

**Toronto
Port
Authority**



**Administration
Portuaire
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January 20, 2014

The Honourable James M. Flaherty, P.C., M.P.
Minister of Finance
Department of Finance
140 O'Connor Street
Ottawa, Ontario
K1A 0G5

The Honourable Denis Lebel, P.C., M.P.
Minister of Infrastructure
66 Slater Street, 8th Floor
Ottawa, Ontario
K1A 1M8

Dear Ministers Flaherty and Lebel:

Re: Billy Bishop Toronto City Airport enhanced utilization proposal

I write to you on behalf of the Toronto Port Authority (“TPA”) regarding the proposal of Porter Airlines for enhanced utilization of the Billy Bishop Toronto City Airport (“BBTCA”).

As you know, in May 2013, Toronto City Council passed a motion to direct City staff to review the Porter Proposal; a full report was provided to City Council on November 21, 2013. At Council’s direct request, the TPA funded the various consulting costs associated with this report. Over the past several months, City staff have received the TPA’s fullest cooperation in support of their assessment of the Porter Proposal. I believe it is fair to say that the TPA has done all that has been asked of it by City staff and Toronto City Council concerning the funding of monies, delivery of key reports and study inputs; including the engaging of our own consultants to assess the Porter Proposal. On December 6, 2013, as a by-product of recommendations in the City Report, the TPA announced that it would “fully engage in a joint review” of the Porter Proposal.

The BBTCA’s positive economic impact on the City and its residents is clear: to the tune of \$1.9 billion per annum and 5,700 direct and indirect jobs.¹ That said, the opportunity is upon us to enhance this already positive impact.

¹ <http://www.torontoport.com/About-TPA/Media-Room/Press-Releases/Billy-Bishop-Toronto-City-Airport-Generates-Nearly.aspx>

Opportunity for government involvement

In its November 2013 Report, City staff outlined a variety of opportunities to be addressed by the TPA and Transport Canada, as you would expect. I will highlight two topics.

One key element of the Report involved infrastructure improvements that the City's staff and independent consultants believe are necessary for Eireann Quay, as well as Queen's Quay West, the Canada Malting development site and Ireland Park, for the Porter Proposal to succeed.

A range of groundside infrastructure improvements were considered in the City's Report. Based upon our recent discussions with City staff, it appears that up to \$100 million of groundside infrastructure improvements could be required on the City-side to optimize the flow of people, vehicle traffic and transit routes in and around the BBTCA's immediate neighbourhood. This is complicated by the fact that the TPA's government-approved borrowing limit is currently \$52.1million (excluding the quantum specific to our P3 pedestrian tunnel project, which is classified as its deferred purchase price), which, as you may recall, was increased from \$27 million in July 2012, in conjunction with our P3 pedestrian tunnel project.

The cost of the construction of the required 200 metre runway extensions (including the RESA component) of the project would be in addition to the groundside infrastructure undertaking called for in the City Report.

The City has made it clear that the TPA, as the airport's operator, needs to arrange for the financing of these two key elements of the proposal to enhance the airport's utilization levels.

As a self-financing government business enterprise, the TPA's financial resources are finite, and the government has not granted the TPA sufficient borrowing capacity to undertake all of the work associated with the City Report. To remind, the TPA's airport revenues are generated through i) fees (such as landing fees or rent) from our carriers, charter operators and the general aviation sector, and ii) the \$20 Airport Improvement Fee ("AIF") that is paid by all departing commercial passengers and can only be used for capital expenditures related to the airport.

Things are going extremely well on the financial front at the TPA. For fiscal 2012, TPA earned a net income of \$19.6 million; to put that in perspective, in 2007, the year the Federal government began to make changes to the composition of the TPA Board of Directors, the TPA's operating loss was ~\$1.8 million. A \$20+ million earnings turnaround in the space of five years, despite a global recession in the midst of this period, is something we are all proud of. That said, the agency does not have the financial capacity to pursue this project on its own, should it receive a "green light" from City Council.

With the initiation of our self-financed P3 pedestrian tunnel project in March 2012, about 40% of the existing BBTCA \$20 AIF is dedicated to service the tunnel concession (until 2033).

According to our preliminary analysis, the remaining (i.e. non-tunnel) portion of the AIF can prudently support the runway extension-related infrastructure upgrades associated with the Porter Proposal, plus the ongoing capital expenditure needs of the airport's operations. However, the TPA does not have the financial capacity to support, or finance, what could amount to \$100 million of groundside infrastructure improvements sought by the City of Toronto.

At this point in time, it is clear that this project cannot proceed without the support of one of more other levels of government. To that end, we are requesting that the Federal, and perhaps your Provincial government partners, consider contributing towards the groundside infrastructure work under the terms of the *Building Canada Fund*, the *Gateways and Border Crossings Fund*, *P3 Canada Fund*, or other appropriate vehicle.

Background

When Porter first made its announcement on April 10th, the TPA advised that it would not consider any change of use to the airport until a determination is first made by the elected representatives on Toronto City Council regarding Porter's proposed changes to the Tripartite Agreement; with a particular focus on runway length and type of permissible aircraft. We reaffirmed this position during our Annual General Meeting held September 4th, but in response to questions from some members of Toronto City Council, the TPA agreed to publicly outline what our specific considerations would be should City Council decide to approve the Porter Proposal and refer it to the TPA and Transport Canada as the two other partners in the 1983 *Tripartite Agreement*.

The first consideration was the views of the citizens of Toronto, since they would make up much of the business case for the change of aircraft type. Without the interest and support of Torontonians in a jet service at Billy Bishop, there's no business case for the Porter Proposal. Which is why the TPA asked Ipsos to add that question to last year's annual TPA survey. The answer was 60% in favour and 37% opposed, which is not dissimilar to the 62-31 results we received when we asked Torontonians in 2009 what they thought about the then-proposed P3 pedestrian tunnel.

In October, the TPA outlined the balance of its considerations via an address to the Toronto Region Board of Trade, should we find ourselves in a position of having to formally consider the Porter Proposal. These included:

- **Maintaining the 1983 Noise Restrictions:** the TPA supports maintaining the current NEF 25 noise contour and the ICAO noise ceiling, which represents one of the most strict noise regimes globally and has been in place since 1983 for the benefit of every Torontonian.

- **Better Slot Utilization, not Necessarily More Flights:** the TPA would ensure that Porter's plan serves to improve utilization of the airport's existing commercial slots. We don't foresee a major expansion of the airport's current commercial flight activity levels.
- **No Negative Impact On The Environment:** The Porter Proposal can't have a negative impact on the air and water quality that Torontonians currently expect and enjoy. That Billy Bishop has been powered by Bullfrog Power's green electricity since 2010, the first airport in Canada to make this commitment, speaks to the TPA's credentials in this area.
- **Every Bit As Livable For Our Neighbours:** Porter's Proposal must ensure that the area surrounding Billy Bishop is no less livable than any other multi-purpose neighbourhood in Toronto. The TPA has a strong historical commitment to environmental stewardship and we have implemented important measures so that all Torontonians can continue to enjoy our mixed-use waterfront. On a yearly basis, the TPA removes million pounds of debris from Toronto's inner harbour, keeping it clean, safe and navigable. And we recently spent \$1 million creating a fish habitat at Tommy Thompson Park. We've taken meaningful steps to reduce the effects of airport noise on our neighbours. This initiative includes the installation of the first of two acoustic barriers at the airport, a noise management office that follows international best practices, state-of-the-art flight-tracking technology and the publication of monthly noise reports on our website. We have two public committees to ensure active Stakeholder engagement. The 20 different recent community sessions have led to substantial infrastructure improvements at the airport and along Eireann Quay to reduce noise and congestion. We are also investing in our community. The TPA is proud to support Harbourfront Centre's school visits program, for example, as well as the neighbourhood community centre's "Room 13 Project", which is a superb initiative that supports inner city youth through art education. Nothing in the Porter Proposal can undercut these efforts.
- **Improving Vehicle Traffic Flows:** Traffic is a problem across Toronto, which has nothing to do with the success of Billy Bishop. We believe Eireann Quay is ripe for a solution to vehicle traffic as well as the additional traffic associated with Build Toronto's pending residential redevelopment of the Canada Malting site. We have seen some beautiful plans from potential developers that would fix the flow of traffic around the airport, while preserving the local school and community centre as part of a stunning residential redevelopment of the Canada Malting site. We support Build Toronto's Eireann Quay Redevelopment Initiative.
- **There Must Be A Business Case:** We recognize the reality that in 2009, for example, almost 1 million Canadians made the trek to Buffalo to catch a flight; this represents more outbound departures than Billy Bishop handled that year. Buffalo-Niagara International Airport is spending \$8 million to expand their parking lots, to deal with the fact that Canadian vehicles now represent 47% of the airport's long term parkers, up from 8% in 2002. We understand why Porter believes that Torontonians

would rather fly out of Billy Bishop then drive to Buffalo to catch a 7:00 a.m. US Airways flight to Los Angeles. That said, there needs to be a business case, not just for Porter, but for the TPA as the agency charged with paying for all airport-related capital expenditures. The tunnel met that test, as the Porter Proposal must, too.

- **Growing Toronto's Economy:** Porter's Proposal should improve upon the existing positive economic impact that the airport is already having on the Toronto region. The fact that Massachusetts Governor Deval Patrick recommended last Fall that Toronto City Council approve the Porter proposal, observing that "connections actually matter", is an example of how some of our key trading partners look at the situation.
- **Aircraft Agnostic:** The TPA is open to any aircraft that meets the strict tests of the existing noise standards as required under the Tripartite Agreement. We don't have to pick between Bombardier and Boeing, per se. As it has for 30 years, the TPA will continue to prohibit aircraft that don't comply. "Open Sky" treaty agreements do not guarantee access nor prevent an airport operator from prohibiting noisy commercial aircraft, despite what some may say, as we've proven for decades.
- **Preserving Access for Recreational Boaters:** Should City Council approve Porter's Proposal, the TPA is determined that sailboats and other recreational users will experience no meaningful impact on the waterway. We will maintain the same high levels of harbour safety that we have today. And we see no scenario where the navigational channel markers in the Western Gap would have to materially change, even with a 200 metre runway extension, preserving the channel's use by two of the Port Authority's other key stakeholders: tour operators and recreational boaters. It is the channel markers in the Western gap, and not the Marine Exclusion Zone per se, that actually guide boaters – whether they be motorized or sail-powered.
- **Preserving Private Aviation Access:** Private business and hobbyist aviators must and will continue to have appropriate access to Billy Bishop. We are working with a group of hobbyist fliers to enhance the utility of the airport for that segment of our customer base, using the original TCCA terminal as the foundation of this initiative.
- **Tripartite Agreement Amendments:** In the event that Council votes in favour of the Porter proposal, the TPA, Transport Canada, and the City of Toronto should agree that amendments to the governing Tripartite Agreement would naturally include items that would enable these objectives. The extension of the Tripartite Agreement beyond its current expiration in 19 years provides for a capacity to finance and amortize the runway extension. To be clear, the absence of such an amendment makes it unlikely that the airport could undertake such large scale, long term capital investments as proposed. According to the Ipsos Reid poll from July 2013, 52% of Torontonians believe "we should amend the agreement now and extend it beyond

2033 to ensure the long-term viability of the Airport.”² Only 12% of Torontonians believe we “should let the agreement expire and close down the Airport.”

85% of Torontonians believe the airport is an asset to the City.³ We know that you and your colleagues have embraced this asset, and we appreciate the support. We look forward to working together on mutually agreeable improvements to the operations at Billy Bishop Toronto City Airport.

We stand ready to meet to discuss this opportunity further.

Respectfully,



Mark McQueen
Chairman

cc: The Honourable Lisa Raitt, P.C., M.P.
Minister of Transport

The Honourable Glen Murray, MPP
Minister of Transportation and Minister of Infrastructure

² <http://www.torontoport.com/TorontoPortAuthority/media/TPASiteAssets/PDFs/Miscellaneous/TPA-survey-for-posting.pdf>

³ <http://www.torontoport.com/TorontoPortAuthority/media/TPASiteAssets/PDFs/Miscellaneous/TPA-survey-for-posting.pdf>