



NEWS RELEASE

GREATER TORONTO AIRPORTS AUTHORITY

CHANGES AT TORONTO PEARSON

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In light of the current economic climate which has resulted in projections for a downturn in passenger traffic at Toronto Pearson in 2009, the Greater Toronto Airports Authority (GTAA) has announced changes to reduce expenses and increase revenue. The economic climate has worsened significantly since the GTAA's 2009 budget was developed in the fall of 2008. Transport Canada's passenger volume forecasts are now anticipating a 5.8 per cent reduction, which translates to roughly 1.8 million fewer trips through Toronto Pearson this year.

As the GTAA is a not-for-profit authority which runs Toronto Pearson with the goal of breaking even on budget each year, there is a need to make adjustments to account for the difference between the approved budget and the new economic reality.

In response, these four major steps are being undertaken by the GTAA:

1. Additional cost containment measures will be implemented immediately – a hiring freeze, closure of certain airside and groundside facilities, consolidation of certain contracted services and a freeze in management salaries.
2. Capital programs will be deferred – all but the most critical capital projects have been deferred.
3. An incentive program to airlines will be introduced – a landing fee rebate program for air carriers that offer net new services at Toronto Pearson.
4. The Airport Improvement Fee (AIF) will increase – the AIF will be increased by \$5 per departing passenger, effective June 1, 2009, from \$20 to \$25. The AIF is used to fund capital expenses and to service debt associated with capital expenses.

Lloyd McCoomb, President and CEO of the GTAA, said "These changes are not made lightly, but they are the responsible course of action to manage Toronto Pearson today. We must ensure that the organization is well positioned to take advantage of growth opportunities when the economy improves."

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BACKGROUND

GREATER TORONTO AIRPORTS AUTHORITY

RESPONSE TO ECONOMIC DOWNTURN AT TORONTO PEARSON

In this time of economic uncertainty, the aviation industry is facing challenging circumstances. Global passenger traffic is down, and is projected to take a further downturn throughout 2009. The economic impact of these factors and the overall economic climate will be significant and the Greater Toronto Airports Authority (GTAA) has taken measured steps in order to respond to these challenges.

The first step was cost reduction. There are limits, however, to where financial cuts can be made as two-thirds of the GTAA's costs are fixed, including rent paid to the federal government, debt servicing and payments in lieu of taxes. Despite this challenge, many cost reductions have been highlighted for 2009 and more must be done. Examples include: the closure of certain airside and groundside facilities, the consolidation of contracted services and a freeze in management salaries.

The deferral of capital spending is the second step. The infrastructure in place at Toronto Pearson places the airport in an excellent position for growth once the economy recovers. It would not be prudent for the GTAA to spend capital funds on expansion in this economic environment, and therefore certain projects have been deferred for the near future. These projects include: Pier G planning and design, Terminal 1 parking garage expansion, Terminal 3 Master Plan and Terminal 2 garage demolition.

A key factor in using Toronto Pearson to help drive the economy in a positive direction will be stimulating traffic at the airport. This led to the third step by the GTAA – an airline incentive program. This program will offer landing fee rebates of up to 50 per cent for a 12-month period to air carriers that are introducing new services at Toronto Pearson. This includes new air routes that are not currently being served and net increases in service on existing routes. This program is meant to drive more traffic to Toronto Pearson and result in a measurable economic benefit for the airport as well as the surrounding community.

The fourth step of response was to increase the Airport Improvement Fee (AIF). The AIF, a program in place at all other major Canadian airports, was brought into effect at Toronto Pearson on June 1, 2001. At that time, the GTAA was in the midst of a \$4.4 billion redevelopment of the airport and the AIF was brought in to help fund the redevelopment and the associated debt servicing, which continues today. As a result of this development, Toronto has the necessary airport infrastructure in place to be a strong catalyst for economic growth in this region.