

2004 ANNUAL GENERAL MEETING

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

April 21, 2004

Thank you Tom and good morning ladies and gentlemen.

At this point, 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

Mr. Stephan Poirier, Senior Director, Passenger & Air Cargo Development is currently away on business.

I would also like to acknowledge all Airport Authority staff members who have taken time out of their day to join us here this morning.

This Annual General Meeting is one of our key opportunities to demonstrate accountability to our stakeholders, by reporting on both the results of operations for the past year, as well as the main objectives for 2004.

Our responsibility to be accountable is exercised in a number other ways, including the preparation of an annual report which is being released today, annual meetings with the four bodies that appoint members to our Board of Directors, independent reviews every five years, an extensive regulatory environment for airport operations, extensive commitments to Transport Canada under our Canada Lease and a wide range of meetings with airlines, three levels of government and many civic groups throughout the year.

We operate both the Calgary International and Springbank Airports. 2003 was an exciting year for these airports and I am pleased to report that the Airport Authority met all key financial and operational objectives.

Passenger traffic was up 2.7 % at Calgary in 2003 and early indications are that this growth will continue, and perhaps accelerate, during 2004.

Our financial performance for the year is detailed in the financial statements that are included with our Annual Report. Total revenues in 2003 increased 6.3% to \$ 124.3 million and cash flow from operations was \$ 38.4 million. Cash operating expenses, excluding interest costs, increased 14% to \$ 74.1 million. The main factors influencing increased operating expenses were significant expansions to the terminal complex, such as the new “D” Concourse, higher insurance costs (which have increased 260% since 2001 and higher policing and security costs (which have increased 1,450% since 1996). As many of our major projects have now been completed, interest costs associated with those completed projects are now expensed and total interest costs for 2003 amounted to \$13.8 million. The Federal rent payment to Transport Canada accounted for 31.5% of our direct cash operating costs, increasing 4.2% over 2002 to \$23.4 million dollars. I also note that the Authority incurred a \$ 1.7 million dollar net loss in 2003, in relation to the Air Canada bankruptcy proceedings.

The Airport Authority invested \$ 77 million dollars in capital restoration and expansion projects during 2003, a total of \$630 million since our commencement in 1992.

The major investments during 2003 were as follows:

- The Courtyard Infill, a multi-year project that commenced in 1999, was substantially completed at a cost of \$80 million dollars. This project has enabled expanded operations for Canadian Inspection Services and United States Federal Inspection Services and provided expanded Transborder check-in facilities.
- The Concourse D Widening project is substantially underway. This project is the last component of the series of major facility expansions that began in 1997, and will provide additional transborder gate capability, increased baggage-handling facilities, additional passenger

check-in facilities and greatly expanded food & beverage and retail services in the north area of the terminal.

- Access to and from the air terminal aircraft apron was substantially improved during 2003 with the completion of the Taxiway H extension.
- In the central terminal, improvements were made with check-in counter relocations, baggage system modifications and the installation of common use terminal equipment.
- \$15 million dollars was expended on capital restoration and major equipment purchases during 2003. These equipment acquisitions included a fourth high-speed combination snow removal vehicle and a new Striker 3000 fire-fighting unit.

In airport operations, the Authority met or exceeded all Transport Canada regulatory requirements and the operations and maintenance staff did an excellent job of carrying out efficient and effective daily operations and facility maintenance. New facility scheduling procedures for transborder departures and international arrivals were implemented to optimize access to these facilities for both passengers and air carriers. To improve customer service, we acquired and deployed several thousand new lightweight aluminum luggage carts and also deployed a number of “soft seating” units in passenger holdrooms throughout the terminal. We will continue to offer luggage carts at no charge as well as providing 30 minutes of free parking in our short term lot at the main terminal. In 2003, 96% of passengers surveyed rated the airport as either good or excellent, up from 91% in 2002.

We were also pleased to complete negotiations with our staff on a new five-year collective agreement that will run until December 31, 2007.

Exercise SIGMA, a major emergency preparedness exercise, was conducted in October 2003. This simulated on-airport crash exercise involved multiple agencies and tested response times and processes, communications, family repatriation and post-accident aircraft stabilization procedures. The exercise required extensive planning and observers attended from across Canada. It was a very successful test and lessons learned will be incorporated into the emergency response plans of both the Airport Authority and other participating agencies.

Environmental due diligence continued at a high level as a new glycol mitigation plan was developed, a wetlands study was conducted, the Environmental Emergency Contingency Plan was updated and the cleanup of a contaminated site was substantially completed. Community noise consultative committees for both the Calgary and Springbank airports met several times throughout the year.

Calgary has an extensive passenger air carrier route network with 93 same-plane destinations from Calgary, 64 of those being non-stop. Service to the United States is excellent with 31 flights per day to 11 major hubs. Service reductions from Air Canada were offset by increases in flights from other airlines including WestJet, Jetsgo, Skyservice, America West, Alaska Airlines, United Airlines, Skywest and Zoom Airlines.

Air cargo operations continued to grow at Calgary as total throughput reached 115,000 metric tones, a 75% increase in only five years. Cargolux added a third scheduled flight to Europe in 2003 and DHL commenced regional hub services from Calgary with daily 727 service. In addition, after competing in a two-stage selection process, Calgary was selected as the host city & airport for the 2006 Air Cargo Forum, a very large conference that will bring thousands of cargo decision-makers to Calgary from around the world.

Retail and food & beverage services continued to be expanded throughout the air terminal complex in 2003. We now have over 100 venues offering everything from excellent cuisine to unique gifts and personal services, all with our street pricing guarantee.

Over 7,000 students and group tour participants enjoyed our unique educational programs in SpacePort and we added to our Attractions Alberta exhibits with several new community displays. For a few weeks during 2003, Calgary International was the location of an extensive movie production, as we temporarily became Denver Airport to meet the requirements of the script. It was a credit to all those involved that airport operations continued in a very smooth manner during the entire filming process.

Calgary was also the location for several conferences sponsored by the Airport Authority during 2003 that brought over 1,000 people to our great

city. These included the Summer/Winter Integrated Field Technologies Conference and the ACI-North America Concessions 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 2003.

One of our most significant activities in 2003 was the further development of our Master Plan Update and the release of a draft document for industry consultation. The Master Plan contains our long-term facility development strategy and is therefore one of our most critical corporate documents. The plan covers all types of airfield, terminal, groundside and supporting infrastructure requirements. The plan is based on forecasted average passenger growth of 3% over the planning period, however actual delivery of individual components of the plan are incremental and based on the realization of increased traffic levels over the next twenty years.

During 2003, an extensive range of public, government, industry and community consultations were held on the draft Master Plan. These included extensive discussions with the City of Calgary regarding suitable development of the regional road network in Northeast Calgary over the next thirty years. In addition to further development of the terminal complex, this Master Plan anticipates the construction of a new north-south 14,000 ft. parallel runway. At an estimated cost of \$ 240 million, (in 2004 \$), this will likely be the largest single project ever undertaken by the Authority and is currently estimated to be required in 8 to 10 years, depending on activity growth, technological changes and other factors.

Following on the Master Plan, we have completed a detailed update of our twenty-year financial plans including revenue and expense projections, capital requirements, debt levels and debt service requirements. Based on these updated plans, our Board of Directors has approved a change to our existing Airport Improvement Fee.

Effective August 1, 2004, the current \$12.00 AIF will be reduced to \$10.00 on four "short-sector" destinations within Alberta; specifically Edmonton, Lethbridge, Medicine Hat and Lloydminster. This lower fee is being introduced to support passenger growth and economic development within

Alberta. The AIF for all other destinations, both domestic and international, will be increased to \$ 15.00. The combination of these changes will permit the Authority to effectively manage long-term debt associated with infrastructure projects completed to date, as well as fund future incremental developments as they become necessary due to traffic growth or regulatory requirements.

Springbank Airport continues to develop as an effective regional aerodrome for flight training and private recreational flying. In 2003, permanent year-round customs services were introduced and private development continued at a rapid pace, including the redevelopment of the Calgary Flying Club. A new Community Emergency Services Centre was also opened. This unique facility was a partnership involving the Airport Authority, the Calgary Fire Department and the Municipal District of Rockyview and will serve a large number of local residents. We are currently in the planning stages to lengthen the existing north-south runway at Springbank and we expect that construction will proceed on this important project in 2005.

Two of our community partnerships projects matured in 2003 and are now becoming a reality.

Phases I and II of Rotary Challenger Park were officially opened by Premier Klein in the fall of 2003. This innovative facility, designed and constructed for persons with disabilities, is situated on 23 acres of land donated by the Airport Authority and is already booked for the 2004 season.

The new Art Smith Aero Centre for Training & Technology is rising from the ground in the McCall South area of the airport. This new SAIT facility will provide expanded and new programs in aircraft maintenance engineering, avionics and aircraft structures technology and will open for classes in the fall of 2004.

In turning now to the current issues and challenges facing the Airport Authority, I should first note that our Board and senior management had the pleasure a few weeks ago of meeting the Hon. Tony Valeri, the new Minister of Transport. Minister Valeri has laid out four pillars for a new national transportation policy, which are as follows:

- a market-driven policy framework
- a multi-modal infrastructure strategy

- an efficient and secure trade corridor policy, and
- research & development to support transportation innovation

We support these policy priorities and believe they are an excellent fit with the strategic objectives of The Calgary Airport Authority.

A market-driven air policy framework should recognize the global nature of transportation markets and give priority to end users and communities. The key principle we advocate in this regard is as follows:

- No community in Canada should be denied air passenger or cargo transportation services when the marketplace is willing and able to provide those services.

We are closely observing the continuing developments in the Air Canada bankruptcy situation and we fully support Minister Valeri's stated desire that the parties find a private sector, market-driven solution. I am very confident that Calgary is well positioned with a strong local market to withstand future evolutions in the aviation marketplace and that we will continue to enjoy excellent air services well into the future.

I should also note that the recent reductions announced in the Federal Security Tax was welcome news for travelers and the aviation industry and we congratulate the Federal government on this initiative.

We also applaud the Province Government of Alberta for its leadership in continuing to reduce tax burdens on the aviation industry. In February of 2004, Ministers Greg Melchin and Mark Norris announced the elimination of the Provincial aviation fuel tax on all international passenger and cargo flights.

Our development strategy has always envisioned the development of multi-modal links and our Master Plan has preserved corridor access for a future light-rail transit connection to the airport as well as the potential for a connection to any high-speed rail development that may take place in the Calgary-Edmonton corridor.

The efficient movement of people and goods across our border with the United States is certainly critical to economic growth in Canada and we encourage Minister Valeri to further develop and implement strategies

relating to the Smart Borders Action Plan and to invest in bi-national transportation systems architecture to support an effective and secure trade corridor between our countries.

The most significant issue that the Authority faces at this time continues to be that of Federal Airport Rent. As I reported to you last year, our current arrangement with Transport Canada will expire on December 31, 2005. Without a satisfactory new financial arrangement, our lease payment on January 1, 2006 will increase over 100% to approximately \$ 53 million dollars per year.

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 \$ 750 million dollars in capital restoration and expansion projects, and
- Be \$390 million dollars in debt

The most promising news on this front is that Minister Valeri has been fully briefed on both our situation as well as the national perspective and appears committed to resolving this in a satisfactory manner. I certainly hope to be in a position to report a positive outcome to you at our 2005 Annual General Meeting.

Our other priorities for 2004 include continued development of our passenger and air cargo networks. Our focus in this regard continues to be non-stop service to Asia, additional scheduled service to Europe and one or two additional U.S. hubs including New York City.

As I mentioned earlier, the last component of the current major expansion program, the widening of the old Concourse D, is currently underway and will be substantially complete around the end of 2004. In addition, Concourse B/C is undergoing renovations that will significantly improve passenger amenities in our transborder/international concourse.

We are also pleased to be supporting the development of Aviation Alberta. Aviation Alberta is a new association, formed on January 1, 2004, that

represents the interests of aerospace, aircraft operators and airports in the Province of Alberta. Mr. Don Matthews is the President and CEO of this new association, which is dedicated to advancing aviation related economic development in the Province of Alberta.

In summary, we believe that The Calgary Airport Authority is effectively achieving its dual mandate of operating our airports in a safe, secure and efficient manner as well as advancing economic and community development for the general benefit of the public in our region. The Authority is ably supported in this success by our dedicated airport staff and volunteers and by all of our partner organizations that work with us to ensure that Calgary continues to be a centre of innovation and excellence.

Finally, I would like to add my personal thanks to our Chairman, Mr. Tom Walsh, whose term on the Board of Directors will be concluded in August of this year. Tom has been involved with the Airport Authority in various capacities for over fifteen years and has been an outstanding Chairman for the past four years. Tom is a tremendous booster for both the airport and the City and he will be greatly missed by everyone in our airport community.

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

At this time, I would like to open the floor to questions and comments from the audience. There is a microphone located in the centre aisle for this purpose. As you come forward, we would appreciate if you could state your name and if appropriate, the name of the organization that you represent.

<<< Questions and Comments >>>

Thank you. There being no further questions, I will now turn the floor back to our Chairman to conclude the 2004 Annual General Meeting.