

**Toronto
Port
Authority**



**Administration
Portuaire
de Toronto**

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May 14, 2010

Mr. Calin Rovinescu
Chief Executive Officer
Air Canada
Centre Air Canada 1271
P. O. Box 14000
Dorval, Quebec H4Y 1H4

Dear Mr. Rovinescu:

I write to you today regarding comments attributed to you that were reported in the *National Post* on May 12, 2010. I would like to take this opportunity to provide you with some of the history that preceded your recent appointment as Air Canada's Chief Executive Officer.

First, let me thank you for responding to the Toronto Port Authority's (TPA) April 9, 2010 formal Request for Proposal for additional commercial airline carriers at the Billy Bishop Toronto City Airport (BBTCA). This is excellent news and we appreciate your interest in working with us for many years to come.

As we have stated publicly, and to you and your team directly, we very much want Air Canada to resume service at the BBTCA. The demand for travel at the BBTCA continues to grow. We expect to handle in excess of 1.2 million passengers in 2010 and the travelling public would benefit from additional destinations and a diversity of commercial carriers.

The TPA has an obligation to act in the best interests of the organization and that's how we've conducted ourselves over the years. Likewise, it is in our best interests to have Air Canada resume its service at the BBTCA. I regret that your advisors have encouraged you to question our ethics and business acumen, but please be assured that this tactic will have no bearing on our current or future business or personal relationships.

Like you, we look forward to addressing these matters further in July before the Federal Court of Canada.

I'd like to take the opportunity to highlight a few key milestones that are relevant to Air Canada's history at the BBTCA:

- During the 1980s, the BBTCA was a thriving airport servicing the City of Toronto and its surrounding area with flights to destinations in Canada and the United States. At its peak, the BBTCA served almost 400,000 passengers per annum. Scheduled carrier passenger service was delivered from Toronto to Ottawa, Montreal and Newark by City Express.
- In 1990, Air Ontario, an Air Canada subsidiary, commenced flying out of the BBTCA to Ottawa, Montreal and London. Soon afterwards, Air Ontario added flights to Newark and Windsor.
- Between 1990 and 2006, Air Canada or its related entities, provided air services from the BBTCA. Following the failure of City Express in 1991, passenger volumes at the BBTCA declined precipitously.
- By 1995, passenger totals at the BBTCA had declined to less than half of the peak volume realized by City Express. By 2002, passenger levels were below 80,000 and decreased to less than 30,000 by 2005. During this period, all commercial passenger traffic was carried by Air Canada or its related entities.
- Between 1994 and 2003, BBTCA-based service to Windsor, Newark, London and Montreal was cancelled by Air Canada, although it maintained most of these routes from its base of operations at Toronto's Pearson International Airport.
- By 2002, Air Canada Jazz was utilizing only 11 outbound slots per day. By the end of 2005, Air Canada Jazz had cancelled all weekend service at the BBTCA and utilized no more than five outbound slots per day during the week. Air Canada's traffic averaged to just three outbound slots per day.
- During this period, Air Canada made no significant investment in its passenger facilities and cancelled its shuttle bus service to the Royal York Hotel.
- On October 4, 2002, the TPA publicly announced its four-point plan for the future of the BBTCA. The TPA's Chairman at the time stated, "The key to assuring the airport's future is [Porter Airlines] and the 17 city network they're preparing to serve, as well as Air Canada which has been at the airport for 10 years and is currently serving Ottawa, Montreal and London."
- In 2004, Air Canada Jazz allowed its lease at the BBTCA to expire and moved to a month-to-month tenancy.
- On May 3, 2005, the TPA entered into a Commercial Carrier Operating Agreement with REGCO, now Porter Airlines.

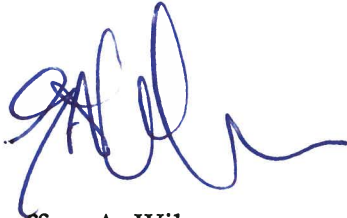
- In 2008, and again in 2009, the TPA publicly called for additional carriers to utilize the BBTCA.
- In October 2009, the TPA launched a process to improve the utilization of the BBTCA, including the addition of new commercial airline carriers.

Thank you for the opportunity to share these perspectives with you. Our goal is to normalize our relations with Air Canada, which is why we have not responded to the many media calls seeking our reaction to your criticisms of the TPA. We will be posting this letter on our website, so that the community can understand our approach to these issues.

We look forward to Air Canada's resumption of service at the thriving BBTCA.

Yours truly,

TORONTO PORT AUTHORITY

A handwritten signature in blue ink, appearing to read 'GAW', with a long horizontal flourish extending to the right.

Geoffrey A. Wilson
President & Chief Executive Officer

GAW/jm