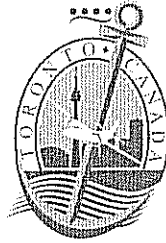


Toronto
Port
Authority



Administration
Portuaire
de Toronto

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Submitted by Commissioner Heisey

May 30, 2014

C-2

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

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

**PRESENTED TO
THE BOARD**

JUN 24 2014

Dear Ministers Lebel and Oliver:

I write to you as a follow-up to the letter sent to the late Honourable Jim Flaherty and the Honourable Denis Lebel on January 20, 2014, with regard to infrastructure improvements around the Billy Bishop Toronto City Airport (“BBTCA”) and a related request for funding. In our initial letter, we outlined an approach to address infrastructure enhancements that would improve access and traffic congestion in the area surrounding BBTCA, including Eireann Quay, Queen’s Quay West and the Canada Malting development site.

By way of background, in its November 2013 Report regarding the proposal from Porter Airlines to introduce new-technology jets to BBTCA, Toronto City Staff outlined several opportunities to be addressed by the TPA and Transport Canada. Key themes that emerged from this report included the importance of improving access on the city-side of the airport and addressing traffic congestion in the surrounding neighbourhood. The report also emphasized the need to have assurances on the source of funding for these improvements in advance of the City making any decision on the proposal put forward by Porter Airlines.

The City also made it clear that the TPA, as the airport’s operator, would be held responsible for securing the funding for these road improvements, even though these improvements would be made to City-owned and managed property.

Subsequent to our initial letter to request funding, Toronto City Staff has completed an updated report, which was released March 20, 2014. The Executive Committee of Toronto City Council heard deputations from stakeholders, and Toronto City Council has chosen to defer an actual vote on the Porter Proposal to 2015. The vote is pending the completion of additional work,

which includes an Environmental Assessment, a preliminary Runway Design Plan, an updated Master Plan, and a Precinct Plan that would look at traffic and congestion.

In the days following Council's decision to defer, the TPA has committed to completing and funding the first three initiatives (the Environmental Assessment, preliminary Runway Design Plan and updated Master Plan) and looks forward to working with the City of Toronto on the Precinct Plan. It is with regard to this Precinct Plan and the ongoing problem of appropriate airport access and neighbourhood congestion that I would like to re-affirm our desire to secure \$100 million for the express purpose of improving the city-owned infrastructure that is in part related to airport access and vehicle traffic.

We understand that the new Building Canada Fund has an envelope for projects of "National Importance" (i.e. that have broad public benefits, and that contribute to Canada's long-term economic growth and prosperity). We believe the proposed airport and nearby community access upgrades should qualify for this federal infrastructure initiative, and understand that projects which qualify for this particular envelope are not "counted against" whatever other funding might be separately allocated to a specific municipality or Province under the terms of the program. To reiterate, we are in no way suggesting that federal funds that have already been secured by the City of Toronto be re-directed to pay for upgrades to city-side BBTCA access and traffic routes. Nor are we requesting that capital for this project be re-directed from other important projects, such as the proposed TTC Downtown Relief Line. We see our request as incremental to any previously-requested or secured funds earmarked for the City. We would also like to confirm that although the TPA is applying for these funds, it is our hope and intention that these funds, once dedicated to this important improvement initiative, would be administered and managed by the City of Toronto to the full benefit of all residents and businesses in the area – as per our earlier request of January 20, 2014.

As a self-financing government business enterprise, the TPA's financial resources are both modest and finite. The TPA does not have sufficient borrowing capacity to undertake all of the work that needs to be done according to the City Report recommendations. This is in part due to the fact that the TPA's government-approved borrowing limit is currently \$52.1 million (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.

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. 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 financial fee associated with the P3 pedestrian tunnel concession (until 2033).

The tunnel is an important component of our traffic management strategy as it smoothes the flow of passengers and alleviates the congestion stemming from travellers arriving and departing in waves according to the ferry schedule.

According to our preliminary analysis, the remaining (i.e. non-tunnel) portion of the AIF can prudently support ongoing capital expenditure needs of the airport's operations. However, the

TPA does not have the financial capacity to support, or finance, the entirety of what could amount to \$100 million of city-side infrastructure improvements sought by the City of Toronto.

To that end, we are reiterating our earlier request that the Federal and Provincial governments consider contributing towards the groundside infrastructure work required, given the obvious regional and national economic benefits of the airport. The airport is thriving, and 90%¹ of Torontonians have confirmed that they consider BBTCA to be an important asset to the City.

And yet, traffic congestion and access are a concern to all stakeholders in Toronto's mixed-use waterfront community. According to the independent consulting report prepared by BA Group for the City, Billy Bishop Toronto City Airport is only one of several contributors to the neighbourhood's congestion, following rapid residential condominium growth and development that was not accompanied with material improvements in traffic or public transit infrastructure. The influx of new businesses and growth in new sporting event locales also played a significant part. It is unfortunate that some unfairly blame the airport for all of this congestion, but that does not undermine the merits of our request. Although the airport is just one of several contributors to the traffic and congestion in the area (a fact reinforced by a recent City of Toronto reportⁱⁱ), we would like to step forward to make this request that will ultimately benefit all constituent groups and residents in the neighbourhood.

Although Toronto City Council deferred its decision on the jet issue, the TPA remains committed to finding a funding solution that addresses the City's report relating to traffic and congestion in the area surrounding the airport in the event that the next Council decides to review the essence of the Porter Proposal in 2015. To do so we need to seek support at federal and provincial government levels. We will continue to self-finance improvements to the island-side of the airport to ensure that the airport can continue to provide the access and service required of us, as per our Letters Patent and the Tripartite Agreement. However, we do require assistance to fund improvements to the city-owned and managed lands that provide access to the airport and surrounding public areas including the Waterfront School, Harbourfront Community Centre, Ireland Park and other spaces.

I have appended our letter of January 20, 2014, for your reference and consideration. Thank you, in advance, for your consideration.

Respectfully,

TORONTO PORT AUTHORITY



Mark McQueen
Chairman

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

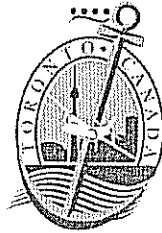
The Honourable Glen Murray, MPP
Minister of Transportation and Minister of Infrastructure

Deputy Mayor Norm Kelly
City of Toronto

ⁱ January 2014, Ipsos Reid Survey

ⁱⁱ May 7, 2014: Report from the Director, Community Planning, Toronto and East York District and the Director, Strategic Initiatives, Policy and Analysis, City Planning - Comprehensive to the Core: Planning Toronto's Downtown
<http://www.toronto.ca/legdocs/mmis/2014/te/bgrd/backgroundfile-69191.pdf>

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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>