

Innovative New Airport Pedestrian Tunnel a Boost for Passengers and Toronto Economy

Toronto (March 9, 2012) – Joined by the Rt. Hon. Stephen Harper, Prime Minister of Canada, the Hon. James Flaherty, Minister of Finance and Minister Responsible for the GTA, and M.P. for Whitby-Oshawa and His Worship Toronto Mayor, Rob Ford, Toronto Port Authority (TPA) Chairman Mark McQueen today announced the start of construction of the Port Authority's pedestrian tunnel to Billy Bishop Toronto City Airport (BBTCA).

The innovative project under the Western Gap of Toronto Harbour will link the popular airport to the mainland at the foot of Bathurst Street, via an underground pedestrian tunnel. The project will provide a predictable, efficient and convenient access route for the airport's million-plus passengers to Toronto's downtown airport. Tunnel construction will take 25 months to complete.

McQueen noted that the privately-financed project will improve reliability of access and maintain a high standard of customer service for the passengers who travel through Billy Bishop Toronto City Airport. In 2011, 1.55 million passengers used the airport, a 50-fold increase over 2006. The tunnel will also give passengers better access to the airport and will help reduce traffic congestion at the foot of Bathurst. "The tunnel project is our response to the continued success of the airport, and we are excited about what this privately-funded infrastructure project will mean for passengers traveling to and from downtown Toronto," he said.

Minister Flaherty noted that the project is expected to have huge and positive impacts for people traveling to and from Toronto. "This project will allow passengers traveling through the Billy Bishop Airport get to their end destination sooner. Less time spent in an airport or waiting for a ferry means more time creating jobs and economic growth for business travelers, and more time with friends and family for those traveling for personal reasons."

The construction of this tunnel will create jobs, and benefit long-term economic growth," said the Hon. Denis Lebel, Minister of Transport, Infrastructure and Communities. "This project is an example of valuable infrastructure being built by the private sector, at no cost to taxpayers, and provides a model for other projects across the country."

The tunnel, which will cost \$82.5 million to build, is being financed by the private sector and paid for by airport users via the existing BBTCA Airport Improvement Fee, not the taxpayer. The agreement between the TPA and Forum Infrastructure Partners includes contractual terms to ensure it comes in on-time and on-budget.

"This project will be a new and amazing gateway to the city and it will add to the vitality of Toronto's waterfront" Mayor Ford said. The Mayor also noted that the City will save more than \$10 million on its own island watermain and sewage project, while avoiding duplication of costly and disruptive construction work, thanks to an agreement reached last year with the Port Authority. Under the agreement, the Port Authority designed the tunnel to suit the City's needed water and sewage mains.

Attached backgrounders and FAQs include information on the selection process, tunnel construction innovations and the project's financing.

Tunnel Schedule - On Time and On Budget

Toronto (March 9, 2012) — The innovative partnership between the Toronto Port Authority and Forum Infrastructure Partners is designed to ensure that the pedestrian tunnel project comes in on time and on budget.

The tunnel will be open for business by Spring 2014, after an expected 25-month construction process. The total cost of the privately-funded construction is \$82.5 million.

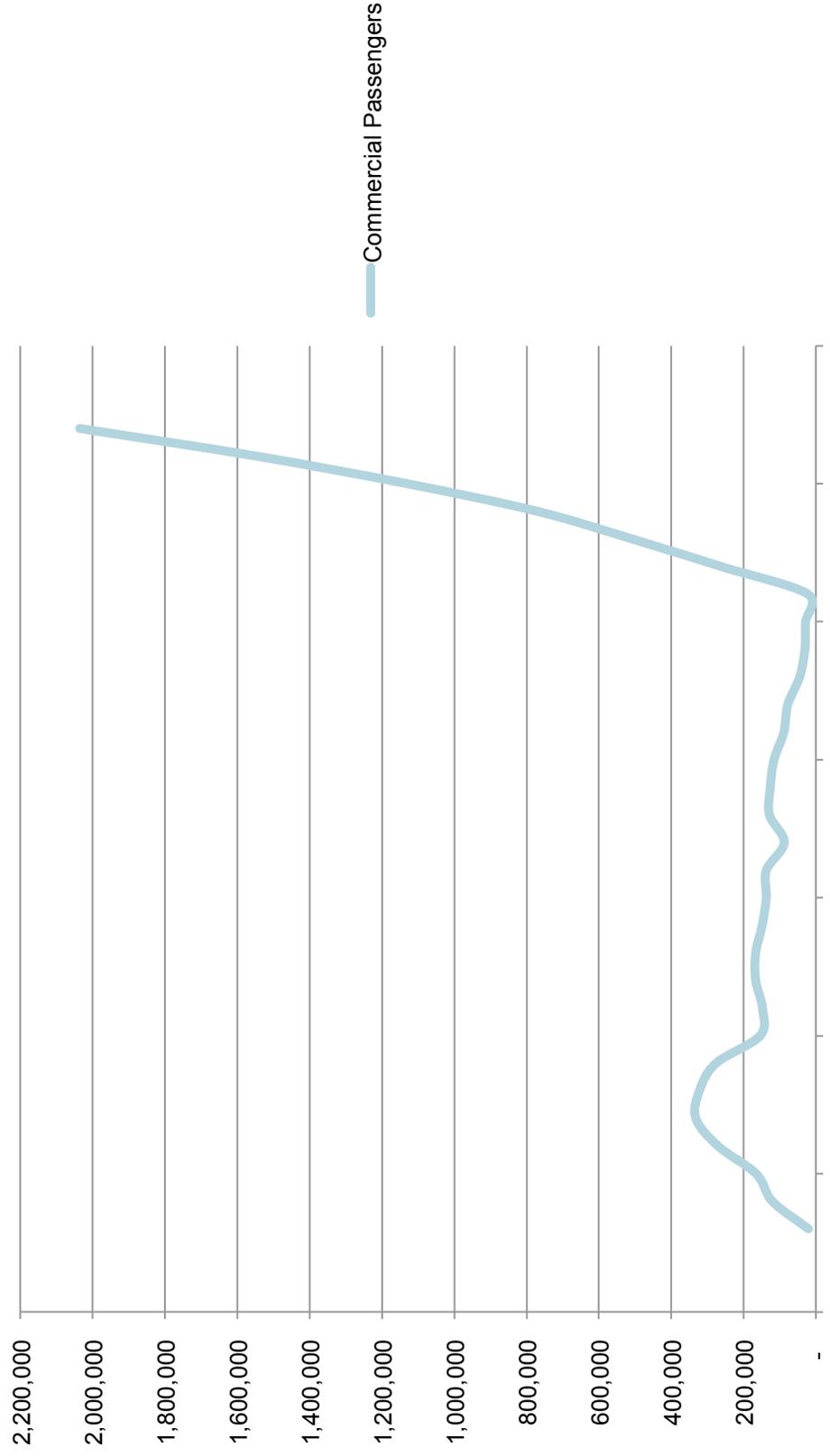
Key timelines in the construction process are as follows:

March 2012	Preparatory work, including relocating city utilities to allow for the city's water mains and tunnel shafts
April 2012	Drilling and excavation starts on mainland side. Excavation directly underground to a depth of 100 feet
May 2012	Tunnelling begins. Arrival of Canadian-made tunnel boring machines for the tunnel crown
February 2013	Tunnelling breakthrough to the island side
March 2013	Installation of city mains
April 2013	Mainland structure starts
June/July 2013	Completion of the tunnel skeleton
August 2013	Island-side atrium completed
February 2014	Mainland pavilion exterior completed
April 2014	Completed installation of city mains

FAST FACTS: Tunnel Construction

800	Length of tunnel in feet
10 storeys	Depth of tunnel underground
4	Number of moving sidewalks
2.3	Km/h of moving sidewalks
780,000	Enplaned (i.e. departing) passengers per Year in 2011
\$20	Current Airport Improvement Fee (AIF) for each enplaned passenger, a portion of which will cover the tunnel's annual Availability Payment
\$8.6 million	Annual Billy Bishop Toronto City Airport (BBTCA) passenger AIF payments to pay for tunnel's construction, operation and maintenance
1	New coffee shop on mainland
\$82.5 million	Total construction cost, 100 per cent financed by the private sector and ultimately paid for by a portion of the existing \$20 BBTCA passenger AIF
\$103,000	Price per foot for airport pedestrian tunnel versus the estimated \$190,000 price per foot of the recently-completed Simcoe Street vehicle underpass
Spring 2014	Start of operations
2	Number of custom-made tunnel boring machines
30	Number of trucks per day

**Commercial Passengers
1983-2011 Actual & 2012 Forecast**



QUESTIONS & ANSWERS Tunnel Financing and Schedule

1. *What will the tunnel cost?*

The tunnel is being built at no cost to taxpayers.

When the final public-private partnership consortia proposals were received in the Fall of 2011, the three shortlisted proponents came in with far higher construction costs than the Toronto Port Authority's (TPA) independent engineering advisors had originally forecast in 2009.

The TPA's working cost estimate for a tunnel that would extend from the city-side to the Porter Terminal was \$65 million (with a 10 per cent overage estimate). The winning consortium bid a construction cost of \$82.5 million, 100 per cent of which is being paid for and financed by the successful private sector consortium.

This cost increase can be explained by four factors: i) the tunnel will now connect to the new Porter Terminal, rather than the airside Passenger Transfer Facility as was originally anticipated by the TPA in 2008 and 2009. As such, the length of the underground tunnel has grown by 50 per cent; (ii) all three proponents advised that the tunnel should be built deeper than had originally been expected, which added to the construction cost; (iii) the construction associated with the Pan Am Games put upward pressure on trade costs in 2013; and iv) the proponent has assumed all liability for cost overages under the proposed contract.

2. *What does the higher construction cost mean to BBTCA passengers?*

In 2010, the BBTCA passenger Airport Improvement Fee (AIF) was increased to \$20 per outbound passenger from \$15 in anticipation of this project. There is no plan to increase the AIF. At Toronto Pearson, the AIF for outbound passengers is \$25.

Although the winning proponent's *construction* cost was higher than the TPA's independent advisors had originally forecast, the proponent's *financing* cost is substantially lower than had been originally expected by the TPA's independent financial advisors.

The TPA had tentatively budgeted the annual availability payment to be \$8.7 million for a pedestrian tunnel that would cost the private sector \$65 million to construct. The actual annual availability payment required by the winning consortium is \$8.6 million, due in part to the tunnel's lower financing cost.

In 2012, the TPA expects to collect approximately \$19 million in AIFs from BBTCA passengers via the current \$20 fee charged to outbound passengers. These fees are used for airport capital expenditures. As such, only 46 per cent of the current annual AIFs will be required to meet the consortium's annual pedestrian tunnel Availability Payment.

The relevant financial figure is the annual Availability Payment to the private sector consortia, as that's what the passengers must cover via the BBTCA AIF.

3. *Is the project guaranteed or financed by the Federal Government in any way?*

No. Under the *Canada Marine Act*, the Toronto Port Authority is a Business Enterprise, and not a "Crown Corporation," for example, and cannot receive direct funding or tax dollars from the Federal Government. The Pedestrian Tunnel project is neither being underwritten nor guaranteed by the Federal Government, as the TPA itself is an arms-length entity of the Parliament of Canada. The TPA has no taxation powers, and by law must be financially self-sufficient.

4. *How many AIF-paying passengers does the airport need to cover the annual tunnel Availability Payment?*

In 2011, BBTCA saw 1.55 million passengers, with 780,666 (departing passengers only) paying the AIF; this worked out to be approximately \$15 million in aggregate AIF payments. The 2012 forecast is for 2 million passengers in total, with one million departing passengers paying the existing \$20 per passenger AIF.

To cover an \$8.6 million annual availability payment plus basic airport maintenance capital expenditures solely out of the AIF, the BBTCA would need about 460,000 departing passengers per annum, versus the 2012 estimate of one million; and the tunnel should increase aircraft seat utilization once completed.

As the BBTCA generates landing fees and other rent for the TPA, there are additional revenue streams beyond the AIF that add to the TPA's financial strength.

To date, the TPA has already accumulated approximately \$14.1 million in AIF payments that have not been spent on airport capital expenditures. This sum, plus what is generated over the next two years, helps to reduce the annual Availability Payment over the next 20 years.

By the end of 2017, the TPA expects to have accumulated AIF fees of \$25 million above and beyond what is required to cover the Availability Payment and the airport's forecast capital requirements.

This sum provides a multiyear buffer should traffic drop dramatically for an extended period of time thereafter, and the TPA needs to use this accrued AIF "bank account" to cover any future shortfall in the AIF collected to meet the annual Availability Payment.

5. *How secure is the Consortium's debt commitment?*

A portion of Forum Infrastructure Partners' sub debt is being contributed by the Ontario Pension Board, while the senior bank debt is being provided by NORD/LB, a highly-rated German bank. The bank debt has a term of 10 years.

TIMELINE OF KEY DEVELOPMENTS: From Idea to Innovative Project

The airport tunnel concept has been around since the 1930s when City of Toronto officials first brought the idea forward to spur on economic development. In 1935, *The Globe and Mail* editorial board termed the project “inevitable.”

2008

The Toronto Port Authority (TPA) engaged Jacobs Consultancy to undertake a wide-ranging noise study. This study continued into 2009.

Q2 2009

In June 2009, the TPA proposed the pedestrian tunnel project in response to the Federal government’s call for construction projects that could be financed by the Infrastructure Stimulus Fund. Later that month, *The Toronto Star* published an editorial in support of the construction of a tunnel to the Billy Bishop Toronto City Airport (BBTCA). Positive editorial comment was also published in *The National Post* and the *Globe and Mail*.

Q3 2009

The Economic Club of Canada added its support on July 24, 2009, as did the Toronto Board of Trade on August 11, 2009.

Q1 2010

On January 29, 2010, the TPA initiated a Request for Proposal (RFP) under a public-private partnership procurement model to construct a pedestrian tunnel. The RFP sought proposals to design, build, finance, operate and maintain a pedestrian tunnel connecting to the BBTCA.

On February 8, 2010, the TPA released the results of a comprehensive independent noise management study at the BBTCA undertaken by Jacobs Consultancy Canada Inc. ("Jacobs") between 2008 and 2009.

The TPA began an environmental assessment of the project via Dillon Consulting. The first public meeting was held on March 24, 2010 to give the general public additional, organized opportunities to provide comment and input. The TPA also met individually with local community stakeholders to gather their input and address any concerns they had regarding the process or the project itself.

Q2 2010

TPA announced that a formal Request for Proposals for additional commercial airline carriers at the BBTCA had been issued on April 9, 2010.

On June 8, 2010, the TPA publicly tabled the BBTCA Consultative Committee Proposed Framework. The TPA's Noise Management Study recommended that the BBTCA establish a permanent advisory body to provide a forum for constructive dialogue on airport operations that may affect those living and working near the airport. This framework was the first step in implementing this important recommendation.

On June 23, 2010, the TPA announced that Airport Coordination Limited (ACL) had finalized the allocation and scheduling of available slots at the Billy Bishop Toronto City Airport amongst new and existing carriers. Air Canada and Continental Airlines submitted responses that met the initial requirements outlined in the formal RFP for additional commercial airline services at the BBTCA. ACL, an independent international consultancy firm with expertise in demand and capacity assessment and scheduling process management, evaluated the RFP responses with regard to BBTCA slot requests. ACL allocated the 90 additional available BBTCA slots as follows: Porter Airlines, 44 slots; Air Canada, 30 slots; and Continental Airlines, 16 slots. To arrive at this arrangement, ACL implemented an allocation methodology comparable to that used at other popular North American airports.

Q3 2010

The BBTCA ferry system is already at capacity, despite the addition of a new, larger Ontario-built ferry in 2010 (the *Marilyn Bell I*).

On July 7, 2010, the TPA issued the formal request for Expressions of Interest with a deadline of July 23, 2010. Fourteen respondents provided a written expression of interest, representing a wide variety of domestic and international construction firms, institutional infrastructure investors, and regulated financial institutions.

Q4 2010

On November 16, 2010, the TPA released a draft Environmental Assessment Report prepared by independent environmental and engineering consultants Dillon Consulting Limited, which concluded that the construction and operation of the proposed pedestrian tunnel would result in no permanent significant environment effects.

The TPA met with members of the public on November 30, 2010 at the Radisson Hotel to discuss the draft Environmental Assessment. Answers to questions were provided during the public meeting, and follow-up answers were publicly released on December 17, 2010.

Q1 2011

As a follow-up to the Noise Mitigation study, the TPA, on January 4, 2011, publicly released its plans to conduct an Environmental Assessment to assess the potential impacts to the environment of installing the proposed noise barriers at the BBTCA.

On January 12, 2011, the TPA again met with members of the public to discuss the draft Environmental Assessment on the tunnel.

On February 11, 2011, the federal Department of Transport, Infrastructure and Communities introduced a draft regulation intended to clarify that the TPA had the authority to build a pedestrian tunnel to the BBTCA.

On February 17, 2011, the TPA released a one-year status update on the independent Jacobs Consultancy Report, which recommended measures to improve noise mitigation at the BBTCA.

On March 4, 2011, the TPA announced that Air Canada would begin service at the BBTCA by May 1, 2011.

Q2 2011

The TPA announced on April 4, 2011, that after taking into consideration the Environmental Assessment Screening Report and comments emanating from public participation in its review of the Environmental Assessment, it had concluded that the proposed pedestrian/services tunnel and perimeter road project was unlikely to cause significant, adverse environmental effects.

On May 12, the TPA held a public meeting at the Harbourfront Community Centre to review the preliminary findings of an environmental assessment for building noise barriers at the BBTCA.

On June 17, 2011, the TPA advised that it had implemented a new Noise Management System along with new public monthly noise reporting, having installed a state-of-the-art system to track flights and match them to the complaints.

Q3 2011

On July 2, 2011, a draft Federal regulation to expressly allow the construction of a pedestrian tunnel was gazetted in Ottawa.

On July 11, 2011, the TPA's Board of Directors approved, an agreement going before City of Toronto Council that would see the TPA's proposed pedestrian tunnel to the Billy Bishop Toronto City Airport accommodate the City's own infrastructure upgrade to water mains to the

Toronto Islands. The TPA first proposed a combination of the two projects to former Mayor Miller in June 2009.

The agreement tabled allowed for a straight-line route for the proposed pedestrian tunnel, which would be more convenient for mobility-impaired passengers and would save travellers approximately \$2.5 million in unnecessary construction costs.

By joining the TPA's project, the City estimated that it will save taxpayers more than \$10 million on its own Island watermain and sewage project, and avoid duplication of costly and disruptive construction work in downtown Toronto. The City was planning a major infrastructure project under the Western Channel that would parallel the TPA's proposed pedestrian tunnel.

Recognizing the budget pressures faced by the City, the TPA waived 100 per cent of the standard commercial fees charged for such carriage, which represents more than \$5 million of additional savings to the City over the next 20 years. The wide-ranging agreement also included provisions to improve traffic management on Eireann Quay, relocate the old terminal building for future use, and wrap-up the ongoing negotiations regarding payments-in-lieu-of taxes (PILT).

Q4 2011

In October 2011, the Federal government clarified a Regulation to expressly grant permission (in the form of an amendment to the Toronto Port Authority's Letters Patent.)

On November 25, 2011, the TPA completed its 18-month RFP process and announced that it had selected Forum Infrastructure Partners ("Forum") as the preferred proponent to design, build, finance, operate and maintain the tunnel until 2033.

On November 28, 2011, the TPA announced that the historic airport building "Terminal A" would be preserved, following the move required to accommodate the proposed pedestrian tunnel.

For fiscal year 2011, the preliminary estimate is that the TPA's net income will exceed \$14.4 million, a 111 per cent increase over 2010's record results. 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 \$1.9 million. This reflects a \$25 million earnings turnaround in the space of five years, despite a global recession in the midst of this period.

Passenger traffic at the BBTCA increased by 37 per cent in 2011 versus 2010, and is projected to hit two million travellers in 2012.

Q1 2012

Airport improvements at Billy Bishop Airport continue in advance of the commencement of the tunnel project. On February 21, 2012, the TPA announced that it had implemented a key recommendation outlined in the 2010 Jacobs Consultancy Report with the installation of a state-of-the-art aircraft noise barrier at Billy Bishop Toronto City Airport.

The TPA continues to actively engage with the local community on aircraft noise issues, and formed the Noise Management Study Advisory Group consisting of local residents and City of Toronto area Councillors. The TPA held public meetings in 2010 to discuss and gain feedback from the public on the recommendations of the report, focussing on the following key areas:

- Establishment of a permanent community advisory committee dealing with airport issues;
- Noise contour measurements that identify flight patterns around the BBTCA; and
- Noise management and mitigation recommendations.

The permanent Community Liaison Committee has met five times since it was created in 2011, and will continue to do so as part of a standing mandate from the TPA. The impact of the 2009 Noise Contour Study, which led to an increase to 202 daily commercial airline slots, was mitigated by the 2010 decision of the TPA Board of Directors to grant no early morning or late evening slots during the 2010 and 2011 RFP processes that awarded additional commercial airline services.

The most recent initiative in response to community concerns and the recommendations put forward by the Jacobs Report is the installation of a six metre-high acoustic barrier at the airport's northwest end. Installation of the barrier is one of 16 commitments the TPA made in 2011 to Toronto residents, and construction is currently underway following a lengthy environmental assessment, which delayed the project's initial timeline.

Construction Program Designed to Reduce Traffic

Toronto (March 9, 2012) – The construction program for the new pedestrian tunnel to the Billy Bishop Toronto City Airport will take 25 months, and is designed to minimize impact on the neighbourhood around the airport.

In addition to a methodical two-year construction schedule, the Toronto Port Authority and its partner Forum Infrastructure Partners have agreed to some innovative construction methods, designed to reduce traffic congestion normally associated with this kind of development.

Together all innovations would cut truck traffic on Eireann Quay from an average of 60 trucks per day to 30 per day.

Forum's construction partner, PCL, will be installing a concrete batch plant on the Malting Lands, which will virtually eliminate cement trucks on the busy stretch of Bathurst and Eireann Quay south of Lakeshore Boulevard.

Another innovation is PCL's plan to pump concrete through the tunnel for use on the airside, reducing the need for cement trucks to cross to the island side.

PCL and its tunnel partners Arup Design and Technicore will be using state of the art, custom-made boring machines.

A detailed construction plan is being implemented. The TPA will work with Forum to ensure that community members get routine information updates, and the TPA will post new information on its website at torontoport.com.