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February 27, 2014

Mr. John Livey
Deputy City Manager, City of Toronto
11th Floor, East Tower, City Hall
100 Queen Street West
Toronto, Ontario M5H 2N2

Re: Proposal by Porter Airlines for use of Bombardier CS100 jet aircraft at the Billy Bishop Toronto City Airport (the “Porter Proposal”)

Operational Commitments, Scope and Vision for the Billy Bishop Toronto City Airport in the event Toronto City Council approves the Porter Proposal and the Tripartite Agreement is amended by both the TPA and MOT:

Dear John:

Further to our letter of January 24, 2014, the Toronto Port Authority (TPA) has continued to review the November 21, 2013, City of Toronto (City) Staff Report on the Porter Proposal. Throughout this period, we have engaged in full with City staff to provide information and assistance wherever possible. Further, we would like to offer a summary (below) of the important role and scope of the BBTCA, and a list of the key commitments we are prepared to undertake in response to your goal of ensuring overall benefit to all key stakeholders – the community, the City of Toronto and our passengers.

BBTCA Scope and Vision

The TPA believes strongly in a “Do No Harm” approach to airport operations on Toronto’s waterfront, ensuring that the airport continues to co-exist effectively with other entities and not overwhelm the mixed-use planning imperative. Four months ago, the TPA outlined the key parameters through which it will assess Porter Airlines’ proposal to permit jet aircraft and extend the runway at BBTCA, should Toronto City Council approve the plan.

TPA will continue to operate the airport under the terms of the Tripartite Agreement among the TPA, the City and Her Majesty in Right of Canada as represented by the Minister of Transport (MOT) in a productive collaboration with the City and, importantly, the local community.

i) Airport Role

The Billy Bishop Toronto City Airport has developed to serve a number of important roles. As an important gateway to Toronto, the airport offers the travelling public direct access to/from the

city's downtown core, providing non-stop scheduled flights to a number of Canadian and US destinations. The airport is home for two award-winning airlines: Porter, which operates approximately 86 daily departures, and Air Canada Express, which operates 15 daily departures. In addition to scheduled air service, the airport accommodates a number of non-scheduled general aviation activities such as air charter, corporate aviation, emergency medical evacuation, private and personal aircraft operations, and a flight school. A 2012 Economic Impact Study of the airport conducted in 2012 indicated Billy Bishop Toronto City Airport is a major economic engine for the Greater Toronto Area (GTA), contributing \$1.9 billion in economic output annually and 5,700 direct and indirect jobs*.

ii) Airport Vision

The following vision was established for the BBTCA and is reflected in both its daily operations and in the 2012 Master Planning scope of work:

"Billy Bishop Toronto City Airport will be North America's premier urban airport, providing high-quality customer service and an un-matched travel experience. Through effective leadership of well-trained and motivated staff, and efficient and vigorous management of resources we strive to uphold high standards in safety and security while fostering a culture of innovation and a desire to exceed customer expectations."

"Our mandate is to provide excellent service to our customers and be a good neighbour to the community in which we work and serve. Billy Bishop Toronto City Airport is guided by a Tripartite Agreement that upholds our standards of safety, security and operational logistics. We play an important city-building role in Toronto's economic growth and sustainable future."

iii) Airport Scale

Billy Bishop Toronto City Airport is governed under the strict terms of the 1983 Tripartite Agreement. It is a slot and capacity restricted airport. Due to its finite land mass for operations, and under the Noise Exposure Forecast (NEF) 25 contour limitation, BBTCA is one of the most noise and capacity restricted airports in the world. Under current flight schedules, Porter Airlines and Air Canada Express operate approximately 62,000 flights a year. The airport's 2012 Master Plan, prepared and submitted by WSP/Genivar, determined with an average load factor of 79% there would be approximately 3,600,000 annual passengers at capacity. This includes connecting passengers who neither originate nor terminate their travel at the airport. With the current slot allocation, and restrictions on aircraft size, this likely represents a mature level of passenger activity for the airport. Activity increases beyond this figure could likely only be achieved if additional slots were allocated to the airlines**.

*InterVISTAS Economic Benefits Impact Study, October 24, 2012

**Genivar Master Plan, July 2012

In a scenario where the jet ban was lifted, WSP/Genivar have indicated that a limited annual passenger scenario of 4.1 million can be achieved over time under the TPA's current "managed growth" policy, of which just under 3.0 million would be originating/terminating passengers (affecting local traffic management forecasts and initiatives) and just over 1.1 million connecting passengers. The attached February 14, 2014 Technical Memorandum supports this analysis (Tab 2).

BBTCA Operational Commitments

As a by-product of your work encapsulated in the November 2013 City Staff Report, the TPA responds to the City's requests with the following commitments as set out in paragraphs 1 through 7 below. These commitments are in direct response to the City's requests and recommendations concerning the Porter Proposal, all of which commitments are conditional on approval of the Porter Proposal by the City, TPA and MOT and its implementation by Porter (collectively, the "Commitments"). Note that TPA has several existing and substantial legal commitments with the City of Toronto, including for example i) the recent BBTCA PILTS Agreement, ii) the BBTCA Pedestrian Tunnel /City Watermains Replacement Agreement in July 2011, and iii) the 2010 Macro Settlement Agreement, among others. We hope that our approach to City concerns underlying the terms and conditions below demonstrate our commitment to this collaborative and constructive approach, and our responsiveness to the City's requests in relation to its consideration of the Porter Proposal.

TPA further represents and warrants to the City that:

- (i) TPA has all necessary corporate power and authority to make the Commitments;
 - (ii) the Commitments have been duly authorized by the Board of Directors of TPA;
 - (iii) the Commitments do not violate or conflict with TPA's Letters Patent or By-Laws, the *Canada Marine Act* or any other applicable law or any contract to which TPA is a party; and
 - (iv) the Commitments are legal and binding obligations of TPA enforceable by the City against TPA in accordance with their respective terms.
-
1. **Funding of Improvements to Existing City Infrastructure** – The TPA will seek new funding in an amount up to \$100 million for improvements in City infrastructure related to the BBTCA access and related vehicle traffic. Enclosed is a copy of the TPA's letter to the Federal Government dated January 20, 2014, requesting funding for such improvements, to be invested at the City's discretion under the terms and mandate of the federal government program in question (Tab 1)
 2. **BBTCA Master Plan** –The November 2013 Staff Report emphasised the need for an updated Airport Master Plan to be provided to the City for input and review, as well as

for amendments to the City's Official Plan to incorporate the Billy Bishop Toronto City Airport (BBTCA) into its future planning. We recognize that these two elements will help provide a clear vision and scope for the airport and its future development as an asset benefitting Toronto. As such, the TPA will complete an updated Master Plan for the BBTCA reflecting the proposed jet aircraft activity and corresponding runway extension which was proposed for approval by the City, the TPA and the MOT in April 2013. Such an updated Master Plan will be completed in accordance with industry best practices and in consultation with the City. The TPA will provide a draft of such an updated Master Plan to the City as soon as practicable and will participate in a process of public information meetings in respect of such a plan. The TPA will also participate with the City in its consideration of amendments to the City's Official Plan relating to the BBTCA. A letter of commitment and "Scope of Work" for this master plan work, submitted by WSP/Genivar, is attached as reference (Tab 3).

- 3. Passenger and Peak Hour Activity Caps** – TPA accepts the City's recommendation in regards to the Porter Proposal that growth at the BBTCA should be staged in a manner that connects jet-related passenger growth with infrastructure requirements. The key factor that determines traffic impacts associated with BBTCA is the maximum amount of hourly passengers, which is determined by the number of flights that occur in the busiest hour. The TPA has previously indicated it would be willing to consider voluntary interim caps on passenger activity at the airport, which would improve city-side traffic flows and allow growth that is aligned. TPA also accepts the City's view that a voluntary implementation of interim peak hour and annual passenger caps is consistent with its current operating policy of "managed growth" for the BBTCA in the event the Porter Proposal is approved. As such, the TPA commits to:

- a) implement and enforce the City's recommended interim hourly cap of 20 commercial carrier slots per hour to mitigate adverse impacts on local vehicle traffic which may be attributable to peak hour commercial aviation activity; (ref: attached technical memorandum by WSP/Genivar, January 10, 2014, "Strategic Vision for Peak Hour Passenger Forecast"), (Tab 3); and
- b) implement and enforce an interim annual cap of 2.976 million BBTCA local passengers (ref: attached technical memorandum by WSP/Genivar, "Assessment of the Potential for a Voluntary Interim Annual Passenger Cap", dated February 14, 2014), (Tab 2);

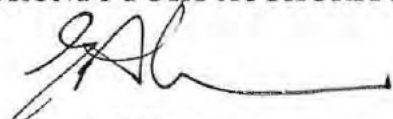
in each case until the updated BBTCA Master Plan has been finalized and/or such caps are no longer necessary to address the projected passenger volumes at BBTCA city-side access points. Such interim caps will need to be mutually agreed by the City and the TPA. Any such restrictions would be in addition to those currently contained in the Tripartite Agreement, which, for example, prohibit aircraft generating excessive noise and already currently require the TPA to contain the overall frequency of annual aircraft movements within Transport Canada's official NEF 25 Contour. Such specific restrictions, and all others, will continue.

4. **Engine Maintenance and Run-Up Noise** – The TPA will implement an appropriate engine maintenance and run-up noise barrier/housing by the end of 2016 to mitigate the impact of engine-test noise on surrounding communities. This project is contemplated in the TPA's board-approved capital budget and will be included in the updated BBTCA Master Plan presented to the City.
5. **Waterfront School** – The TPA will continue to co-operate with and support the local community, including the Waterfront and City Schools, the Harbourfront Community Centre and the Toronto District School Board, in addressing any adverse impacts on the community attributable to the BBTCA, including traffic, noise and safety concerns.
6. **Funding of Runway Extension** – The TPA will provide or cause to be provided all funding sufficient for the TPA's construction of any runway extension approved by the City, the TPA and the MOT, subject to an extension of the term of the Tripartite Agreement, if necessary to raise such financing.
7. **Tripartite Agreement Amendments** – The TPA acknowledges that amendments to the Tripartite Agreement will be required in connection with implementation of the Porter Proposal, and the TPA agrees that such amendments should be limited in number and complexity.

We look forward to continuing our work with the City on the Porter Proposal.

Yours truly,

TORONTO PORT AUTHORITY



Geoffrey A. Wilson
President and Chief Executive Officer

cc: The Hon. James M. Flaherty, P.C., M.P.
Minister of Finance

The Hon. Denis Lebel, P.C., M.P.
Minister of Infrastructure, Communities and Intergovernmental Affairs

The Hon. Lisa Raitt, P.C., M.P.
Minister of Transport

The Hon. Glen Murray, MPP
Minister of Transportation and Infrastructure

Mr. Mark McQueen, Chair, Toronto Port Authority

- Appendices:
- i) TPA Letter to Federal Government requesting City infrastructure funding dated January 20, 2014
 - ii) WSP/Genivar Technical Memorandum, February 14, 2014, "Assessment of the Potential for a Voluntary Interim Annual Passenger Cap."
 - iii) WSP/Genivar Technical memorandum, January 10, 2014, "Strategic Vision for Peak Hours Passenger Forecast"
 - iv) WSP/Genivar Technical Memorandum, January 13, 2014, "Revisions to BBTCA Airport Master Plan to Reflect CS100 Operations"
 - v) "BBTCA Issues List" prepared by the City of Toronto dated February 18, 2014
 - vi) Letter to J. Livey February 27, 2014 / TPA Responses to City's "BBTCA Issues List"
 - vii) Letter to John Livey from the TPA dated January 24, 2014

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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>



TECHNICAL MEMORANDUM

Date: February 14, 2014
To: Mr. Gene Cabral, Executive Vice-President, Toronto Port Authority
From: Mr. James Lindsey, Director, Aviation, WSP Canada Inc.
Project No.: 131-16853-00 Billy Bishop Toronto City Airport – City of Toronto On-Going Services
Subject: Billy Bishop Toronto City Airport
Assessment of the Potential for a Voluntary Interim Annual Passenger Cap

The objective of this technical memorandum is to assess and forecast annual passenger statistics and propose a viable interim annual passenger cap scenario for the Billy Bishop Toronto City Airport ("BBTCA") with respect to future airport capacity and demand while still remaining within the Tripartite Agreement NEF contours.

AIRPORT MASTER PLAN

The draft Airport Master Plan for BBTCA, dated June 2012, included a forecast of anticipated passenger volumes for next 15-20 years. Two (2) separate forecast scenarios were prepared based on different growth scenarios. These passenger forecast scenarios were developed on the basis of full compliance with the Tripartite Agreement.

Since air carriers are operating the current full allocation of 202 daily slots, no additional capacity is currently available. However in 2012 slot utilization was 84% and is forecasted to increase as Porter increases weekend and off-peak flights of underutilized slots. Another opportunity for growth is through passenger load factors, which according to a May 2012 press release by Porter Airlines was 61.7%. In a typical mature market, average airline load factors range between 78% and 83%. As an example, in 2013 Air Canada achieved a system wide load factor of 82.8%, while WestJet achieved a load factor of 81.7%.

As detailed in the draft Airport Master Plan which was submitted in 2012 and is available publically on the City of Toronto web-site, passenger activity was forecasted to increase to 3.6 million passengers per annum (mppa) based on increase in both slot utilization and passenger load factor. As detailed in the draft Airport Master Plan, under Scenario 1, passenger activity was forecasted to grow at an average annual rate of 13.0% and peak in 2016/2017. Under Scenario 2, passenger activity is forecasted to grow at a reduced average rate of 4.5%, peaking in 2024.

SLOT ALLOCATION

As detailed in the peak hour passenger forecast, currently all available 202 slots have been allocated to either Porter Airlines or Air Canada. At present, the Toronto Port Authority ("TPA") has no operational requirement to increase the number of daily slots. However, in the future to satisfy a changing operational environment, there may be a need to revisit the number of daily slots allocated to air carriers within the capacity constraints per the current NEF contours as detailed in the Tripartite Agreement.

ANNUAL PASSENGER FORECAST

The annual passenger activity at BBTCA will be forecasted over the following scenarios which include current numbers and an interim annual cap:

- Current based on (2013 numbers)
- Interim Cap

The 'interim cap' scenario would be utilizing the CS100 aircraft type or other approved noise compliant jet aircraft types on an expanded Runway 08-26, as currently presented through the Porter expansion concept. This interim cap would remain in place until such that time certain City and TPA approved conditions are satisfied.

The following tables detail the inputs used to generate the annual passenger forecast under the proposed 'Interim Cap' scenario and the current situation (2013):

Table 1
Passenger Type Distribution

Passenger Type	Current	Interim Cap
Origin / Destination	83%	73%
Connecting	17%	27%
Total Passengers	100%	100%

In terms of slot utilization and distribution between air carriers, the following Table 2 detailed the assumptions that were modelled into the annual passenger forecast:

Table 2
Air Carrier Slot Distribution

Airline	Current	Interim Cap
Porter Airlines	172	172
Air Canada	30	30
Total Slots	202	202

Similarly, air carrier load factor and slot utilization are anticipated to increase as the air carrier market at BBTCA matures over the next several years:

Table 3
Aircraft Load Factors

Distribution	Current	Interim Cap
Load Factors	Below 50%	76%
Slot Allocation	84%	90%

Based on the foregoing model assumptions, the following Table 4 detailed the annual passenger forecast for BBTCA:

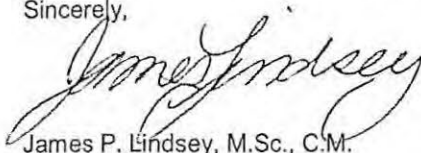
Table 4
Annual Passenger Forecast

Passenger Type	Current	Interim Cap
Origin / Destination	1,915,495	2,976,901
Connecting	382,790	1,101,046
Total Passengers	2,298,285	4,077,946

Therefore, based on the foregoing the Toronto Port Authority could reasonably support an interim cap on annual passenger movements for the Billy Bishop Toronto City Airport. Based on the model assumptions detailed above, an airport system cap in the range of 4.1mppa. Based on the anticipated passenger type split, the 4.1mppa would be comprised of 3.0mppa origin/terminating and the remaining 1.1mppa connecting.

This interim cap would remain in place under such time that City of Toronto and Toronto Port Authority approved conditions are satisfied. Once these conditions have been satisfied, passenger growth at the Billy Bishop Toronto City Airport would be forecasted through the development of future Airport Master Plans. These future Airport Master Plans would be developed, as required, based on actual growth and development of the Billy Bishop Toronto City Airport.

Sincerely,



James P. Lindsey, M.Sc., C.M.
Director, Aviation



TECHNICAL MEMORANDUM

Date: January 10, 2014
To: Mr. Gene Cabral, Executive Vice-President, Toronto Port Authority
From: Mr. James Lindsey, Director, Aviation, WSP Canada Inc.
Project No.: 131-16853-00 Billy Bishop Toronto City Airport – City of Toronto On-Going Services
Subject: Billy Bishop Toronto City Airport
Strategic Vision for Peak Hour Passenger Forecast

The objective of this technical memorandum is to forecast peak hour passenger demand based on current and projected future slot allocation policies, and to establish a strategic vision for Billy Bishop Toronto City Airport ("BBTCA") with respect to passenger activity while still remaining within the Tripartite Agreement NEF contours.

SLOT ALLOCATION

Prior to implementing the current slot allocation policy for scheduled service carriers, the Toronto Port Authority ("TPA") commissioned Jacobs Consultancy to assess the practical capacity for BBTCA. Based on this analysis, TPA determined that a maximum of 202 slots per day, seven (7) of which are 'night-time slots', would be allocated for use by scheduled service carriers, until otherwise determined by TPA based on relevant information such as changes in capacity parameters and further capacity testing and analysis.

With air carrier activity currently limited to 202 movements per day, the maximum total annual movements are 73,730. However, it should be noted that currently air carriers do not fully utilize allocated slots. In 2012, the average daily slot utilization was approximately 84% according to data provided by Airports Coordination Limited, the independent third-party agent responsible for managing the slot allocation program at BBTCA.

The current slot utilization of 84% is due to reduced weekend schedules, irregular operations and cancellations. As the Bombardier CS100 is introduced, slot utilization may increase as these longer-range aircraft could potentially be utilized during off peak hour availability for flights to sun destinations. Under the terms of the slot allocation program, a slot is considered 'historic' where it has an annual utilization of greater than 80%. Therefore, all current 202 slots have been allocated and considered 'historic' for the carriers to whom they have been granted.

In addition to the daily restriction of 202 slots, there is also a restriction of eight (8) slots within a thirty (30) minute period (four (4) arrival slots and four (4) departure slots). This restriction establishes the peak period in terms of aircraft and passenger movements. In the future this may change to permit increased transfer connectivity within the airport environment.

PEAK HOUR ACTIVITY

Peak hour activity at BBTCA is currently restricted through the slot allocation policy to a maximum of sixteen (16) slots per hour. However, in the future when improvements to the airside, terminal and groundside system are implemented, increases to the maximum hourly slots are possible.

During peak periods, load factors of upwards of 90% are not only feasible, but common place. As a result, for the purposes of calculating the peak hour activity, a load factor of 90% has been utilized. However, a 90% load factor is not sustainable over an extended period, such as an entire day, week, month or year.

It is proposed that the peak hour activity for BBTCA will be forecasted over three (3) phases, where:

- Phase 1 = Short-Term (0-1 years)
- Phase 2 = Medium-Term (1-5 years)
- Phase 3 = Long-Term (5+ years)

Based this phasing, Table 1 has been developed that summarizes the anticipated number of slots, by aircraft type, during each phase:

Table 1
Aircraft Slot Allocation

Aircraft Type	Phase 1	Phase 2	Phase 3
Q400	16	14	16
CS100	0	6	8
Total Slots	16	20	24

It is anticipated that in the medium-term, the total number of Q400 slots during the peak period will drop to fourteen (14) per hour, and that any additional slots during peak periods will be allocated to CS100 flights. Therefore, during the initial phases of CS100 flight operations, a maximum of six (6) movements per hour are anticipated. As more CS100 aircraft come into service, additional slots during the peak period will be allocated for CS100 flight operations up to a maximum of eight (8) per hour. In addition, Q400 activity will return to the sixteen (16) slot level.

Therefore, it is proposed that the maximum number of slots during a single peak hour will increase from the current sixteen (16) to a maximum of twenty-four (24).

As additional CS100 aircraft come into service, it is anticipated that the percentage of connecting passengers will increase due to the new routes and connectivity being introduced with the CS100 aircraft.

Currently, approximately 17% of the passengers connect from one flight to another and therefore do not originate or terminate at BBTCA. These passengers connect through the terminal building and do not use the ground transportation system.

As CS100 aircraft come into service, it is anticipated that a higher percentage of passengers will connect between flights. In Phase 2, it is anticipated that connecting passengers will increase to 22%, but could represent upwards of 27% of all passengers once all CS100 flights are operational.

Table 2 details the proposed passenger type distribution over the three (3) Phases:

Table 2
Passenger Type Distribution

Passenger Type	Phase 1	Phase 2	Phase 3
Origin / Destination	83%	78%	73%
Connecting	17%	22%	27%
Total Passengers	100%	100%	100%

Based on the foregoing, and utilizing a seating configuration of 74 seats for the Q400 and 107 seats for the CS100, Table 3 details the peak hour passenger forecast for BBTCA at 90% passenger load factor:

Table 3
Peak Hour Passenger Forecast

Passenger Type	Phase 1			Phase 2			Phase 3		
	Q400	CS100	Total	Q400	CS100	Total	Q400	CS100	Total
Origin / Destination	884	0	884	727	451	1,178	778	562	1,340
Connecting	181	0	181	205	127	332	288	208	496
Total Passengers	1,065	0	1,065	932	578	1,510	1,066	770	1,836

Therefore, peak hour passenger forecasts (long-term) for BBTCA are **1,836** where: **496** are connecting and **1,340** are origin and destination.

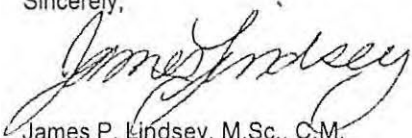
CONCLUSIONS

Therefore, based on our current understanding of the future operational environment and passenger demand profile, for planning purposes infrastructure at BBTCA should be designed to accommodate the following peak hour passenger demands:

Table 4
Recommended Planning Peak Hour Forecast

Passenger Type	Phase 1	Phase 2	Phase 3
Origin / Destination	884	1,178	1,340
Connecting	181	332	496
Total Passengers	1,065	1,510	1,836

Sincerely,



James P. Lindsey, M.Sc., C.M.
Director, Aviation



January 13, 2014

Mr. Geoffrey Wilson, President & CEO
Toronto Port Authority
60 Harbour Street
Toronto, ON M5J 1B7

Subject: Revisions to BBTCA Airport Master Plan to Reflect CS100 Operations

Dear Mr. Wilson,

As you are aware, the overriding premise of the current Draft Airport Master Plan for Billy Bishop Toronto City Airport (BBTCA) is that the obligations and requirements of the existing Tripartite Agreement are fully adhered to as part of any future development. This includes the assumption that there are no jet operations (with the exception of medevac operations) and that there is no expansion of runways or airport lands beyond what is currently provided. Activity forecasts provided in the current Draft Airport Master Plan were based on the existing slot allocation and aircraft mix, with assumptions provided for increases in passenger load factors.

Should Toronto City Council approve Bombardier CS100 operations at BBTCA, this will significantly change the direction and scope of the Airport Master Plan. For this reason, it is recommended that such a revision to the Airport Master Plan only be undertaken if and when City Council approves CS100 operations.

Where CS100 operations are approved, a revised Airport Master Plan would include the following:

- Updated traffic forecast including annual and peak hour passenger activity and aircraft movement activity,
- Revised airside design including: runway, taxiway and apron expansion; and revisions to navigational aids and instrument procedures,
- Regulatory compliance assessment including discussions with Transport Canada regarding existing exemptions,
- Noise analysis including inclusion of updated NEF contour forecast and impact of runway extension on noise contours,
- A review of airport zoning requirements including: Airport Zoning Regulations, Obstacle Limitation Surface (OLS) analysis; Instrument

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- Approach protection analysis, electronic zoning requirements; municipal zoning; bird hazard protection, and marine exclusion zone,
- Revised landside design including recommendations stemming from BA Group and Dillon reports,
 - Environmental Gap Analysis including possible requirements for an EIA.
 - Capital Infrastructure Plan including cost estimates of proposed infrastructure improvements; and,
 - Stakeholder consultation sessions which would also include a General Public information session.

Some of the above analysis has already been undertaken to a certain extent, and where appropriate, would be incorporated into the revised Airport Master Plan.

Not included as part of a revised Airport Master Plan would be the following:

- Detailed environmental study.
- Off-site detailed landside transportation study.
- Wildlife management study.
- Emergency response study.

It is estimated that the preparation of a revised Airport Master Plan for BBTCA would take approximately three (3) to four (4) months to complete. WSP (formerly GENIVAR) would be pleased to provide a fee estimate to undertake a revised Airport Master Plan once a final scope has been confirmed.

Should you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "James P. Lindsey", is written over a horizontal line.

James P. Lindsey, M.Sc., G.M.
Director, Aviation

C. Gene Cabral, TPA
Greg Ballentine, WSP

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BBTCA Issues List

Last Updated: February 18, 2014

The City of Toronto expects that the TPA and its partners will address the issues described below. Appropriate conditions ensuring compliance will need to be included in the Tripartite Agreement if lifting of the jet ban and accompanying runway extensions are approved.

Additional issues may be added as they arise.

	Issue	Description/Deliverable	Delivery Agent
1.	Airport Master Plan	<ul style="list-style-type: none">Completion of an updated airport master plan that establishes a clear vision, role, scale and scope for the airport and addresses expansion (runways, airside, groundside, etc.) and capital investment.	TPA
2.	Operational Caps (Passenger and Slots)	<ul style="list-style-type: none">Establishment of a peak hour and annual passenger volume cap for the airport that does not exceed 2.4 million passengers. (This represents a 20% increase over 2012 origin/destination passenger volumes.Confirmation from TPA not to change 202 daily slots without consent of the City of Toronto.	TPA
3.	Infrastructure Funding	<ul style="list-style-type: none">Confirmation of full funding for all expansion-related improvements and/or infrastructure on both airside and groundside that the City, TPA, or Transport Canada require.For groundside,	TPA

		agreement with City on all appropriate improvements and/or infrastructure.	
4.	Confirmation of CS-100 compliance with Tripartite Agreement	<ul style="list-style-type: none"> ▪ Confirmation that the CS-100 has/will receive all applicable regulatory approvals. ▪ Confirmation through flight test data that the approved CS-100 complies with Tripartite Agreement noise regulations 	Porter Airlines /Bombardier/Transport Canada
5.	Confirmation of Runway Expansion Configuration and Compliance with Applicable Regulations	<ul style="list-style-type: none"> ▪ Provide a complete copy of runway expansion proposal submitted to Transport Canada for review. ▪ Provide copy of Transport Canada's comments on expansion proposal. ▪ Confirmation that TPA owns all lands and water lots on which it intends to expand the runway. 	TPA
6.	Runway Extension Impact on NEF Contour in Tripartite Agreement	<ul style="list-style-type: none"> ▪ Confirmation that extended runway and introduction of jet-powered aircraft will conform to the existing NEF Contour in the Tripartite Agreement. 	TPA
7.	Environmental Assessment Processes	<ul style="list-style-type: none"> ▪ Commitment to an environmental assessment scope, standards, and process. ▪ Among other things, inclusion in the environmental assessment of effects on natural heritage, aquatic habitat, and geotechnical 	TPA & City

		considerations.	
8.	Public and Stakeholder Consultation for Environmental Assessment and Master Plan	<ul style="list-style-type: none"> Commitment to a consultation process for environmental assessments, Master Plan, and any other processes that is consistent with the consultations standards in the waterfront. 	TPA with City
9.	Bird Strike and Wildlife Management Plan	<ul style="list-style-type: none"> Commitment to work with TRCA and other agencies to develop and adhere to a bird strike and wildlife management plan for areas around the airport that include the Toronto Islands and Tommy Thompson Park 	TPA & TRCA
10.	City of Toronto Official Plan Policies	<ul style="list-style-type: none"> Formal response for Council consideration about whether and how expansion complies with Official Plan policies to be identified by the City. Confirmation of participation in City's planning review of area around the airport. 	TPA & City
11.	Mechanisms for Non-Compliance with Agreement Terms/Conditions by TPA and/or Airport Operators	<ul style="list-style-type: none"> Agreement to a robust enforcement framework in the Tripartite Agreement that will include appropriate notice and cure provisions, together with liquidated damages for certain infractions. 	TPA & City
12.	Marine Exclusion Zone	<ul style="list-style-type: none"> Provide an accurate diagram of the Marine 	TPA, City

		<p>Exclusion Zone ("MEZ") that results from proposed runway extensions and conforms to Transport Canada standards, together with an accurate diagram of the current MEZ.</p> <ul style="list-style-type: none"> ▪ Based on diagrams, City to determine whether changes to the MEZ, if any, comply with Council directive that there be no material encroachment upon the western channel shipping channel. 	
13.	Noise Management	<ul style="list-style-type: none"> ▪ Implementation in 2014 of WebTrak and community noise monitors. ▪ Construction by or before December 2016 of run-up enclosure for aircraft. ▪ Agreement from TPA to prohibit maintenance run-up activities on Saturdays, Sundays and Holidays in advance of commissioning of run-up enclosure. ▪ Agreement to regulate non-aircraft noise (maintenance run-ups, maintenance, ground-based operations, etc.) in Tripartite Agreement subject to agreed-upon standards. ▪ Agreement to weekend curfew for commercial flights on Saturdays, 	TPA

		Sundays and Holidays similar to London City Airport.	
14.	Toronto District School Board	<ul style="list-style-type: none"> Commitment to address issues of importance to the TDSB (noise, safety, traffic, etc.) 	TPA & TDSB
15.	Implementation of Advanced Aircraft Navigation at BBTCA	<ul style="list-style-type: none"> Implementation and requirement for all scheduled commercial aircraft at BBTCA to follow Required Navigation Performance ("RNP"). 	Porter Airlines & TPA
16.	Deicing and Chemical Management Program	<ul style="list-style-type: none"> Review of deicing and chemical management at the airport to ensure full compliance with the City's Sanitary Sewer Agreement and no unlawful discharges into either Lake Ontario or the Inner Harbour. 	TPA
17.	Participation of TPA in ChemTrak & Air Quality Monitoring	<ul style="list-style-type: none"> Agreement by TPA that all airport users and tenants participate in the City's ChemTrak program Agreement by TPA to implement an air quality monitoring and reporting system and implement operational procedures to minimize air pollution effects on the waterfront from the airport. 	TPA
18.	Fuel Delivery and Management	<ul style="list-style-type: none"> Review and provide a fuel delivery and management plan that ensures compliance with applicable regulations. 	TPA

19.	Emergency Services and Response Plan	<ul style="list-style-type: none"> ▪ If expansion is approved, a revised emergency services and response plan is required. 	TPA
20.	Confirmation of RESA Requirements	<ul style="list-style-type: none"> ▪ Confirmation of Runway End Safety Requirements, applicability to BBTCA and inclusion in expansion proposal, 	TPA
21.	Housing Retrofit Program for Bathurst Quay	<ul style="list-style-type: none"> ▪ Establishment and funding of a housing retrofit program for TCHC and Co-op housing in Bathurst Quay. 	TPA & Housing Partners
22.	Reframed and Revitalized Airport Liaison Committee	<ul style="list-style-type: none"> ▪ Re-examination of the Community Liaison Committee to confirm terms of reference, member composition and clear role for the City of Toronto. ▪ CLC should have direct involvement in issues related to airport expansion. 	TPA
23.	Construction Management	<ul style="list-style-type: none"> ▪ Commitment to provide detailed plans acceptable to the City for the construction of runway extensions including hours of construction, overnight and weekend work, public notification requirements and liquidated damages for non-compliance with terms. 	TPA & City
24.	Encumbrances/Easements	<ul style="list-style-type: none"> ▪ Review and removal of legal encumbrances on groundside lands around the airport including the 100' 	TPA & City

		easement on Little Norway Park in favour of the TPA and the "orange lands" designations.	
25.	Update and Amend the Tripartite Agreement	<ul style="list-style-type: none"> ▪ Review and agree on amendments to the Tripartite Agreement to deal with jet ban removal and accompanying runway extensions in the event of approval and appropriate conditions and also deal with other appropriate amendments. ▪ Develop and agree to a dispute resolution clause to be included in the Tripartite Agreement. 	TPA, City, & Government of Canada

**Toronto
Port
Authority**



**Administration
Portuaire
de Toronto**

Geoffrey A. Wilson
President & Chief Executive Officer
Président-directeur général

60 Harbour Street, Toronto, Ontario, Canada M5J 1B7

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February 27, 2014

Mr. John Livey,
Deputy City Manager, City of Toronto
11th Floor, East Tower, City Hall
100 Queen Street West
Toronto, Ontario M5H 2N2

Dear John:

Re: Proposal by Porter Airlines for use of Bombardier CS100 jet aircraft at the Billy Bishop Toronto City Airport (the "Porter Proposal")

BBTCA Issues List, dated February 18, 2014

Further to our meeting and discussions of February 20, 2014 TPA provides as attached responses as requested to each of the issues listed. I attach the original City document, and TPA responses in each case.

We look forward to continuing our work with the City on the Porter Proposal.

Yours truly,

TORONTO PORT AUTHORITY

Geoffrey A. Wilson
President and Chief Executive Officer

cc: The Hon. James M. Flaherty, P.C., M.P.
Minister of Finance

The Hon. Denis Lebel, P.C., M.P.
Minister of Infrastructure, Communities and Intergovernmental Affairs

The Hon. Lisa Raitt, P.C., M.P.
Minister of Transport

The Hon. Glen Murray, MPP
Minister of Transportation and Infrastructure

Mr. Mark McQueen, Chair, Toronto Port Authority

- Appendices:
- i) BBTCA Issues List, City of Toronto, February 18, 2014
 - ii) TPA Responses to City's BBTCA Issues List, February 27, 2014

1) Airport Master Plan

The TPA believes strongly in a "Do No Harm" approach to airport operations on Toronto's waterfront, ensuring that the airport continues to co-exist effectively with other entities and not overwhelm the mixed-use planning imperative. We have stated that our support for the Porter Plan would require this primary condition be met.

As noted in our letter of January 24, 2014 and our letter of Operational Commitments of February 27, 2014, the TPA will complete an updated Master Plan for the BBTCA, reflecting any jet aircraft activity and corresponding runway extension which may be approved by the City, the TPA and Transport Canada. Such an updated Master Plan will be completed in accordance with industry best practices and in consultation with the City, and will reflect TPA's "Do No Harm" approach. The TPA will provide a draft of such an updated Master Plan to the City as soon as practicable and will participate in a process of public information meetings in respect of such a plan. The TPA will also participate with the City in its consideration of amendments to the City's Official Plan relating to the BBTCA. A letter of commitment and "Scope of Work" for this master plan work, submitted by WSP Group (formerly Genivar Inc.), have been submitted to the City as an attachment to our February 27, 2014, letter.

2) Operational Caps (Passengers and Slots)

The TPA's letter of Operational Commitments of February 27, 2014 commits to introducing voluntary interim caps of a) 20 peak hourly slots to mitigate against adverse impacts on local vehicle traffic, and b) 2.976 million annual local passenger movements, in each case until the updated BBTCA Master Plan has been finalized and / or such caps are no longer necessary to address the legitimate concerns attributable to projected passenger volumes at BBTCA city-side access points. The TPA is a self-standing corporation, with all necessary corporate power and authority to make these commitments. TPA has several existing and substantial legal commitments with the City of Toronto, including for example the recent BBTCA PILTS Agreement, and the BBTCA Pedestrian Tunnel /City Watermains Replacement Agreement among others. TPA does not need or seek a tri-partite amendment to enforce the interim caps, and as it cannot speak for other signatories, will not consider one.

Unlike other airports, BBTCA is a slot-restricted airport. At present we have 202 slots and we do not currently have plans to increase the number of slots made available to commercial airlines. Slots will continue to be determined solely by the airport and always within the Official NEF 25 Contours in our Tripartite Agreement. There has been no request by any party to change the NEF 25 Contours.

3) Infrastructure Funding

TPA has confirmed in its letters of January 24 and February 27, 2014 that it will be responsible for funding of airside infrastructure. TPA does not have the financial capacity to fund city-side

infrastructure improvements on City owned lands. We have written to seek funding assistance from the federal and provincial governments, such funding to be administered by and solely at the discretion of the City.

TPA and the City of Toronto staff have been working effectively in the identification of appropriate infrastructure improvements, and these would appear to be already largely agreed in principle.

4) Confirmation of CS-100 compliance with Tripartite Agreement

The CS100 aircraft must meet all existing strict noise regulations within the Tripartite Agreement and receive all necessary regulatory approvals. If there is a failure to meet these requirements; the plane will not be allowed to fly from the BBTCA.

5) Confirmation of Runway Expansion Configuration and Compliance with Applicable Regulations

TPA will provide a complete copy of the final runway Application submitted to Transport Canada, once submitted. Previous draft copies are working draft submissions for comment and not relevant for the approval process. We had provided the City a copy of the submission dated on October 29, 2013 on the Revised LPS Consultant's 200-metre submission. We understand the City has requested a letter from Transport Canada indicating directional comments on the Porter Proposal and runway extension.

6) Runway Extension Impact on the NEF Contour in Tripartite Agreement

The introduction of jet aircraft, and the resulting runway modifications must comply with the existing NEF 25 Contour in the Tripartite Agreement. The NEF 25 restriction is not being changed. The City of Toronto continues to have the ability to review noise data from each operating year and conduct peer reviews of the airport's performance. It is already doing so, the most recent performed in 2012 by Genivar for the City using the available 2011 Statistics Canada data, and confirming the airport continues to operate within the NEF 25. TPA has all necessary ownership, rights and approvals existing in the Tripartite Agreement over lands and water lots needed for a runway expansion.

7) Environmental Assessment Process

The TPA's letter of February 27, 2014 includes a full description of background, Legislative requirements, process, consultation, and reporting, and includes specific engagement by and with City agency involvement in the selection of consultant and in the EA project phase.

8) Public and Stakeholder Consultation for EA and Master Plan

The TPA's letter of February 27, 2014 expressing commitment of an environmental process also commits to involvement with the City and public on the EA and on the Master Plan, as noted previously.

9) Bird Strike and Wildlife Management Plan

TPA maintains a comprehensive Wildlife Management Plan for the BBTCA. It has been approved by Transport Canada and is in accordance with the airport's Safety Management System.

TPA follows the same processes as currently found at Pearson Airport, and indeed employs the same wildlife management services provider.

In accordance with the Canadian Aviation Regulations and the BBTCA Safety Management System, significant changes in the airport's operating environment, such as a change in critical aircraft type, will require a review of the Wildlife Management Plan. This analysis would be undertaken in unison with the changes in the Airport Certification and Airport Operations Manual following any airfield expansion works. The airport does not have the authority to control wildlife outside of airport lands. TPA would commit to working with other stakeholder groups as appropriate to coordinate.

10) City of Toronto Official Plan Policies

This is an important City initiative. The TPA has clearly committed in its letters of January 24 and February 27, 2014 to participate with the City in its consideration of amendments to the City's Official Plan relating to BBTCA.

11) Mechanisms for Non-Compliance with Agreement Terms/Conditions by TPA and /or Airport Operators

The Tripartite Agreement has clear provisions for appropriate conditions of enforcement and cure that have been in force since 1983. All three parties, meaning the City, TPA, and the Federal Government have signed the Agreement and are bound by the terms of this Agreement.

12) Marine Exclusion Zone

TPA has requested the City receive a current diagram to assist in the understanding of the Marine Exclusion Zone and buoy placement. It is the TPA's view also that the MEZ buoys must not materially change, and that there be preserved access for the boating community with no meaningful

navigation impact. The parties acting reasonably can determine the definition of materiality as proposed and if any further changes from what is projected upon approval and certification. The TPA has further required as a priority that access for the boating community be preserved, with no meaningful navigational impact.

13) Noise Management

TPA has established a Noise Management office based on industry best practices and has invested in and implemented sophisticated flight tracking and noise management software very similar to Pearson Airport. We have erected acoustic barriers to deflect noise. TPA has further committed in its letters of January 24 and February 27, 2014 to the implementation of Webtrak s/w, and construction of a run-up noise barrier/housing by the end of 2016 to mitigate noise on surrounding communities. The existing noise curfew and strict NEF 25 Contour in the Tripartite Agreement will continue to apply. The TPA cannot agree to a weekend curfew in its operations and is not considering further restrictions on its operations.

14) Toronto District School Board

The TPA will continue to co-operate with and support the local community, including the Waterfront and City Schools, the Harbourfront Community Centre and the Toronto District School Board, in addressing any adverse impacts on the community attributable to the BBTCA, including traffic, noise and safety concerns. This commitment has been ongoing and is referenced in both the January 24 and February 27, 2014 letters.

15) Implementation of Advanced Aircraft Navigation at BBTCA

Required Navigation Performance (RNP) guidance technology will be part of the standard navigation system used by the Bombardier CS100. Porter Airlines has advised both the TPA and the City that RNP would have significant benefits to their operation and also improve the noise and environmental footprint of flights. Further, RNP would reduce the airspace restrictions that currently exist around BBTCA.

Porter has indicated that it has begun initial work with a consultant to start preliminary design specifications, and will work with NavCanada on executing the design. Once the RNP approach technology is approved for use by Porter at BBTCA, it will be in the public domain and available for use at BBTCA by all suitably equipped carriers.

16) De-icing and Chemical Management Program

BBTCA has a management program for aircraft de-icing and anti-icing fluids with a dedicated glycol containment system that traps surface runoff containing glycol from de-icing and anti-icing operations. Under an existing agreement signed with the City of Toronto, the runoff effluent is pumped to the City's sanitary sewer system for treatment. BBTCA has protocols and designated areas for aircraft to receive applications of de-icing fluid. TPA has an agreement in place with the City which provides fees paid to and for City services in this regard, and will abide by it.

17) Participation of TPA in ChemTrak and Air Quality Monitoring

TPA is firmly committed to sustainable airport operations and minimizing operational effects on the waterfront. We are willing to review these programs with the City in a productive dialogue.

18) Fuel Delivery Management

BBTCA and its vendor group are in full compliance with all applicable regulations. We are pleased to share documentation and review with the City as appropriate.

19) Emergency Services and Response Plan

BBTCA has an ERP plan which integrates with all critical first responders, meets all necessary regulations, and is constantly reviewed. As the airport has grown TPA has made significant and continuous investments in upgraded response vehicles and specialized training of on-site personnel. We will continue to revise the ERP as necessary and share details as appropriate.

20) Confirmation of RESA Requirements

In 2010, Transport Canada began to work with all airports in an effort to make them safer. The by-product of that work will soon become new Runway End Safety Areas, or RESA, for all major Canadian airports. We expect that as early as 36 months from now, Transport Canada will require every major commercial airport, including Billy Bishop, to install an extended RESA. The expected RESA regulations will require the addition of at least 50 metres of land mass at each end of our current runway, all of which would need to be built into the water beside the airport. Whether or not Porter's jet proposal is accepted, Federal regulations will soon require that the TPA modestly extend the current runways for an added safety buffer for our turboprop aircraft users. The Porter Proposal incorporates the RESA as we understand it today from Transport Canada.

21) Housing Retrofit Program

Such retrofit programs are normally considered when an NEF contour is proposed to be changed in a community. The BBTCA's NEF 25 contour has existed in the Tripartite Agreement since 1983 and is not being considered to change. Notwithstanding, TPA would be willing to review this issue in the context of best practices of similar airports across North America.

22) Reframed and Revitalized Airport Liaison Committee

BBTCA's Liaison Committee was founded in 2011 and has met regularly each calendar quarter since. It is modelled after Pearson's own successful model, and includes representative membership from key community stakeholders and the local Councillors. It is professionally facilitated by LURA Inc, a company well versed in Toronto and area public meetings. TPA is willing to engage with the City to receive further input for improvement.

23) Construction Management

TPA will continue to consult with the City and with the Community as appropriate on construction projects, including where desired the creation of a Construction Liaison Committee with membership of key community stakeholders to review and discuss project issues. TPA commits to taking action wherever feasible and within the bounds of maintaining an active and safe airport operation to mitigate against construction project effects on the community.

24) Encumbrances / Easements

The TPA and City each enjoy certain mainland property rights and obligations pre-agreed by both parties outside of the Tripartite Agreement. TPA can consult with the City acting reasonably to review items of mutual interest, where appropriate and of no consequence to continuing operational integrity.

25) Update and Amend the Tripartite Agreement

The TPA has previously acknowledged that amendments to the Tripartite Agreement will be required in connection with implementation of the Porter Proposal (i.e. removal of the ban on jets and runway extension to facilitate the Porter Proposal), and that such amendments would be limited in number and complexity. As TPA does not speak for all signatories, additional interim voluntary operating commitments made by the TPA will be considered as solely between the TPA and the City of Toronto. Further, TPA represents and warrants to the City that:

- (i) TPA has all necessary corporate power and authority to make such Commitments;

- (ii) the Commitments have been duly authorized by the Board of Directors of TPA;
- (iii) the Commitments do not violate or conflict with TPA's Letters Patent or By-Laws, the *Canada Marine Act* or any other applicable law or any contract to which TPA is a party; and
- (iv) The Commitments are legal and binding obligations of TPA enforceable by the City against TPA in accordance with their respective terms.

Toronto
Port
Authority



Administration
Portuaire
de Toronto

Geoffrey A. Wilson
President & Chief Executive Officer
Président-directeur général

60 Harbour Street, Toronto, Ontario, Canada M5J 1B7

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January 24, 2014

SENT BY ELECTRONIC MAIL

Mr. John Livey,
Deputy City Manager, City of Toronto
11th Floor, East Tower, City Hall
100 Queen Street West
Toronto, Ontario M5H 2N2

Dear John:

Re: Proposal by Porter Airlines for use of Bombardier CS100 jet aircraft at the Billy Bishop Toronto City Airport (the "Porter Proposal")

The Toronto Port Authority (the "TPA") has reviewed the November 21, 2013 City of Toronto Staff Report on the Porter Proposal and noted the many important issues raised by your team. The report, in particular, emphasised the need for an Airport Master Plan to be provided to the City of Toronto (the "City") for input and review, as well as for amendments to the City's Official Plan to incorporate the Billy Bishop Toronto City Airport (the "BBTCA") into its future planning. We recognize that these two elements will help provide a clear vision and scope for the airport and its future development as an asset benefitting Toronto.

The TPA, as owner and operator of the airport, is respectful of the City's mixed-use waterfront redevelopment planning mandate in place, and mindful of our ability to continue to operate the airport under the terms of the Tripartite Agreement among the TPA, the City and Her Majesty in Right of Canada as represented by the Minister of Transport (the "MOT") in a productive collaboration with the City and, importantly, the local community. We see our mission as ensuring, in part, that the airport's operations must co-exist and remain compatible with the City's overall objectives. As a by-product of your work encapsulated in the November 2013 Report, the TPA proposes the following steps and conditions below (and as attached) with respect to the Porter Proposal in response to the requests and recommendations inherent in your November 2013 Report. In addition, we hope that our approach to City concerns underlying the terms and conditions below demonstrate our commitment to this collaborative and constructive approach.

As requested by you in conjunction with implementation of the Porter Proposal, if approved by each of the City, the TPA and the MOT, the TPA makes the following commitments to the City:

1. **Funding of Improvements to Existing City Infrastructure** – The TPA will seek new funding in an amount up to \$100 million for improvements in City infrastructure related to the BBTCA access and related vehicle traffic. Enclosed is a copy of the TPA's letter to the Federal Government dated January 20, 2014 requesting funding for such improvements, to be invested at the City's discretion under the terms and mandate of the federal government program in question.
2. **BBTCA Master Plan** – The TPA will complete an updated Master Plan for the BBTCA, reflecting any jet aircraft activity and corresponding runway extension which may be approved by the City, the TPA and the MOT. Such updated Master Plan will be completed in accordance with industry best practices and in consultation with the City. The TPA will provide a draft of such updated Master Plan to the City as soon as practicable and will participate in a process of public information meetings in respect of such plan. The TPA will also participate with the City in its consideration of amendments to the City's Official Plan relating to the BBTCA.
3. **Passenger and Peak Hour Activity Caps** – The TPA will work with the City to assess, implement and enforce an interim annual cap on BBTCA-local passengers, and an interim hourly cap on commercial carrier slots (to mitigate against adverse impacts on local vehicle traffic which may be attributable to peak hour commercial aviation activity), in each case until the updated BBTCA Master Plan has been finalized and/or such cap is no longer necessary to address the legitimate concerns attributable to projected passenger volumes at BBTCA groundside access points (as a result of proposed infrastructure improvements). Such interim caps will need to be mutually agreed by the City, the TPA and the MOT. Any such restrictions would be in addition to those currently contained in the Tripartite Agreement, which, for example, prohibit aircraft generating excessive noise and already currently require the TPA to contain the overall frequency of annual aircraft movements within Transport Canada's official 25 NEF (Noise Exposure Forecast) Contour. Such specific restrictions, plus all others, will continue.
4. **Engine Maintenance and Run-Up Noise** – The TPA will implement an appropriate engine maintenance and run up noise barrier/housing by the end of 2016 to mitigate the impact of engine test noise on surrounding communities. This project is contemplated in the TPA's board-approved capital budget and will be included in the updated BBTCA Master Plan presented to the City.
5. **Waterfront School** – The TPA will continue to co-operate with and support the local community, including the Waterfront and City Schools, the Harbourfront Community Centre and the Toronto District School Board, in addressing any adverse impacts on the community attributable to the BBTCA, including traffic, noise and safety concerns.
6. **Funding of Runway Extension** – The TPA will provide or cause to be provided all funding sufficient for the TPA's construction of any runway extension approved by the City, the TPA and the MOT, subject to an extension of the term of the Tripartite Agreement, if necessary to raise such financing.

7. **Tripartite Agreement Amendments** – The TPA acknowledges that amendments to the Tripartite Agreement will be required in connection with implementation of the Porter Proposal, and the TPA agrees that such amendments should be limited in number and complexity.

We look forward to continuing our work with the City on the Porter Proposal.

Yours truly,

TORONTO PORT AUTHORITY

A handwritten signature in blue ink, appearing to read 'GA Wilson', is written over the printed name.

Geoffrey A. Wilson
President and Chief Executive Officer

cc: The Hon. James M. Flaherty, P.C., M.P.
Minister of Finance

The Hon. Denis Lebel, P.C., M.P.
Minister of Infrastructure, Communities and Intergovernmental Affairs

The Hon. Lisa Raitt, P.C., M.P.
Minister of Transport

The Hon. Glen Murray, MPP
Minister of Transportation and Infrastructure

Enclosures: i) TPA Letter to Federal Government requesting City infrastructure funding dated January 20, 2014

ii) TPA Issues Response Document dated January 23, 2014