

TORONTO PORT AUTHORITY

2009 ANNUAL REPORT





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 the Canada Marine Act and the jurisdiction of the federal Minister of
 Transport, Infrastructure and Communities.

Toronto Port Authority Management

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Message from the Chairman



Your Board of Directors and management team have made great progress on a number of important fronts over the past fiscal year. There have been some bumps, and the odd unnecessary distraction, all of which I regret. On any measure, however, we've succeeded where it counts: improved service delivery for our diverse stakeholders, increased profits, a new era of co-operation with the City of Toronto, and renewed commitment to environmental sustainability.

Although our terms as directors began at different stages, it is safe to say that we have made several meaningful accomplishments in 2009 and early 2010:

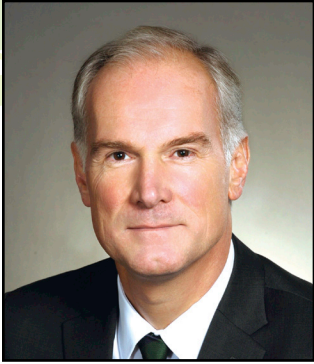
- The TPA reported a net profit of \$1.35 million for fiscal 2009, despite the difficult recession. Importantly, each business line turned an operating profit;
- The TPA has current assets in excess of \$20 million, which will be reinvested in TPA businesses;
- In an effort to reduce the cost of the Board of Directors, the TPA removed the \$50,000 salary being paid to the Board Chair. In an effort to further contain our costs, we also reduced travel budgets and the frequency of board meetings. As of today, our board compensation levels are the lowest of Canada's 14 port authorities;
- Over the past two fiscal years, the TPA has paid an aggregate royalty, or dividend, of \$1.2 million to the federal government as a "gross revenue charge";
- Our 2010 capital budget exceeds \$16 million, all of which would come from existing TPA resources and airport passenger fees. These expenditures create and sustain good jobs for Torontonians;
- In September, 2009, the TPA released all expenses for its Board of Directors dating back to 2005, and continues to publicly release all travel and hospitality expenses related to president and board members on a quarterly basis.
- In December, 2009, the TPA entered into a "macro settlement" with the City of Toronto, settling many outstanding issues between the parties, some of which dated back to the agency's creation in 1999. The agreement passed City Council by a vote of 36-0;
- Also in December, 2009, the TPA received the five-year "Special Examination," performed by auditor Deloitte LLP, as required under the Canada Marine Act. This exhaustive review of every element and function of the TPA reported that no significant deficiencies were found in the systems and practices of the TPA, and that major positive strides have been made in corporate governance ;
- In January, 2010, the TPA initiated an environmental assessment and public consultation process to bring forward proposals that will see the construction of a pedestrian tunnel to the Billy Bishop Toronto City Airport via a public-private partnership process that would require no funding from any level of government. If completed, BBTCA passengers would finance all of the design, construction, maintenance and operation of the proposed tunnel;
- The BBTCA is expected to receive in excess of 1.2 million passengers in 2010, a 50-fold increase from 25,600 passengers in 2005;
- The TPA is moving forward on a broad range of initiatives to establish itself as a leader in sustainable business development. In January, 2010, the TPA announced that 100 per cent of its operations will utilize renewable power provided through Bullfrog Power, the first federal agency to do so. The TPA acquires as much Bullfrog Power as the Province of Ontario and the City of Toronto.
- In April, 2010, the TPA announced that it intends to work with an internationally recognized firm to acquire sufficient carbon offsets to ensure that we mitigate 100 per cent of all greenhouse gas emissions generated by commercial carrier takeoffs and landings at the BBTCA.

Our work is not done, but we are proud of these important accomplishments and the growing relevance of the TPA in the economic and recreational life of the Greater Toronto Area.

A handwritten signature in blue ink, appearing to read "Mark McQueen". The signature is stylized and fluid.

Mark McQueen
Chairman

Message from the President and Chief Executive Officer



It's my pleasure to report to our shareholders – all Canadians – the Toronto Port Authority had a remarkably successful year in 2009. This is particularly gratifying for me as the new member of the team, having only recently joined the TPA in December, 2009.

The year's achievements are the work of hundreds of talented TPA employees. They bring an exceptional level of dedication to making the Port of Toronto, Billy Bishop Toronto City Airport and the Toronto waterfront in general a crucible of prosperity, energy and high quality of life. I feel fortunate to lead a team of hard-working and professional people, who take their jobs as stewards of Toronto's waterfront very seriously.

The TPA has changed immensely from what it was just a few years ago. We operate the popular and growing Billy Bishop Toronto City Airport, which will in the year ahead offer air travellers yet more convenience and an expanded choice of carriers and destinations. This year we improved our services with the launch of a new ferry – the Marilyn Bell I – and opening of a new terminal building. On the maritime side, we believe in the coming modal shift of cargos back to water to help relieve congestion on our roadways, and creating much needed jobs on our waterfront. We are enhancing the Port of Toronto to target infrastructure and project cargo, and over time establish a viable short-sea marine transportation network.

We continue to make progress in working with our partners and neighbours in the harbour community to improve the immense recreational, residential and commercial assets along our waterfront. We are proud of the supporting role we play in city building and the exciting revitalization of Toronto's urban shoreline. Furthermore, we are moving swiftly with investments and innovations toward establishing the TPA as a truly sustainable enterprise that makes long-term environmental protection and enhancement its top priority.

These investments and innovations are made possible by the dramatic growth in the TPA's bottom line over the past two fiscal years, leading up to 2009's net operating income of \$5.14 million on total revenue of \$23.57 million. This impressive performance could not have been achieved without sound strategic investments in key TPA assets.

The TPA's mission for the future goes far beyond securing economic prosperity and sound fiscal management. The TPA must also take an active role in improving the quality of life of the harbour community – helping to build a waterfront that is vibrant and enjoyable for businesses and families. My priority in the coming years is to ensure an environmentally sound and sustainable range of core businesses that can help achieve our shared goals of a clean, green prosperous waterfront to benefit all Torontonians.

A handwritten signature in blue ink, appearing to read 'G.A. Wilson', written in a cursive style.

Geoffrey A. Wilson

President and Chief Executive Officer

Our Mission

Building a Sustainable Harbour Community

At the core of all of the Toronto Port Authority's activities is our goal of establishing a clean, green waterfront for everyone to enjoy through innovation and implementing best practices from around the world. From using renewable energy, to enhancing wildlife habitats, to erecting airplane noise barriers, to implementing non-polluting lubricants, the TPA's commitment to environmental sustainability is factored in to all of its business decisions. We are working toward becoming a global leader in sustainable business practices, and committed to monitoring the success of these efforts so that they can be constantly improved.

Being a Good Neighbour

The TPA values the input of all members of the harbour community. We continue to make concerted efforts to foster constructive dialogue and co-operation with our neighbours and other stakeholders, with the goal of ensuring our transportation businesses are well integrated into a sustainable community of residents, commercial activities and recreational attractions. Transparency and accountability in our business activities form the foundation of our commitment to being a good neighbour. In striving to improve the quality of life and economic opportunities within the harbour community, we count on the input of Torontonians to help shape our future.

Stewardship to Benefit Future Generations

The TPA's core businesses provide important transportation services to businesses and people, but they also utilize infrastructure and resources that are essential to Toronto's long-term prosperity. It is crucial that the TPA take extensive measures to protect and enhance these assets. Cleaning up the sludge and debris in the Don River, caring for our network of parks and recreation areas such as the Leslie Street Spit, and undertaking vigilant safety and security measures at our port entries are pillars of our commitment to be good stewards. With a constructive partnership with the City of Toronto, Waterfront Toronto, and business and residential communities, the TPA can build a strong foundation for a sustained period of growth and improvement that we will be proud to hand over to future generations.



Former marathon swimmer Marilyn Bell Di Lascio (third from left) with her family at Billy Bishop Toronto City Airport. The TPA named its new airport ferry after Bell, who was the first woman to swim Lake Ontario in 1954.



2009 Financial Performance

The Toronto Port Authority provides transportation, shipping and recreational marine services, as well as an array of security and clean-up services for a safe and pollution-free harbour.

Our mandate is to deliver these services in a cost-effective manner in order to enhance the prosperity of Greater Toronto, though the TPA cannot be subsidized like other government operations. Net income is reinvested in capital improvements so that Toronto's waterfront transportation infrastructure remains competitive to help secure our future prosperity.

For the past decade, the TPA has made strategic investments in improving our cargo facilities, marine passenger terminals and the Billy Bishop Toronto City Airport to better serve our customers and community in the 21st Century. In 2010, the TPA expanded its reinvestment strategy to focus on environmental protection, airport noise mitigation and sustainable practices.

For the second straight year In 2009, the Toronto Port Authority reported operating profits in all of its business units in a year notable for widespread economic uncertainty.

Financial statements as of December 31, 2009*

Revenue (in thousands)	2009	2008	2007
Port operations	\$4,316	\$4,357	\$6,083
Outer Harbour Marina	\$2,459	\$2,506	\$2,177
Billy Bishop Toronto City Airport	\$13,796	\$11,020	\$5,119
Property and other	\$2,077	\$1,976	\$790
Investment income	\$921	\$450	\$110
Total	\$23,569	\$20,309	\$15,188

Expenses (in thousands)	2009	2008	2007
Port operations	\$3,798	\$4,234	\$4,919
Outer Harbour Marina	\$1,395	\$1,267	\$1,222
Billy Bishop Toronto City Airport	\$7,925	\$7,690	\$6,478
Property and other	\$864	\$842	\$1,699
Corporate Services	\$3,820	\$3,413	\$3,252
Charges on gross revenue	\$630	\$612	\$404
Total	\$18,432	\$18,058	\$17,065

Net income (in thousands)	2009	2008	2007
Net income (loss) from operations	\$5,137	\$2,251	(\$1,877)
Adjustment to City of Toronto Harbour User Fees	(\$2,958)	-	-
Payments in respect of land disposition	\$2,155	\$2,334	\$2,859
Payments in lieu of taxes	(\$1,503)	(\$2,045)	(\$666)
Amortization of capital assets	(\$1,485)	(\$1,677)	(\$1,733)
Net income (Loss)	\$1,346	\$863	(\$1,417)

*Audited by Deloitte & Touche LLP. Full Auditor's Report available at www.torontoport.com

Our Commitment to Toronto:

Billy Bishop Toronto City Airport, located at the foot of Bathurst Street, across the Western Channel, provides a safe, convenient location for scheduled short-haul flights to a growing number of North American locations. BBTCA also serves as a base for aviation training, charter air travel and life-saving emergency medical evacuations or “medevacs.”

The airport was officially renamed after Air Marshal William Avery “Billy” Bishop in November, 2009, to honour Canada’s First World War “ace” fighter pilot and Victoria Cross recipient for bravery in combat. Mr. Bishop helped establish the airport in 1939, and helped train and recruit Royal Canadian Air Force pilots there during the Second World War.

For the fourth straight year, passenger traffic and commercial flight activity grew dramatically at BBTCA thanks to its convenient location and the immense success of Porter Airlines, which has been based out of the airport since launching in 2006.

The first phase of a new \$50-million passenger terminal, funded by private-sector tenants, opened to the public in early 2010, with a second phase scheduled to be ready later that year. The new terminal is capable of handling over two million passengers a year, providing travellers with faster check-in and baggage handling services, more retail shops, and larger, more luxurious lounge areas.

In late 2009, the Toronto Port Authority issued guidelines for other commercial carriers to begin scheduled service out of BBTCA provided they meet certain operational criteria that will complement the current array of destinations and services based at the airport. Two carriers have applied under the process to fill vacant slots available for commercial service, and could begin using the airport as early as Fall, 2010.

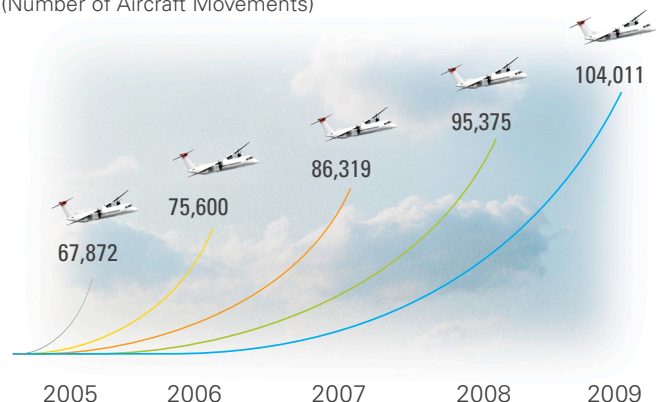
Also in 2009, the TPA took delivery of the **Marilyn Bell I**, a \$5-million ferry built in Wheatley, Ont., to provide BBTCA users with a faster, more comfortable commute to the island airport. Marilyn Bell, the first person to swim across Lake Ontario in 1954, was chosen as the vessel’s namesake after a city-wide contest to find a name for the ferry. The existing ferry was also given a new name, the **David Hornell**, after a Victoria Cross recipient born on the Toronto Islands who died after an air-sea battle in the North Sea during the Second World War.

For the first time in its 70-year history, the BBTCA served over 770,000 passengers in 2009, and that number is expected to approach 1.2 million in 2010. In order to accommodate this growth, the TPA announced that it intended to build a \$45-million pedestrian tunnel under the Western Channel. The initial construction costs will be financed through an increase in Airport Improvement Fees paid by passengers, while operating and related costs will be shared through a public-private partnership. The project is currently in the environmental assessment stage.



Billy Bishop Toronto City Airport

(Number of Aircraft Movements)



Billy Bishop Toronto City Airport

The TPA realizes that the rapid growth at the BBTCA has caused some nearby residents to raise concerns about ambient aircraft noise. Throughout 2008 and 2009, the TPA intensively studied noise levels and invited nearby residents to participate in analyzing the results of the study. The noise management study and community outreach initiative has led to three important initiatives currently underway.

First, the TPA has announced it is investing \$900,000 in state-of-the-art noise barriers at BBTCA to mitigate noise created by aircraft engine maintenance and take-offs at the airport. Second, the BBTCA is establishing an Airport Consultative Committee comprised of nearby residents and other airport stakeholders to continue the constructive dialogue on issues of concern to the community and advise airport management on recommendations to make the airport a better. Third, the TPA has dramatically increased fines for aircraft that take off or land at the airport between the restricted times of 11 p.m. and 6:45 a.m., without a compelling reason involving health and safety. We have listened to the community, and we have acted appropriately.

The noise management study has generated numerous recommendations to better manage ambient noise from the airport, which the TPA and the BBTCA have begun to implement. We are committed to studying the best environmentally sustainable and noise management practices of similar "city centre" airports around the world, such as those in London, Belfast, Stockholm and Copenhagen, so that they can be implemented at BBTCA as well.

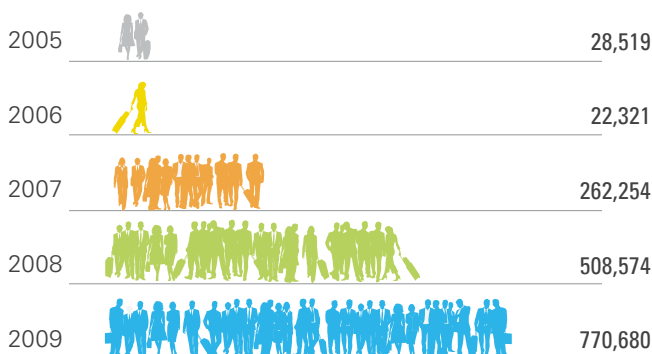
The main commercial aircraft used at the BBTCA is the Canadian-made Bombardier Q400, a 78-seat turbo-prop aircraft considered to be among the quietest in the world for its size. It is also environmentally compatible with the Toronto waterfront, on average burning 30 per cent less fuel and emitting 30 per cent less carbon than typical jet aircraft of similar size.

The BBTCA operates under a three-party agreement between the TPA as operator, the federal government and the City of Toronto. This Tripartite Agreement prohibits the use of jet aircraft, except for emergency and medical evacuations. The TPA has no intention of seeking amendments to the Tripartite Agreement to allow commercial jet aircraft to use the BBTCA, as we believe they are incompatible with a densely populated mixed-use community surrounded by recreational and cultural amenities.

The BBTCA has been a tremendous success story for Toronto during a period of economic uncertainty. Travelers have embraced its convenient location and stellar customer service, creating thousands of direct and indirect jobs for Torontonians as a result. The TPA will continue to revitalize and enhance this unique facility in response to the market demand. In doing so, we will accommodate the concerns of nearby residents so that the Billy Bishop Toronto City Airport will remain compatible with a clean, green, and vibrant waterfront.

Toronto City Centre Airport Passenger Traffic

(Number of Passengers)



Our Commitment to Toronto: The Port of Toronto

In 2011, the Port of Toronto will celebrate its 100th anniversary as a marine cargo and transportation hub. But the Port's history as an economic engine of Canadian growth and prosperity dates back to 1852, when the Grand Trunk Railway connected Toronto with Montreal and New England, launching this city as a centre of trade, innovation and manufacturing.

Managed by the Toronto Port Authority, the Port of Toronto is Southern Ontario's offramp to a high-seas highway connecting it to every continent on Earth. The Port provides a seamless network of cost-effective intermodal links to road, rail and air transportation serving as a unique and crucial piece of economic infrastructure.

The TPA's 55-acre port facility is located at the south end of Cherry Street along Lake Ontario in central Toronto, and includes seven marine berths, a Marine Terminal and warehouse, as well as power units for refrigerated containers.

Each year, over two million tonnes of cargo pass through the Port. The most common commodities moving down Highway H20 to our Port are sugar, salt and cement, but you can also find everything from wind turbines to Canadian-made locomotives being loaded on or off ships. Cargo moving through the Port of Toronto by ship provides an environmentally sustainable alternative to carbon-emitting trucks. The amount of marine cargo that went through the Port in 2009 would have needed at least 60,000 trucks to transport on Ontario's already congested highways.

Cargo shipped through the Port of Toronto

(in metric tonnes)



The past year was chaotic for Great Lake marine cargo due to the slowdown in the global economy, but the TPA is poised to take advantage of emerging opportunities. These include targeting construction and transportation equipment to be deployed as a result of the dramatic increase in government infrastructure spending. The TPA is also expanding to include land-based supply-chain management services alongside its marine cargo transportation services.

Another important initiative under review in 2010 is a viable short-sea shipping operation featuring scheduled service between Montreal and Toronto. Not only will such a service have the potential to create hundreds of jobs in the Port, but it will solidify an environmentally sustainable alternative to shipping cargo by land.

We also facilitate the movement of people, safely and comfortably. In 2009, 12 cruise ships called on the TPA's International Marine Passenger Terminal (IMPT), including the luxury vessel **Clelia II**. These vessels will visit Toronto as part of scheduled vacation cruises of the picturesque Great Lakes, and play an important role in boosting tourism to Toronto.

The Port of Toronto continues to be a vital connection to the world, not only boosting tourism and trade but also helping to ease carbon emissions caused by other forms of transportation.



Our Commitment to Toronto: Building a Better Harbour Community

Toronto's harbour transportation facilities have delivered economic prosperity and opportunity for over 100 years. But the waterfront is also a vital resource toward making Toronto a better place to live and relax.

The Outer Harbour Marina, operated by the Toronto Port Authority, is an affordable docking facility for recreational boaters. Located west of the Leslie Street Spit, the marina is only 10 minutes from downtown, with 636 slips and power connections for pleasure craft of up to 100-feet long. Other features include free parking, 24-hour security, along with shower and laundry facilities.

The TPA strives to provide the safest waterways on the Great Lakes. We also believe that education is the foundation of boat safety. Therefore, the TPA ensure boaters have the necessary skills and knowledge to safely operate watercraft in Toronto Harbour through testing.

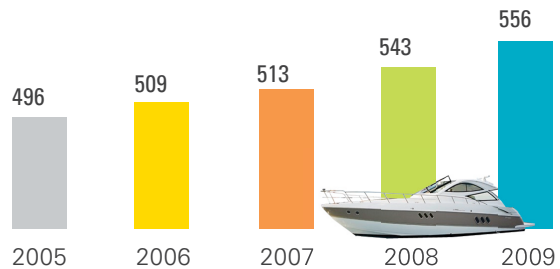
The TPA is responsible for keeping the waterways around the Toronto Harbour free of garbage and obstructions for everyone to enjoy. Over 500 metric tonnes of floating debris and garbage are removed from the Keating Channel, the Don River and the Toronto Harbour every year so that boaters can safely enjoy exploring Toronto's shorelines.

In addition, the TPA is engaged in ongoing and thorough dredging to ensure that debris and sediment do not build up in these waterways, creating the potential for flooding along the Don River.

The TPA also works in partnership with the Toronto and Region Conservation Authority to maintain the Leslie Street Spit conservation area and Tommy Thompson Park, a natural haven within the city for hikers, bicyclists and bird-watchers. The spit also acts as a natural barrier to sand and debris drifting from the eastern part of Lake Ontario.

Managing a harbour also means working closely with everyone who lives and works in the harbour community – from businesses and schools to residents and cultural venues. Toronto's waterfront community is an important amenity that adds a unique, vibrant dimension to Canada's largest and most exciting city.

Summer berthing, Outer Harbour Marina
(No. of boats)



Our Commitment to Toronto:

The Toronto Port Authority has one overriding goal in pursuing environmentally sustainable business practices: we must leave the harbour area better than we found it, for our continued prosperity and for the health and enjoyment of future generations.

The Port of Toronto, the Billy Bishop Toronto City Airport, the Marine Passenger Terminal and the Outer Harbour Marina are pillars of Greater Toronto's trade, tourism and recreational infrastructure. By carrying out environmentally sustainable practices, we will ensure that the Toronto waterfront is a healthy and beautiful place to live, work and visit, as well as a source of long-term prosperity for the city.

Operating over 300 acres of property on Lake Ontario, the region's major water source, the TPA has a responsibility to be an environmental leader, and to do so by setting best practices in port, airport and marina management. The TPA will set goals to which its employees, port customers, local residents and other stakeholders can aspire, establishing a strong foundation of sustainability principles to support our future development.

The TPA has identified four core areas in which to implement and inspire sustainable practices as part of its overarching mission to lead the development of a thriving waterfront:

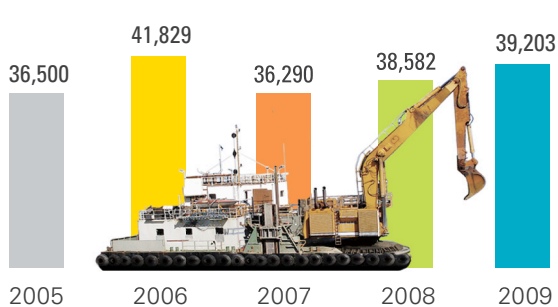
- Air, water and wildlife protection and enhancement;
- Waste reduction with the goal of generating 'zero waste';
- Greenhouse-gas emissions reductions through fuel and electricity efficiency, and the use of renewable energy;
- Cooperation with Toronto's harbour community and environmental stakeholders.

To achieve the mission above, the TPA is committed to a long-term constructive dialogue with residents, businesses, environmental experts and relevant stakeholders toward achieving our shared sustainable development goals. This includes effectively communicating our initiatives and expectations to TPA employees and tenant businesses so that they are aware of their responsibilities to respect our mission.

Our commitment to being an environmental leader includes collecting knowledge of innovative sustainability solutions for airports, ports and marinas and both implementing them at the TPA and promoting the adoption of these practices industry-wide. It is essential that all sustainability initiatives are measured regularly to gauge their effectiveness, and where possible, to improve them. It is also essential that these initiatives not only meet but exceed our obligations regarding current environmental regulations.

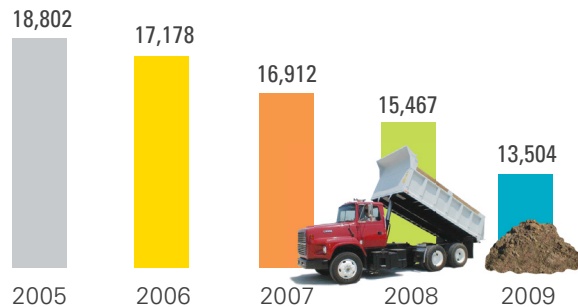
Dredging of Toronto Harbour waterways to improve navigation and prevent flooding

(cubic metres of material)



Leslie Street Spit shoreline protection

(truckloads of infill deployed)



A Leader in Environmental Sustainability

In 2009, a wide range of sustainability initiatives were underway to fulfill this sustainability mission, and we are building on their success in 2010:

- The TPA became the first federal port to purchase all its electricity – about 10,295 megawatt hours a year – from 100-per-cent renewable sources through Bullfrog Power. The switch to renewable power will have an immediate and significant impact on greenhouse-gas emissions that contribute to climate change;
- The TPA is actively investigating the implementation of “green” lubricants and fuel for its vehicles and machinery that are effective and reduce the reliance on toxic materials that can harm the environment;
- The TPA has implemented a program to purchase carbon offsets for aircraft using the Billy Bishop Toronto City Airport. These offsets will be directly invested into local programs to enhance the environment, such as park construction, education, or tree planting;
- The TPA is investing \$1-million in 2010 to create protective islands and wildlife habitats at Tommy Thompson Park on the Leslie Spit, ensuring it remains one of the most inspiring and enjoyable natural attractions in Toronto;
- The TPA is investing \$900,000 in 2010 to build three noise barriers at BBTCA to mitigate aircraft noise from engine maintenance and take-offs;
- The TPA is an active participant in the Green Marine program, run by the Ontario Marine Operators Association. The program promotes innovation, technology development and educational opportunities to strengthen environmentally sustainable practices in the commercial and recreational marine industries;
- The BBTCA's main commercial carrier has operated a free shuttle bus between the airport and a downtown hotel since 2006. The TPA is promoting a direct Toronto Transit Commission link with the airport to encourage more users to take public transit;
- The TPA is establishing an Airport Consultative Committee to allow residents living near the BBTCA and other airport stakeholders to address issues of concern with airport management. The TPA believes this committee can be a model of constructive dialogue and recommendations that will lead to more sustainable practices and an overall enhancement of the quality of life on the waterfront.

These initiatives are diverse, but are focused on making immediate and long-term improvements to environmental quality on the Toronto waterfront. The TPA is looking forward to reporting back to Torontonians on the success of current and future initiatives.

Debris taken out of Toronto Harbour waterways
(in metric tonnes)

