

**Toronto
Port
Authority**



**Administration
Portuaire
de Toronto**

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October 20, 2010

Councillor Adam Vaughan
City of Toronto
100 Queen Street West
Toronto, Ontario M5H 2N2

Dear Councillor Vaughan:

Re: Toronto Port Authority

I write to you today regarding your October 5, 2010 interview on CFRB 1010.

During the live broadcast discussion, you made a series of statements, repeated and numbered below, regarding the Toronto Port Authority (“TPA”). These statements were factually inaccurate. I am pleased to provide the following information in the hope that you will avoid making them again in the future. As a former journalist, you can well understand the public’s need for reliable, accurate information from public organizations and officials, on which to base their views. I am assuming these errors were unintentional, given that “accountability is your middle name”, as you described during the aforementioned interview. This letter is in keeping with previous correspondence along similar lines (June 27, 2008 and August 28, 2009), often regarding the same factual errors.

1: *The TPA is not complying with the Tripartite Agreement.*

The TPA is in compliance with the Tripartite Agreement. Specifically, if you refer to the Jacobs Consultancy report on our website, it identifies the noise level standards, and clearly demonstrates that our commercial carriers are *below* the limits allowed under the Agreement. I am attaching a quick chart which illustrates this point.

Some months ago, in an effort to build public confidence in the NEF Contour analysis surrounding the new slot allocations at the Billy Bishop Toronto City Airport (“BBTCA”), we undertook to provide the Jacobs data for use in the “peer review” being sought by a local anti-airport lobby group. As you know, the City of Toronto is in the process of conducting that “peer review”, as is their right.

2: *The TPA “should start paying its taxes.”*

The TPA is a **net contributor to the public purse.**

Since 2000, the TPA has paid payments-in-lieu-of-taxes (PILTs) to the City of Toronto in excess of \$8 million in aggregate. Earlier this summer, the TPA made a voluntary 50 per cent instalment payment on our forecast 2010 PILTs payment, twelve months early. This PILTs sum represents 6.4 per cent of TPA’s gross revenue, versus an average of 3.8 per cent paid by the Ports of Halifax, Hamilton, Quebec City and Vancouver.

The TPA has also paid substantial royalty payments to the federal government, which in turn improve the lives of Canadians.

3: *The TPA is spending “public tax dollars” to build a permanent link to the BBTCA.*

The proposed pedestrian tunnel would be built using a Public-Private Partnership model, one that would be entirely financed by the current Airport Improvement Fees paid by the travelling public, not by public tax dollars. As you know, the TPA does not tax Torontonians, and has not authority to do so.

4: *Visitors to the Toronto Islands using the City of Toronto’s ferries have to pay expensive fees to the TPA for use of the harbour.*

The City of Toronto collects a fee of \$6.50 per roundtrip recreational ferry visit to the Toronto Islands. Of the \$6.50 you collect from Torontonians to visit the Toronto Islands, the equivalent of \$0.06 per ride is paid to the TPA to cover harbour user fees. We have written to you in the past to remind you that it is the City which charges passengers the \$6.50 in question, not the TPA. The current \$0.06 Harbour User Fee was part of the Macro Settlement Agreement reached between the TPA and the City of Toronto a year ago. This modest \$0.06 Harbour User Fee received your “stamp of approval” when you voted in favour of the Macro Settlement Agreement in December 2009; I note this December 2009 City Council vote was unanimous, with a record of 36-0 in favour of a variety of collaborative initiatives between the TPA and the City.

To say that you are now against it, or that the TPA taxes Torontonians on their way to a “picnic”, ignores the obvious fact that 99% of the ferry revenue collected by the City is retained by the City for its general revenue. I also note that as part of the Macro Settlement Agreement, the TPA unilaterally waived approximately \$2.85 million of accrued outstanding Harbour User Fees in recognition of the City’s difficult financial state and our desire to “turn the page” on the historical challenges in our corporate relationship.

5: *The Port Authority is “ignoring” the state of the Western dockwall.*

As City of Toronto legal staff would advise, this dockwall rests on land owned by the Province of Ontario, which makes it the legal owner and responsible for its maintenance. The TPA is neither the owner of this wall, nor is it responsible for its upkeep. In fact, the TPA owns less than 20 per cent of Toronto harbour dockwalls.

Having said that, we have demonstrated our eagerness to work with all parties to come up with a solution to the specific site. In 2008, the TPA began an energetic campaign to resolve the state of the “Western dockwall” adjacent to the National Yacht Club (“NYC”); the NYC is a tenant of the City of Toronto, and you own the land adjacent to the dockwall in question. I believe the NYC Board would confirm that the TPA has played the key leadership role in trying to bring the four parties together to resolve this situation in a fashion that would be to the satisfaction of NYC’s membership. We have filed a formal Offer to contribute with the Superior Court of Ontario, and would appreciate any help you could provide to encourage City staff to help the NYC and TPA resolve matter this immediately.

6: *The Port Authority gave Porter Airlines “a sweetheart deal” in 2006, and is being run “by and for one airline.”*

In July 2010, the Federal Court of Canada dismissed such “sweetheart deal” claims against the TPA. The Judge ruled that the TPA’s agreement with Porter Airlines was “reasonable”. Your statement is inconsistent with the determination of an impartial judge, who had all of the relevant information at hand.

7: *The TPA would like to build both a bridge and a pedestrian tunnel to the BBTCA, as a “third and fourth” route to the airport.*

This is simply untrue. In January 2010, the TPA announced a proposal that would see the construction of a *pedestrian-only tunnel* to the BBTCA using a Public-Private Partnership model, one that would be entirely financed by the existing \$20 Airport Improvement Fees paid by the travelling public.

I understand that by August 2010, four of the then five Toronto Mayoral candidates had publicly stated his/her support for our proposed pedestrian tunnel.

The TPA has not stated a desire to construct a bridge, and has no plans to propose one. As you may know, a bridge to the BBTCA is prohibited by Federal Regulation.

As for “three or four routes” to the airport, there is currently just one: a ferry. It is true that the TPA requires two ferries, one of which is for backup purposes, just as

any public transport provider would do in the circumstance. As you also know, we only operate one ferry at any given time

8: *The TPA is ignoring shipping, and focussed solely on the airport.*

I understand that you have had several opportunities to meet with our new Chief Executive Officer, Geoff Wilson. When he was hired in December 2009, one of his key tasks was to find ways to grow shipping and throughput at Toronto's harbour. His background in transportation, logistics and shipping speaks to our focus on this element of our mandate. To this end, Mr. Wilson has had dozens of meetings on this topic with the private sector both here and in Quebec, BuildToronto, Toronto Tourism, MetroLinx, the TTC, Waterfront Toronto, etc. We are optimistic about this opportunity. These efforts to grow our Port's shipping activity recently received positive media attention in the *Financial Post*.

9: *The TPA "scrambled" to get other carriers to the BBTCA in the wake of the May 2010 decision by Porter Airlines to withdraw its initial public offering prospectus.*

In 2008 and again in 2009, the TPA publicly advised that it was encouraging other airlines to consider utilizing the BBTCA. At that time, it made sense to us to diversify our carrier relationships, which appears to be something you now applaud as per the abovementioned radio interview.

In September/October 2009, the TPA met with both Air Canada and Continental Airlines to advance this initiative. We also issued a public request on October 16, 2009, designed to attract additional commercial airlines to the BBTCA. In December 2009, we announced that we were receiving formal proposals from new carriers. These successful efforts were both public and underway well in advance of Porter's April 2010 preliminary IPO prospectus filing.

10: *All Toronto Mayoral candidates would like to take control of the TPA.*

This is not my understanding of the candidates' positions. I will remind you that according to a June 2010 poll conducted by Ipsos-Reid, 72% of Torontonians supported an independent TPA, while just 21% supported the idea that it should be disbanded. These results are in keeping with a 2009 poll conducted by Pollara (where 72% were in favour of TPA independence from the City of Toronto, with 23% in favour of it being disbanded).

11: *The TPA lacks transparency.*

The TPA website is full of material that supports our view that we are an extremely transparent agency. The results of three recent and detailed audits (financial results, Special Examination and a Forensic Audit) are available online for public review, for example.

The detailed expenses of our Board of Directors are also available, dating back to 2005. As well, the quarterly expenses of our CEO are posted online, and been published quarterly since 2009. I note that just this week, Ontario Hospitals have been ordered to release their CEO expenses; this is a step we voluntarily took some time ago, and is another example of our leadership and transparency.

In addition, our Board's Community Outreach committee has been very active: the TPA is establishing a Consultative Committee regarding the BBTCA, which will draw upon the very stakeholders that are affected by our airport operations. We've specifically sought your views on the makeup and mandate of the Committee, and you had the benefit of a September 2010, in-person, meeting with two of our Directors to ensure that the creation of the Committee reflects best practices, as well as your own perspectives; what, I ask, could be more transparent than that?

12: *Air Canada's plan is to fly "initially" to Montreal, and are "planning to go after Ottawa" next.*

Earlier this year, the TPA awarded Air Canada 30 BBTCA slots; each Air Canada-designated slot allows one take-off or landing between 6:45 a.m. and 10:00 p.m. (as you know, the airport is open until 11:00 p.m., but in an effort to limit the impact of the new slot awards on our neighbours, we chose to award none for use between 10:00 p.m. and 11:00 p.m.). There are currently no other slots to award to Air Canada, or any other commercial carrier, as has already been publicly disclosed. According to the Air Canada's public disclosure of October 4, 2010, the airline has determined to use 100% of its allocated takeoff and landing slots on a Toronto-Montreal route. As such, unless Air Canada was to reduce the proposed Toronto-Montreal 15 outbound flight/day frequency, Air Canada could not add a second route to Ottawa, as you have suggested.

Thank you for the opportunity to address these matters. If you would like any further detail, our team remains ready, as always, to assist.

Respectfully,



Mark McQueen
Chairman

cc: Jerry Agar, CFRB

Attachment