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via email

Mayor Rob Ford and
Members of Toronto City Council
100 Queen Street West
Toronto, ON M5H 2N2

Dear Mayor Ford and Toronto City Councillors:

Toronto City Council is about to consider the future of the Billy Bishop Toronto City Airport as a result of Porter Airlines request to expand the runway by 1100 feet, or almost 30 percent, and amend the "no jets" policy exemption to permit operation by Porter's selected aircraft, the Bombardier CS100.

Air Canada believes that the Toronto City Airport is a valuable resource for Toronto – all of Toronto – but we believe that the debate is off on the wrong foot. The future of this public facility must be considered in light of what is best for Toronto, not what best drives one airline's business strategy. Some of the considerations that must be taken into account:

1. **It's about noise** – the Tripartite Agreement that has successfully governed the use of the Island airport since 1983 places limits on the noise that can be generated by the airport as a whole. We believe that rather than creating specific exemptions for Porter's chosen type of jet, the noise parameters of operations overall should be considered – and any aircraft which meets the noise parameter should be permitted. Consideration must also be given to whether these parameters should remain as is or whether expansion is possible or necessary.

Air Canada is currently undergoing a competitive bid process to renew its narrow body fleet. The world's four largest aircraft manufacturers, Bombardier, Boeing, Embraer and Airbus are engaged in this process, and all have "next generation" aircraft that are quieter and more efficient than legacy models. Each should be given a chance to meet reasonable noise thresholds if the Toronto City Airport is to be expanded to include jet operation.

From our discussions with Bombardier to date, we note that their CS100 and CS300 aircraft are not yet in production, and any noise data which exists on these aircraft is, at this point, purely hypothetical.

2. **It's about the public interest** – Porter is certainly allowed to pursue its own commercial interests, but the onus on City Council is larger. Currently, Porter Airlines has over 85% percent of the slots at the airport and 100% of the slots during the crucial pre-7am and post-10pm period. Porter's current proposal is clearly designed to entrench its near-exclusive right to use the Toronto City Airport, a public facility.

The process here, where an individual user of a public entity is pursuing policy changes and infrastructure improvements for its sole enjoyment is unprecedented. In fact, to our knowledge, it has never been done anywhere else in the world. Porter's proposal for the amendment of a multi-party government agreement to allow for both a specific exemption for the make and model of jet it intends to purchase, along with infrastructure improvements intended exclusively to accommodate this aircraft is inconsistent with internationally accepted airport management practices and governance. That's why no airport in the world operates in this manner.

More specifically, there is no airport in the world that has restricted its operations to specific manufacturers or models of aircraft. We would submit that the Porter proposal should be seen for what it is – a play to further entrench its ability to use the Toronto City Airport exclusively and to the exclusion of all others, and ultimately, the appropriateness of anyone acceding to this request should be subject to review by the Competition Bureau.

3. **It's about consumer choice** – the Toronto City Airport is owned by the public. The current proposal is from Porter Airlines, which already has a virtual monopoly on this entity. Before the airport is expanded, access must be available to all airlines wishing to fly from the airport. While this would benefit Air Canada, we expect that other domestic and U.S. carriers would be very interested in operating from Toronto City

Airport. Only once the slots are available on a fully open and commercial basis will consumers truly have a choice in the matter.

Moreover, to date, all of the slots have been allocated on the assumption that turboprop airplanes such as the Dash-8 series (which includes the Q400) were the only aircraft that could operate from the airport, which has limited the ability of other airlines, such as Air Canada, to seek these slots. If the changes being sought by Porter are to be granted, there must be some consideration to how the slots for these new routes will be allocated – including consideration of whether certain existing slots must be re-allocated to account for this new reality.

4. **It's about the vision for the airport** – the Toronto City Airport currently operates in a class of its own – a commuter airport with turboprop operations to cities within 2 hours flying time and strict noise limitations to strike a balance between convenience for travelers and the interests of residents of the Toronto waterfront. What is the vision for this facility if it expands to include jet operations? If there is agreement about jet operation, do the current noise parameters suffice? What does Toronto want to see on this site in 25 or 50 years in terms of airport usage? Do the existing and proposed terminal, island access and parking arrangements suffice? Are the existing road connections sufficient? Air Canada believes that a full debate on the vision for the airport must occur before additional public funds are spent on infrastructure.

In considering what it wants for the future of the airport, other similar city centre airports which allow for the use of jet aircraft should be examined. The most relevant example in our view would be in London, UK where the London City Airport expanded its runway to 1500 feet in 1992 and saw its passenger traffic grow from approximately 250,000 to 3 million passengers per year today. In planning its runway expansion, it accommodated a wide variety of both commercial and private aircraft, while at the same time implementing strict noise restrictions. In its corporate plan, the London City Airport anticipates 8 million passengers per year by 2030.

Moreover, we note that the current Tripartite Agreement governing the use of the airport expires in 2033 and, if there is going to be a debate about the vision of the Toronto City Airport, it is only prudent that this time also be used to consider the extension of this agreement, the growth plan during the term of this extension and any other terms that the parties wish to amend at the same time.

This runway extension will not be an insignificant investment. It is just basic prudence to ensure that a plan is in place before significant infrastructure funds are spent. When you build a road, you plan for the traffic and vehicles of the future, not of the present. There is no basis to treat airports differently, although that is the approach that Porter is taking.

In considering this matter, we urge City Council and Staff to not be pressured by artificial deadlines – the Toronto City Airport is a valuable resource for all Toronto and the right decisions might take some time. Even Porter acknowledges that its Letter of Intent with Bombardier (which was first disclosed in December 2012) provides for the delivery of the first CS100 only in 2016.

As part of the process of determining the future of the Toronto City Airport, Air Canada encourages Council and Staff to consult broadly, and we trust that Air Canada and other potential future operators (including other domestic carriers and U.S.-based operators) to the Toronto City Airport will be included in this consultation process.

Conflict of Interest

We believe strongly that the process must be fair to all stakeholders and that it be seen to be fair. Porter's recent offer to "pay" the costs of the study that City Staff will undertake is entirely improper and could constitute a conflict of interest. Accepting this offer would set a dangerous precedent, and it would taint all of the findings that come out of the process.

If Council determines that Porter will be paying some or all of the costs of the study that looks at the future of the Toronto City Airport, Air Canada strongly believes that strong safeguards to protect the City from allegations of a conflict of interest must be put in place, and all stakeholders must be consulted on the choice of those who will undertake the study.

About Air Canada and the Toronto City Airport

Air Canada is a long-time user of the Toronto City Airport and even today, we operate hourly service to Montreal, using Toronto-assembled Bombardier Q400 aircraft. Ever since we were unable to renew our lease in 2006, Air Canada has tried, at every opportunity, to restore and increase its presence at Toronto City Airport.

Notwithstanding these efforts, Porter Airlines controls over 85 percent of the take off and landing slots at Toronto City Airport. Despite concerted efforts, including litigation against the Toronto Port Authority to dispute the slot allocation process, Air Canada has only been granted enough slots for hourly service for one route.

Overall, Air Canada is Canada's largest domestic and international airline serving more than 175 destinations on 5 continents. Canada's flag carrier is the 15th largest commercial airline in the world and in 2012 served close to 35 million customers. Air Canada provides scheduled passenger service directly to 59 Canadian cities, 51 destinations in the United States and 67 cities in Europe, the Middle East, Asia, Australia, the Caribbean, Mexico and South America.

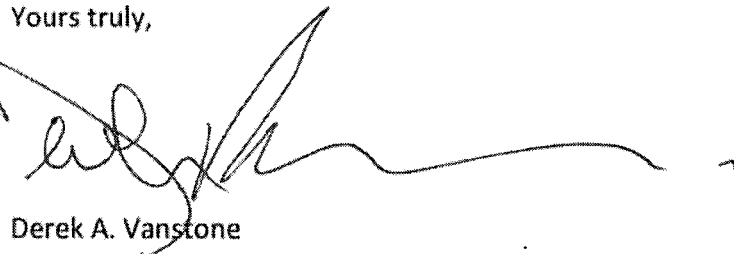
Air Canada is committed to playing its part to see a vibrant and competitive Toronto City Airport, just as we have contributed to the development of Lester B. Pearson International Airport which is, by far, Canada's largest airport and Air Canada's largest operation – whether measured by passengers, flights or revenue: last year, Air Canada operated more than 241,000 flights and carried over 19 million passengers from Pearson airport alone.

We are a large employer and significant transportation stakeholder, both nationally and in the Greater Toronto Area. The Greater Toronto Area as a whole, including the Toronto City Airport, is critical for the success of Air Canada and our almost 12,000 employees who live in the Toronto area where we spend over \$1 billion annually in salaries, which doesn't begin to include taxes paid or the economic benefits resulting.

In closing, we believe that it is important for Staff and Council to take its time, and consider what changes, if any, are required for the Toronto City Airport to remain a viable and valuable asset for the city, while ensuring the appropriate expenditure of infrastructure funds and respecting other users of the waterfront. Air Canada, as a significant transportation stakeholder in Toronto, and as a current and future operator from the Toronto City Airport very much wants to be part of this discussion.

We look forward to the opportunity to meet with you and discuss this further, and we wish you the best in your deliberations.

Yours truly,

A handwritten signature in black ink, appearing to read 'Derek A. Vanstone', with a long horizontal flourish extending to the right.

Derek A. Vanstone
Vice President, Corporate Strategy
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