82.5 MILLION

100% FINANCED BY THE PRIVATE SECTOR AND ULTIMATELY PAID BY A PORTION OF THE EXISTING \$20 AIRPORT AIF



2

CUSTOM MADE TUNNEL BORING MACHINES USED FOR THE PROJECT

TUNNEL OPENS 2014

Watch the animated construction sequence and see the project from start to finish at

www.torontoport.com/About-TPA/Media-Room/Videos.aspx



Partnering Through Art

Working closely with our community partners, we made great progress in strengthening and celebrating the harbour community in 2012.

We partnered with Harbourfront Centre for *Uncharted Waters*, an exhibit that offered rare insight into the inner workings Toronto's harbour. Six critically acclaimed Canadian photographers were given unprecedented access to our various holdings and facilities as part of the exhibit.

Uncharted Waters, which ran from June 2012 to June 2013 along Harbourfront Centre's lakefront promenade. More than 17 million people experienced the sights and secrets of the harbour through the photos on display.

We also pledged funding to the Harbourfront Community Centre's art studio program *Room 13*. This financial support has allowed the program to expand and accommodate additional youth participation. The empowering visual arts program for at-risk youth implements a resiliency-building strategy that encourages peer mentorship, studio management, entrepreneurial spirit, and team building.



WORKING WITH OUR PARTNERS

The TPA has been an important part of the waterfront community since 1911. Throughout our history, we have worked with a vast array of Torontonians who share our goals and live, play and work at the water's edge.

Today, we are proud to support the many diverse organizations that make the waterfront such a thriving community. In 2012, we supported a number of initiatives and organizations including:

- Harbourfront Centre's *Uncharted Waters* photography exhibit
- Harbourfront Community Centre's *Room 13* art studio program
- Canadian Art Foundation
- ProAction Cops and Kids
- CivicAction

To mark our centennial in 2011, we held the very first water-borne movie series in North America, Sail-In Cinema™. The inaugural festival was such a success that we have now made it an annual event. In 2012, more than 2,000 people and 70 boats turned up at the water's edge for Sail-In Cinema™.

For three warm nights in August, hundreds of people gathered at Sugar Beach at the foot of Jarvis Street to watch water-themed movies under the stars. Dozens of boaters did likewise, mooring just off shore. The festival has won several prestigious awards since 2011.

Real community engagement goes beyond being a sponsor. We see the TPA as a leading voice in the direction of the city's waterfront, with an obligation to listen closely to our community.

Public Outreach

As part of our ongoing efforts to reach out to the residents and businesses near Billy Bishop Toronto City Airport, we established a Community Liaison Committee in 2011. The Committee is designed to provide our neighbours with a forum for discussing issues and concerns related to airport operations. The Committee follows best practices of community engagement, meeting four times a year and exploring matters ranging from managing airport noise to improving transportation access.

In 2012, we established a Tunnel Construction Committee that meets regularly for the duration of the pedestrian tunnel project. The Committee is a working group that discusses and builds consensus around topics ranging from construction concerns to effective communication with the community. We also issue regular updates to keep the community informed about the project's progress.

We continued our commitment to connecting with stakeholders and the community through social media in 2012. Social media was used to promote various community and TPA-related events, including Sail-In Cinema™.



We're on social media, come join the conversation.



www.facebook.com/TheTPA



www.twitter.com/torontoport



2012 Public Outreach

January 18	Community Liaison Committee meeting
March 28	Pedestrian Tunnel and Taxi Staging Proposal Community meeting
April 24	Community Liaison Committee meeting
May 29	Tunnel Construction Committee meeting
June 14	Proposed Lakefill Environmental Assessment Screening community meeting
June 25	Tunnel Construction Committee meeting
July 25	Tunnel Construction Committee meeting
August 27	Annual General Meeting
September 19	Community Liaison Committee meeting
September 25	Tunnel Construction Committee meeting
November 21	Community Liaison Committee meeting
November 27	Tunnel Construction Committee meeting

Working closely with our stakeholders – the City of Toronto and the business community – ensures that the TPA is better equipped to effectively address our city's economic needs. We support the city's economic growth by working collaboratively to develop the waterfront in a sustainable fashion and to ensure Toronto remains competitive in a dynamic global economy.

Meeting Commitments

As the operator of an airport located near a thriving urban community, the Toronto Port Authority works hard to be responsive to our neighbours. We have introduced several changes and improvements to mitigate and reduce the effects of ambient noise from airport operations.

In recent years, we have implemented a number of noise abatement recommendations at Billy Bishop Toronto City Airport. A number of these measures were implemented as a result of a comprehensive airport noise management study completed in 2010. The study outlined 16 noise abatement recommendations, all of which we have begun work on, or have already completed.

The airport's Noise Management Office, which was established in 2011, handled 354 complaints in 2012. The office has a formal complaints process and minimum complaint response times. As is our policy, we responded to all complaints within five (5) business days 98 per cent of the time. In addition to having experienced staff, the Noise Management Office uses a state-of-the-art aircraft tracking system, similar to those used at major airports worldwide. Noise complaint summaries are posted to the TPA website monthly.

Overall aircraft activity rose from 113,715 movements in 2011 to 114,576 in 2012.

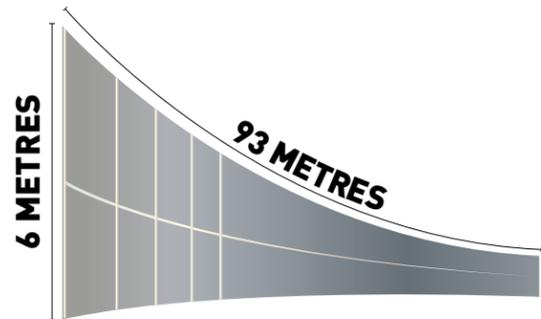
Scheduled air carrier activity accounted for 42 per cent of all aircraft-related complaints registered in 2012 while personal aviation, medevac and other aircraft accounted for the remaining 58 per cent of aircraft-related complaints received.

Following requests and support from the community, we will be establishing a noise subcommittee of the Community Liaison Committee in 2013. The subcommittee will provide an additional forum for the community to raise noise concerns.

In response to community concerns about congestion and vehicle noise in the airport area, the TPA implemented several changes aimed at addressing these considerations in 2012. We made a number of improvements to reduce congestion on the airport's arterial road, Eireann Quay. These improvements include the construction of a new dedicated taxi staging area that has taken taxis off Eireann Quay; a new parking area with more short-term and long-term spots; and free designated parking spots for members of the community and parents of students at nearby schools. These changes have led to decreased congestion, idling and vehicle noise at the airport and in the surrounding community. We will continue to make improvements to Eireann Quay in 2013 and will continue to work with the City on its Strategic Transportation Study to address long-term traffic management solutions for Eireann Quay and the surrounding airport area.

AIRPORT NOISE MITIGATION

2012



FIRST OF TWO NOISE BARRIERS CONSTRUCTED TO MITIGATE NOISE FROM AIRCRAFT OPERATIONS. THE 93-METRE-LONG AND 6-METRE-HIGH BARRIER IS LOCATED AT THE AIRPORT'S NORTH WEST SIDE



NOISE COMPLAINT FORM IMPROVED FOLLOWING COMMUNITY FEEDBACK



TUNNEL CONSTRUCTION COMMITTEE ESTABLISHED

2011



NEW, STATE-OF-THE-ART AIRCRAFT TRACKING SYSTEM IMPLEMENTED



NOISE MANAGEMENT OFFICE WITH EXPERIENCED STAFF ESTABLISHED



FORMAL COMPLAINTS PROCESS INTRODUCED

2010



MINIMUM COMPLAINT RESPONSE TIMES ESTABLISHED



NEW NOISE COMPLAINT WEB FORM INTRODUCED

COMPREHENSIVE NOISE MANAGEMENT STUDY COMPLETED



16 NOISE ABATEMENT RECOMMENDATIONS MADE



Recreational Boating Community

Nestled in the serenity provided by Tommy Thompson Park, the Outer Harbour Marina offers an escape from city life. Located a stone's throw from Toronto's downtown core, local boaters do not have to travel far to experience tranquility, breathtaking scenery and a world-class marina.

With more than 600 slips, the Outer Harbour Marina is one of the largest freshwater facilities of its kind in Ontario and the largest in Toronto. Improvements made in 2012 mean that, in addition to being the only docking facility in Toronto with extra-wide slips that can accommodate pleasure craft up to 100 feet long, the Outer Harbour Marina is now the only establishment in the GTA with heated indoor winter boat storage.

Outer Harbour Marina Improvements

As a result of feedback and to enhance the overall customer experience of marina users, the TPA completed several upgrades at the Outer Harbour Marina in 2012.

The TPA completed the second phase of a dock replacement project that saw 200 of the marina's old docks replaced with a new state-of-the-art docking system.

Other improvements included:

- Creating a new barbecue pavilion (complete in 2013)
- Introduction of wireless internet for marina customers
- Purchase of a 50-ton Travelift for boat launches and haulouts
- Introduction of heated indoor winter storage

Every recreational boater who operates a "powered" vessel within our jurisdiction, which extends from the mouth of the Humber River to Victoria Park Avenue, is required to have a Powered Vessel Operator's Permit.

Our Powered Vessel Operator's Permit education program, which includes on-water testing, takes place at the Outer Harbour Marina from mid-May to mid-September. In 2012, 745 new permits were issued to boaters and 5,425 permits were renewed.



Reducing Our Footprint

The Toronto Port Authority is the only port authority in Canada that chooses renewable energy for all of its facilities, and is one of the top users of Bullfrog Power in the nation. Bullfrog Power is Canada's 100 per cent green energy provider.

In addition to observing best practices in sustainability in our operations, we are also proud that Billy Bishop Toronto City Airport, the Port of Toronto and the Outer Harbour Marina are the only facilities of their kind in Canada that choose 100 per cent renewable energy sources.

We have also begun implementing a number of initiatives to reduce our environmental footprint:

- Phasing out vessels with two-stroke outboard motors; shifting to cleaner and more efficient four-stroke models
- Using fuel efficient and hybrid vehicles for airport maintenance operations
- Phased replacement of all operational vehicles to hybrid models by 2020



ENVIRONMENTAL STEWARDSHIP

We are responsible for protecting the water resources in Toronto's Harbour. It is one of our most important responsibilities when it comes to preserving the quality of life for Toronto's more than two million residents and the millions more who visit the waterfront each year.

We remove an average of 70,000 metric tonnes of material from the Keating Channel and Toronto Harbour each year. In 2012, we collected 845 metric tonnes of driftwood from the harbour and dredged over 36,000 cubic metres of material from the Keating Channel to prevent flooding of the Don River and minimize siltation in the inner harbour.

Construction of the Wetland Creation Project began in 2012, with final planting expected in fall 2013. This project will see the creation of a wetland area and fish habitat in Tommy Thompson Park on the Leslie Street Spit. Together with the Toronto and Region Conservation Authority (TRCA), we have refined, developed and completed detailed designs to create new dykes and outer islands conducive to fish, migratory birds and various other wildlife.

The new habitat will include fish and water level control structures to monitor and manage the movement of fish species and water levels within the enclosed area. The outer islands will protect the dykes from large waves, creating a sheltered habitat area. Using our expertise in lakefill construction and management, and TRCA's expertise in creating protected habitats, the Wetland Creation Project will be an important addition to Tommy Thompson Park.

In addition to fulfilling our role as an environmental steward, we aim to run all of our operations sustainably and with minimal environmental impact. One way we have done this is by choosing 100 per cent renewable energy for all our operations since 2010

We also follow best practices from around the world to achieve sustainability goals at the Port and prevent pollution at the Outer Harbour Marina. These measures include expanded recycling efforts for solid and hazardous material reduction, and education campaigns for port staff, customers, tenants and the general public on equipment maintenance.

For the third year in a row, the Outer Harbour Marina received an upgraded rating from the Clean Marine Program. The Marina met several criteria that allowed it to surpass its 2011 rating of *5 Green Anchors* and receive a *5 Green Anchor Gold* designation. This rating, awarded by the Ontario Marine Operators' Association (OMOA), recognizes marinas that follow strict environmental best practices. The Outer Harbour Marina is one of the few in Ontario to receive this rating.

In addition to fulfilling our mandate as an environmental steward, the Outer Harbour Marina implemented six environmental initiatives that led to the upgraded OMOA rating, including:

- Converting workboats to new technology engines
- Contributing to local environmental initiatives
- Educating marina customers on the Clean-Marine Eco-Rating Program
- Converting 90 per cent of the marina's lighting to high efficiency lighting
- Having all marina employees attend approved spills containment courses and providing an approved spills containment kit at the fuel dock
- Signing of an environmental commitment pledge by all marina slip users

Keeping Vehicles Off Toronto's Roads and Highways

Shipping bulk cargo through the Port of Toronto results in fewer trucks on Toronto's busy roads. A typical Seaway bulk freighter can unload in just five hours and carry the same amount of cargo as 963 transport trucks or 301 rail cars.

Not only does marine travel reduce traffic congestion on our highways, it is also a more energy efficient way to transport goods. One tonne of freight can travel 240 kilometres on a single litre of fuel by ship, whereas it can only travel 30 kilometres on the same amount of fuel by truck.

With the urban landscape expanding, the port has become an important supply chain hub. Construction materials based at the Port of Toronto's storage and staging areas travel shorter distances to get to the worksite, cutting down on construction costs, congestion and unnecessary fuel emissions.

Billy Bishop Toronto City Airport is conveniently located five minutes from downtown Toronto and a short walk from Toronto Transit Commission stops. Complimentary shuttle bus service between the airport and Fairmont Royal York Hotel/Union Station connects travellers to the heart of Toronto and a wide range of transportation links to the Greater Toronto Area and beyond.



FINANCIAL SUSTAINABILITY

The TPA is a government business enterprise that operates on the basis of financial self-sufficiency.

We provide transportation, marine and recreational services and fulfil our mandate as an environmental steward that ensures safety in the harbour by operating our business lines in a cost-effective and efficient manner. Our profits are reinvested to improve the infrastructure and services our city needs to be a great place to live, work and play.

In 2012, we saw our fifth consecutive year of profitable growth. An increase in net income from \$13.9 million in 2011 to \$19.7 million in 2012 resulted in record profits.

All of our business lines posted solid gains in 2012. Billy Bishop Toronto City Airport generated income, including Airport Improvement Fees, of \$24.1 million. This financial growth is expected to continue at the airport in 2013, with passenger volumes forecast to climb to 2.4 million.

The Outer Harbour Marina, which underwent several major improvements, saw operating income rise to \$1.3 million, a slight increase from 2011. The marina's summer berthing occupancy rate was 95 per cent in 2012.

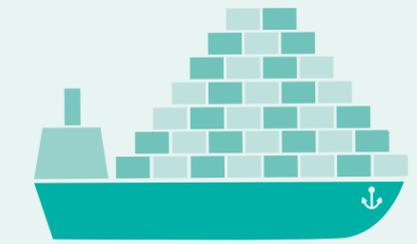
Traditional marine cargo activity at the Port of Toronto continued to recover in 2012. Net income from operations of \$1.4 million was reported in 2012, as the Port of Toronto continues to be the major entry point for salt, sugar, aggregate and cement to our city. We are actively marketing the port as a construction, supply chain and project staging hub for downtown development.

Our operating ratio, a barometer of profitability, climbed from 1.58 in 2011 to 1.67 in 2012, reflecting our growing revenues and increasingly efficient operations.

The 2012 financial statements of the Toronto Port Authority were prepared in accordance with International Financial Reporting Standards and were audited by Deloitte LLP. Complete financial statements and the Independent Auditor's Report thereon are available at www.torontoport.com. The following information has been extracted from the audited financial statements of the current and prior years.



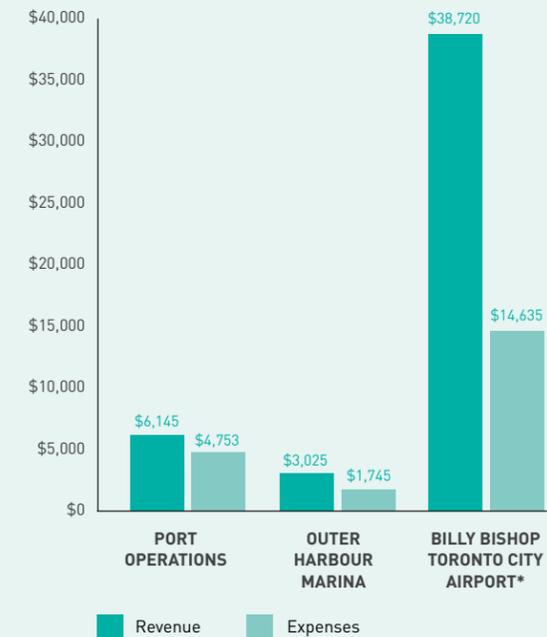
NET INCOME
(In thousands of dollars)



THE PORT OF TORONTO'S
OPERATING INCOME ROSE TO
\$1.4 MILLION



THE OUTER HARBOUR MARINA'S
OPERATING INCOME ROSE TO
\$1.3 MILLION



* Inclusive of airport improvement fees

2012 SNAPSHOT
REVENUE AND EXPENSES
(In thousands of dollars)



BILLY BISHOP TORONTO CITY
AIRPORT'S INCOME ROSE TO
\$24.1 MILLION

TORONTO PORT AUTHORITY

Statement of Revenue and Expenses

(as extracted from the financial statements) (in thousands of dollars)

	Year ended December 31				
	2012	2011	2010	2009	2008
REVENUE					
Port operations	\$ 6,145	\$ 5,398	\$ 4,402	\$ 5,156	\$ 4,999
Outer Harbour Marina	3,025	2,789	2,568	2,459	2,506
Billy Bishop Toronto City Airport	20,853	17,721	13,313	8,161	7,415
Property rental and other	1,206	1,398	1,383	1,237	1,334
Investment income	482	269	358	921	450
	\$ 31,711	27,575	22,024	17,934	16,704
Airport Improvement Fees,					
net – for airport capital expenditures	17,867	14,645	9,962	5,241	3,605
	\$ 49,578	42,220	31,986	23,175	20,309
EXPENSES					
Port operations	4,753	4,229	3,938	4,260	4,773
Outer Harbour Marina	1,745	1,598	1,416	1,458	1,335
Billy Bishop Toronto City Airport	14,635	13,178	11,577	8,315	8,528
Property rental and other	1,053	1,339	1,050	1,035	1,065
Corporate services	5,222	4,529	4,574	3,825	3,422
Charge on gross revenue	2,368	1,930	1,318	630	612
	\$ 29,776	26,803	23,873	19,523	19,735
NET INCOME FROM OPERATIONS BEFORE THE FOLLOWING					
	19,802	15,417	8,113	3,652	574
Adjustment to City of Toronto HUF*	–	–	–	(2,958)	–
Payments in respect of land disposition	1,812	1,880	2,087	2,155	2,334
Lands transferred (macro settlement)	–	–	(780)	–	–
Payments in lieu of taxes	(2,137)	(2,210)	(1,828)	(1,503)	(2,045)
Gain/(loss) on interest rate swap	207	(816)	(306)	–	–
(Loss) due to impairment of capital assets	–	(350)	–	–	–
NET INCOME	\$ 19,684	\$ 13,921	\$ 7,286	\$ 1,346	\$ 863

* Harbour User Fees