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February 14, 2014

Deputy Mayor Norm Kelly  
City of Toronto  
Toronto City Hall  
100 Queen Street West  
Toronto, ON M5H 2N2

Dear Mr. Deputy Mayor:

In recent weeks, Air Canada President and CEO Calin Rovinescu has made comments directed at the Toronto Port Authority and the operating practices at the Billy Bishop Toronto City Airport. I am concerned that these comments are being made now, at a point when critical decisions are pending regarding Porter Airline's proposal to introduce CS100 jets at the airport. I do not fault anyone for protecting their commercial competitive interests, but I do think it's important that the facts, as they pertain to the comments made by Mr. Rovinescu, are made clear.

As you know, the TPA has, for the most part, stayed out of the jet debate. In recent weeks, at the request of City staff, the TPA has taken a more active role and has committed to sharing information, participating in consultations and answering questions about how the Billy Bishop Airport currently operates so that everyone has the facts and can consider the proposal within an informed and accurate framework.

It is in this spirit that I would like to offer the following context and background in response to Mr. Rovinescu's comments.

**Fact:** Billy Bishop Toronto City Airport is owned and operated by the Toronto Port Authority, a federal government business enterprise. The TPA is mandated to be entirely self-sufficient, and is neither funded nor backstopped by the federal government. The airport itself is located on lands majority-owned by the Toronto Port Authority and with additional small parcels under lease primarily from the City of Toronto. Revenues are generated from passenger fees and associated operations. Though a public facility, it is not funded by public money. Indeed the airport contributed \$57 million in taxes, federal royalty payments, and PILTs to the public purse in 2012.

It is important to remember that the airport was built in 1939. The impressive new passenger terminal that opened in 2010 that now accommodates more than 2 million passengers per year was constructed entirely at the expense of Porter Airlines, a company that selected Toronto as its base of operations and opted to invest in the airport to everyone's benefit. The airside improvements, ferry terminals and ferry vessels themselves are funded through the airports' Airport Improvement Fee (AIF) paid for by every departing passenger, as is the pedestrian tunnel project currently underway.

**Fact:** 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. Charges that we are not allowing Air Canada to have more slots is false. We have no slots to offer, as Air Canada knows, given that Air Canada and Porter currently occupy all available slots. We are turning other airlines away because we currently have no available additional capacity on offer.

Interestingly, when BBTCA last had slots available (16 slots in 2012), providing us with the opportunity to add more destinations and provide passengers with more choice, Air Canada elected to only propose additional flights to Montreal – a destination that was already very well serviced by both BBTCA and Pearson International. Because Air Canada appeared to only be interested in expanding their Montreal route, those slots were properly allocated, by ACL UK Ltd. (BBTCA's third-party slot allocator), to the carrier that could offer travel to destinations not already serviced by BBTCA.

**Fact:** Porter Airline is the dominant airline at BBTCA. Given this airline's very significant investment in the airport, this would make sense. It is common that major airports around the world would have a primary airline associated with them. For example, at Newark Liberty International this airline is Continental; at Calgary International this airline is WestJet; at Pearson International this airline is Air Canada.

**Fact:** There is no monopoly at Billy Bishop Airport. Air Canada also has slots and a strong presence at BBTCA and our passengers benefit from choice as a result. Further, a Federal Court found in 2010 that Air Canada's claim of a monopoly was without merit and confirmed that the TPA was operating according to fair and equitable business practices.

Prior to Porter's arrival in 2006, Air Canada chose to reduce its service to three flights a day, to a single destination, and demonstrated no long-term commitment to the TPA or the airport as evidenced by the fact that it chose not to renew its lease nor make any much-needed investment in the airport, though they were repeatedly requested by the TPA to do so. Porter approached the TPA in 2005 with a vision, and alongside the TPA made significant private investments to improve the airport and build its airline business. It was only after the success of the airport was established that Air Canada expressed interest in growing its business at BBTCA. Notwithstanding the above, we are pleased to have them back at Billy Bishop Airport as an award-winning service choice for our passenger base.

The Porter proposal is both an interesting and complex opportunity and one that requires appropriate input for deliberation and study. The purpose of this letter is not to advocate for or against the introduction of jets. Rather this letter is intended to serve as a confirmation of the facts. The TPA agrees

with Mr. Rovinescu that City Council needs to consider the Porter proposal “properly,” and that means considering the facts and not specious accounts fueled by corporate self-interest.

Sincerely,

TORONTO PORT AUTHORITY

A handwritten signature in black ink, appearing to read 'G. Wilson', written in a cursive style.

Geoffrey A. Wilson  
President and Chief Executive Officer

- cc: The Honourable Lisa Raitt, P.C., M.P., Minister of Transport
- cc: Members of Council, City of Toronto
- cc: John Livey, Deputy City Manager, City of Toronto
- cc: Mark McQueen, Chair, Toronto Port Authority