

2005 ANNUAL GENERAL MEETING

**Address by Garth F. Atkinson
President and Chief Executive Officer**

April 20, 2005

Before proceeding with my formal remarks, it is my great pleasure to introduce the other members of our senior staff who are here this morning:

Mr. Julien DeShutter - Vice President Airport Marketing
Mr. Frank Jakowski - Vice President Finance and Chief Financial Officer
Mr. Bob Schmitt - Vice President Airport Development
Mr. John Terpstra - Senior Director Terminal Operations
Mr. Wayne Smook - Senior Director Airside Operations
Mrs. Myrna Dube – Senior Director Land & Business Development

I would also like to acknowledge all Airport Authority staff members who have taken time out of their busy day to join us, as well as our White Hat Volunteers who are here helping us this morning.

I had the pleasure recently of attending an appreciation dinner with over 200 of our volunteers, and it was simply amazing to recognize thirteen individuals who have been with our program since its inception, in 1991.

This Annual General Meeting, along with our Annual Report that has been distributed here this morning, is an important opportunity to communicate both the results of operations for the past year as well as our key objectives for 2005.

Time does not permit me to comment on all of the highlights of 2004, so I encourage you to take the time to review our Annual Report to see what

your Airport Authority, and its many partner organizations, have collectively accomplished on your behalf.

We operate both the Calgary International and Springbank Airports. 2004 was an exceptional year of progress for these airports and I am pleased to report that the Airport Authority met all key financial and operational objectives.

Passenger traffic growth was positive, month by month, throughout 2004 and increased 6.9% to 9.2 million passengers, the highest level of traffic ever recorded at Calgary International Airport. Air carrier landings recorded the first year of positive growth since 1998, with an increase of 2.3% to 68,000 landings.

Our financial performance for the year is detailed in the financial statements that are included with our Annual Report. Total revenues in 2004 increased 12.1% to \$ 139 million while cash operating expenses, excluding interest costs, increased 2.9% to \$ 76 million. The Federal rent payment to Transport Canada, at \$24.3 million dollars, accounted for 32% of our direct cash operating costs.

In our Facility Expansion Sector, net AIF revenue was \$ 42 million, capital expenses were \$ 67 million and closing net debt was \$ 387 million dollars. Our credit facility with the Alberta Capital Finance Authority was renegotiated during 2004, and increased to \$ 460 million dollars, to meet the continuing infrastructure expansion requirements identified in our Master Plan.

The Airport Authority has now invested a total of \$716 million dollars in airport infrastructure since our commencement in 1992.

Infrastructure investments during 2004 included the following major projects:

- The Concourse D Widening Project was about 90% complete at year end, including the arrivals level baggage hall, departures level ticketing counters, new retail hall, passenger holdrooms and new aircraft loading bridges. Gates 31 to 34 can now accommodate domestic and transborder flights, significantly improving the flexibility and efficient utilization of our facility

- The Central Terminal baggage system re-development project was initiated and work in this area will carry on until 2006
- Air terminal building upgrades were completed with airline counter relocations and the installation of common use terminal check-in equipment.
- Phase Two of a three-year upgrade was completed in Concourse B/C and included expanded and upgraded washrooms, new retail offerings and new passenger seating.
- An expansion of Apron VII was completed to accommodate expanding cargo operations, and
- \$20 million dollars was expended on capital restoration and equipment purchases during 2004.

In addition to Airport Authority development, 136 tenant development projects, worth \$ 31 million dollars, were approved for construction during 2004.

The Airport Authority also carries out an active program of environmental monitoring and management as part of its Canada Lease, legal and community responsibilities. The most significant of these activities was the completion of a full Environmental Assessment for the widening and lengthening of Runway 16/34 at Springbank Airport.

The Assessment did not identify any environmental impacts associated with the project that cannot be avoided or minimized through the application of mitigation procedures. Following completion of this Assessment, a contract was awarded for Phase One of this project, which involves the movement of approximately 400,000 cu. metres of fill in 2005. Phase Two, the paving component of this project, will be completed in 2006.

We expect the implementation of a GPS approach will be completed by Nav Canada and implemented by the summer of 2005. These activities, along with significant private investment such as the new Calgary Flying Club,

demonstrate that Springbank Airport has a very bright future as a significant general aviation facility for the Calgary region.

Passenger service options from Calgary were significantly enhanced in 2004 as WestJet commenced service to six destinations in the United States as well as expanding Canadian operations to Ottawa and Halifax. Although we recently experienced the cessation of services by Jetsgo, we expect the Canadian marketplace to remain very competitive, and the pending introduction of new service to Calgary by Can Jet is a good example of our robust marketplace. Calgary has an extensive passenger air carrier route network with 85 same-plane destinations from Calgary, 69 of those being non-stop.

Air cargo operations continue to grow at Calgary, and total throughput has doubled over the past five years to reach 124,000 metric tonnes in 2004. Following several years of development work, non-stop Boeing 747 cargo service to Asia was introduced as Asiana and Korean Airlines began flying to Seoul, South Korea. Calgary now has an extensive cargo network with service to 33 destinations, 27 of those being non-stop.

Retail and food & beverage services continued to be expanded throughout the air terminal complex in 2004. At the end of 2004 we had 70 retail and 42 food and beverage outlets throughout the terminal complex, including fourteen new outlets that were opened as part of the Concourse D Widening project.

Other service improvements for airport customers included:

- The introduction of a new flat-rate, zone-based, on-demand airport sedan service that will complement existing ground transportation choices for travelers
- In partnership with Telus, the terminal complex became the latest WiFi “Hotspot” for high-speed wireless services
- Calgary Emergency Medical Services took up residence in the Air Terminal Complex and provide an on-site response for medical emergencies

- Our thirty minutes of free short-term parking and complimentary baggage carts continue to be a hit with travelers, and we placed 500 new luggage carts into service to meet customer needs, and
- The United States Federal Inspection Services moved their opening time back to 5am, to better accommodate morning transborder operations

Calgary was also the location for several conferences sponsored by the Airport Authority during 2004, including the Summer/Winter Integrated Field Technologies Conference and the Airport Internal Auditors Conference. We will be bringing thousands more people to Calgary over the next several years, and this translates into millions of dollars for the local Calgary economy.

From a due diligence perspective, I can advise you that Transport Canada completed their annual review of the Authority in relation to our Federal Lease commitments, and we received another very good assessment in 2004.

An extensive amount of future planning activity took place in 2004 as our Board approved an Updated Airport Master Plan, which, among other components, validated the requirement for a future 14,000 ft. north-south parallel runway. The construction timetable for this \$ 300 million dollar project will be demand-driven, and is currently estimated at 8 to 10 years away.

We are also working with the City of Calgary to ensure that improvements to the arterial road network surrounding the airport, are funded and constructed in harmony with our Master Plan timetable. Other significant planning activities included the completion of a new Ten-Year Development Plan that was endorsed by the Airline Consultative Committee.

Land and business development was very active in 2004. The Art Smith Aero Centre for Training and Technology opened for classes in the fall of 2004. This important new centre will train students in aircraft maintenance, structures and avionics and we are seeking new business opportunities that will provide synergy with the Aero Centre and help to grow aviation and aerospace business in the Calgary region. Other significant developments in 2004 included:

- The opening of a new 79,000 f2 FedEx sortation facility in Deerfoot South
- Construction commenced on a new home for the Calgary Police Service HAWCS unit, just south of the Aero Centre, and
- Grand & Toy are constructing a new 91,000 f2 distribution centre in Deerfoot South

On January 28, 2005, following an extensive amount of research and due diligence, the Authority's offer to purchase 155 acres of land, situated between Airport Trail and our Deerfoot North Subdivision, was accepted by the vendors. This strategic acquisition will provide additional opportunities for airport synergistic development over the long term.

We were pleased to see the launch of Aviation Alberta in 2004, a new Provincial trade association representing airport, aircraft operator and aerospace interests in Alberta. We also congratulate the Provincial Government for their leadership in eliminating the Provincial aviation fuel tax on international passenger and cargo air services. This step will assist us in the pursuit of new air services to international locations.

Looking ahead, we have set out an aggressive program for 2005 and our objectives include:

- Completion of a new Strategic Operating Plan for the Authority, and
- Completion of three important planning studies:
 - A long-term ground transportation development and phasing plan
 - A plan to further increase our capacity to handle international arrivals, and
 - A review of current and future navigational aid requirements

Despite the many positive accomplishments over the past few years and many exciting projects under development, we continue to be plagued by the Federal Rent Tax. This "Disaster In Progress" has brought us very close to

the brink of fiscal disaster, as without a satisfactory new financial arrangement, our lease payment on January 1, 2006 will increase 125% to \$56 million dollars per year. This increase in the Federal Rent Tax will precipitate a 60% increase in the aviation fees charged to users of Calgary International Airport.

To put the rent issue in further perspective, by December 31, 2005, the Airport Authority will have:

- Paid \$250 million dollars in Federal Rent
- Invested \$ 760 million dollars in infrastructure restoration and expansion projects, and
- Be \$400 million dollars in debt

Intensive efforts have been underway across Canada to have this situation resolved in an ethical and equitable manner. We do believe that such a solution is at hand, and we hope for a positive announcement in the very near future.

To close my remarks on a positive note, I am pleased to report that we received excellent feedback from air travelers in 2004. First, the J.D. Power worldwide survey of customer satisfaction had Calgary tied for 1st in our category of “Airports with less than 10 million passengers”, and we ranked fourth overall in their world survey. In addition, we conducted a Reputation Audit during which Calgarians provided their views on airport operations and the Airport Authority. Among other positive feedback, 94% of respondents considered Calgary International Airport to be a source of pride for Calgarians and they also gave an extremely high rating to the infrastructure improvements carried out over the past few years.

In summary, we believe that all the essential elements are in place to support a successful continuation of the operation and development of both Calgary International and Springbank Airports. We have dedicated and capable airport staff, wonderful White Hat volunteers and some exceptional partner organizations which are as committed as ourselves to a positive future.

Thank you and that concludes my formal remarks here this morning.