

**“Aéroports de Montréal’s Contribution to the
Economic Development of Montréal”**

**Notes for a speech by
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**Delivered at a breakfast meeting of the
Board of Trade of Metropolitan Montreal**

Montréal, March 30, 2006

Good morning,

Thank you for coming out so early to hear me. I welcome this opportunity to tell you about Aéroports de Montréal's development projects.

While our primary mission is to provide quality airport services that respond to the needs of the Montréal community, an important aspect of our operations is economic development. As I intend to demonstrate, we are not only infrastructure managers, but we also initiate projects that generate jobs and added value for the metropolitan region.

Although we are associated more often with air transport, the image I like to use to describe our contribution is that of a... locomotive. A train engine that is pulling more than its weight in Montréal.

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The economic role of airports is clear. All major cities in the world have an international airport, if not two or even three when the population and traffic volume warrants. Airports are an essential infrastructure that allow cities to stay connected to one another.

Montréal-Trudeau is especially important for business. About half of our users — out of a total of nearly 11 million passengers a year — are business people.

Montréal-Trudeau also serves as a gateway for millions of tourists who come to visit and spend their money here every year. Without the airport, Montréal would not be the third-most-visited tourist destination in Canada and one of the most important centres for international conventions in North America.

Some 260,000 tonnes of mail, parcels and various merchandise move annually through Montréal-Trudeau and Montréal-Mirabel. Without air transport in Montréal, you can forget about tropical flowers imported from Asia and fresh sardines that arrive each week from Greece!

Finally, our airport sites are home to many active industrial companies operating in, among others, the aerospace and aircraft repair and maintenance sectors. Without our runways, Bombardier, for example, would have a hard time delivering its airplanes!

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In addition to these examples, Aéroports de Montréal stands out through its development initiatives in various sectors of activity, including passenger transportation, industrial development, logistics, etc.

Let's begin with the development of the airports. Our lease with Transport Canada requires us to invest a minimum of \$30 million dollars annually to maintain the infrastructures in good condition. But, in reality, since our creation in 1992, we have invested more than \$1.35 billion dollars, with all the economic spin-offs this implies.

The major portion of this money has gone to the Montréal-Trudeau expansion and modernization program. At its peak of construction in the summer of 2004, there were nearly 2,000 workers at Montréal-Trudeau, making it the largest urban construction site in Québec at the time.

This project of about \$700 million dollars was completed on time, on budget and users are enjoying the added comfort and functionality of the new facilities.

Allow me to very briefly recap the project milestones:

- Opening of the new transborder jetty, April 2003
- Expansion of the main terminal building, September 2003
- Inauguration of the new Canada Customs hall, November 2004
- Opening of the new international jetty, June 2005
- Expansion and harmonization of the new international public arrivals hall, December 2005

Along with renovation of most of the existing main building, these elements form what we call the “new” Montréal-Trudeau. Our city now has an international airport of which it can be proud and which can fully play its role as hub for air passenger transportation.

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But much remains to be done before we can declare “mission accomplished.” And we have to keep in mind that an airport is never truly finished, at least as long as air transportation needs continue to grow. Let me describe some of the main projects planned for the coming years.

First, the domestic sector, which accounts for 40% of our passenger traffic. This has not yet been upgraded but is the next priority. Given the modest growth anticipated for domestic traffic, the existing facilities will meet our needs for several years. But we will be modernizing the boarding areas and expanding the arrivals hall starting in May.

In the transborder sector, we are going to build a new departures hall next to the new transborder jetty. It will encompass all the facilities required for passenger check-in and clearing U.S. Customs and security. This component was included in the expansion program but we had to revisit its functional design as a result of new security requirements.

Also, this project is now being twinned with our hotel project, which was added in 2004 following positive market studies. Several airports in the world have a hotel integrated within the terminal. In Canada, the experience of Vancouver is very positive and we have drawn some lessons from it.

We are talking here about a hotel with 250 to 300 rooms, meeting rooms, restaurants and other services normally found in such an establishment. It will be located above the future transborder departures area, whose structure will be built at the same time. The hotel will be financed, designed, built and operated by a private-sector partner. On March 13, we received submissions from three consortiums which we are currently analyzing. We hope to announce our choice in May, with a view to starting construction in June.

In addition to the hotel and domestic sector, there are many other projects planned as part of our investment program. In fact, we expect to spend a total of about \$750 million dollars in capital investments over the next five years.

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I would now like to focus on our real estate development projects. As you know, we own large tracts of vacant land, both at Montréal-Trudeau and at Montréal-Mirabel. I'm talking about land that is not required for future airport development.

At Montréal-Trudeau, we have more than 30 million square feet of available land. This represents the largest contiguous land bank on the Island of Montréal, an exceptional asset to have in the industrial heart of Québec. Most of the land is now used for golf and earns a symbolic amount in rent. We envision putting it to work, in view of demand for light industrial development.

We plan an orderly development, in stages, over a 15- to 20-year horizon, so that the golfers can continue to practice their favourite sport for several more years. We are examining the possibility of partnering with financial institutions that may be interested in offering so-called built-to-suit solutions, which are very popular at the moment. Initial lots could be offered on the market beginning next fall.

This development could ultimately generate a real-estate value of more than \$500 million dollars and tax revenues of \$22 million dollars per year, at current rates. To complete this project, we are counting on the City of Montréal to bring in municipal services and to make sure that tax rates remain competitive with the rest of the world.

Again in the area of real estate, we are planning to move the hangars that are at the far west end of Montréal-Trudeau's apron. These hangars are old and need to be rebuilt elsewhere to free up space required for the eventual extension of the transborder and international jetties. In total, we are talking about rebuilding, between now and 2008, some 400,000 square feet of buildings with direct access to the runways.

As for development at Montréal-Mirabel, we are focusing on three main sectors: aerospace, value-added logistics, and recreational tourism.

The Mirabel region is already home to a large number of companies in the aerospace industry, including Bell Helicopters on Highway 15 and Bombardier Aerospace at Montréal-Mirabel. We believe in the future of this industry. That's why we supported the establishment here of the Institute of Aeronautical Training and why we are working with the Association québécoise de l'aéronautique to promote Montréal and our airports to the global aerospace industry.

We have always believed in the potential of Montréal-Mirabel as a logistics hub. The 20 all-cargo transporters already operating there provide a solid foundation. However, with the expansion and phenomenal success of free-trade zones in the United States and elsewhere in the world, we believe Mirabel could play an even larger role. With this in mind, we are holding discussions with the Canadian Finance Ministry which we hope will soon lead to the creation of a similar concept adapted to our tax structure.

We also believe that Montréal-Mirabel has potential in recreational tourism because of its easy access and proximity to the Laurentians. Several airports in the world are getting into this sector. An extreme example is that of Dubai's Jebel Airport, which is embarking on several such projects, including an exhibition centre and a resort. Although on a more modest scale, I can tell you that we have already received several development proposals in this area.

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It's worth spending some time talking about the indoor theme park project submitted by the European consortium I-Parks-Oger International. This project, which will give new life to Mirabel's former passenger terminal, has generated a lot of ink and many comments. I would like to clear up certain facts and explain to you why all of us at Aéroports de Montréal are so enthusiastic about this project.

Firstly, it is not simply an aquarium. It is in fact a recreational megaplex that encompasses many features – and there will be something for everyone, from children to adults, families to singles. It intends to be a destination in itself, like La Ronde, for example, or Tremblant. It is something unique that doesn't exist anywhere else in North America. So, we should avoid comparisons with other types of urban projects.

Secondly, it is a project that is being financed entirely with private funds. When a European developer is ready to invest more than \$100 million dollars here in Québec and doesn't ask for a cent from governments, I think that the least we can do is welcome it with the respect it deserves.

Another important point: it is not the airport that will be transformed but the terminal itself. This was written in large letters in our news releases and I have repeated it dozens of times. The airport will remain operational. The project in no way precludes the eventual return of passenger aircraft to Mirabel when Trudeau reaches its saturation point.

We at Aéroports de Montréal are totally thrilled with the I-Parks project. It was by far the best of all the proposals submitted to us. It will restore the economic usefulness of the entire airport terminal complex, including the terminal itself, the parking lot, the hotel and the office building. We will no longer pay for the maintenance of the buildings and we will receive a rent. For its part, I-Parks won't be starting from zero. In fact, the existing infrastructures are perfectly suited to its project and its investments will be concentrated on interior development only. In short, a win-win situation.

This project also represents an extraordinary opportunity for the region. An indoors destination, open throughout the year, in good weather or bad, will add value to the already incredible tourism offering of the Laurentians. Even the mayor of Mirabel, Hubert Meilleur, who is known to speak his mind, shares our enthusiasm.

Personally, I don't understand some people's reaction. It seems that in Québec, any large-scale proposal is met with skepticism. Also, in the minds of many, anything related to Mirabel airport is destined for failure. It is true that the motto of Québécois is "I remember" but it's time, in my view, that we turn the page and look toward the future!

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In conclusion, let's return to Montréal-Trudeau. Another major project there deals with improving land access to the airport. I cannot stress enough the importance of having good access, since an airport is an interface between air and land transportation. It's not enough to have an efficient airport terminal – we also need users to be able to access it and leave it easily and quickly.

All airports in the world are preoccupied with land access. When they moved the Hong Kong airport, the government built a brand-new highway as well as a rapid rail system. In the case of Mirabel, it was contemplated, but for all sorts of reasons the work was never finished. At Trudeau, Aéroports de Montréal has decided to make land access a major focus, even though our mandate does not include building roads or railways.

Let's look first at the roads aspect. Trudeau is well served by the highway system. The problem is that airport traffic has to pass through Dorval Interchange, which is a real bottleneck. Anyone who has gone at least once to the airport knows what I'm talking about.

The proposed solution provides, among other things, for direct links to the airport from Highways 20 and 520. This is a \$150 million dollar project, to which ADM will contribute \$10 million dollars. Public hearings were held last fall, the Bureau d'audiences publiques sur l'environnement has submitted its report, which is positive, and we are waiting for the green light. If everything proceeds as planned, construction will begin in 2007 and be completed in 2010/2011. We want to thank the Québec Ministry of Transport, the City of Montréal as well as the Canadian government for their participation in this project.

As for a rail link, the primary objective is to build a fast and reliable shuttle between the airport and downtown, similar to what exists in a growing number of cities in the world. We also want to link Montréal-Trudeau with VIA Rail's intercity network.

The problem is as follows, and it's a big one. The rail lines that pass close by are used on a priority basis for freight trains. Although the corridor is wide enough to add in new lines, the existing ones are extremely congested. Another difficulty stems from the fact that there are two networks, CN and CP. The shuttle and intercity trains use CN and Central Station, but AMT suburban trains run on CP lines and arrive at Lucien-L'Allier metro station.

After several years of discussions and studies, Aéroports de Montréal, VIA Rail and AMT finally agreed last December on a common project that would effectively satisfy all passenger service needs in the West Island.

This project encompasses the following elements:

- A 1.5-kilometre branch line that would allow trains of the future shuttle to enter the terminal directly, under the future hotel in fact;
- A unified station in Dorval, built between the CN and CP tracks, which would serve VIA's intercity trains, AMT suburban trains and the shuttle;
- Two tracks dedicated to passenger trains between Dorval and Central Station, which will be used by the intercity trains, the shuttle and some suburban trains;

- Finally, improvement of the corridor between Ste-Anne-de-Bellevue and Dorval, to allow for increased levels of service for suburban trains in this area.

This is a very big project. The preliminary evaluation is around \$550 million dollars, which is, however, less than initially forecast. Aéroports de Montréal will pay for some of it, but, it's a given that the three levels of government will also make a contribution.

We are currently holding discussions with various organizations. We hope to obtain the buy-in of these stakeholders as soon as possible to be able to begin environmental studies, followed by an environmental assessment. Given a construction period of six years, the shuttle could be operational in 2012.

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In summary, you can see that Aéroports de Montréal does more than its share for the development of Montréal, and we are delighted to do so.

Thanks to our massive investments in recent years, we now have world-class airport facilities we can be proud of.

In addition to all this, I want to remind you that we are also taking all sorts of initiatives, in cooperation with our partner-operators, to improve customer service and reduce waiting times.

But for Montréal-Trudeau to remain competitive and to continue to expand its service offering, there are two major issues that need to be resolved.

The first is municipal taxes. For the 2006-2020 period, we expect to pay more than \$900 million dollars in municipal taxes, mainly to the City of Montréal.

You heard me right: I said \$900 million dollars, an enormous amount of money. Our municipal taxes for the City of Montréal are going to reach unsustainable levels, and this as a result of our massive investments! I understand this issue is a difficult one for the City of Montreal. But this also increases our costs and makes us less competitive than Toronto, which pays half as much tax per passenger, and also compared with American hubs such as Boston and New York, which generally speaking, pay no tax.

The second issue, and I've already talked about it, is land access to Montréal-Trudeau, above all the rail aspect since the road situation is on target.

A rail link is important for us, since our future competitiveness depends on it. Intermodal train-plane transportation is an unstoppable trend. In Canada, the Vancouver and Toronto projects are already on track!

Our shuttle project was identified as a priority during the 2003 Montréal Economic Summit. It is also part of the development plan for the City of Montréal. Mayor Tremblay recently reiterated his support for the project. Now we have to find the money!

To return to what I said at the beginning about the locomotive, we're on board and we're driving it. But please, we need those rails for our shuttle!

Thank you for listening.

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