

**Notes for a speech
by James C. Cherry
Chief Executive Officer of
Aéroports de Montréal
at a luncheon meeting of the
Association québécoise du transport et des routes
on November 11, 2010
in Montréal**

Ladies and gentlemen

I'd like to thank the AQTR for its invitation. It is an honour for me to speak to you.

At last year's meeting, I gave you an overview of our rail shuttle project. The project has made significant progress since then and I look forward to giving you an update shortly.

But first, let me share some news with you about our airports and air transportation in Montréal. Rest assured: it's good news!

First, as former Chair of Airports Council International, I am pleased to confirm the decision of this international organization to relocate its world headquarters from Geneva to Montréal. The Board of Directors passed a resolution in this regard just a few days ago.

The only association of the world's major airports, ACI has observer status at the International Civil Aviation Organization, which has its headquarters in Montréal. So ACI will move to Montréal in early 2011 to be closer to ICAO.

This is good news for Montréal and its Quartier international! It will reinforce Montréal's status as a world aviation capital.

I would also like to report that, despite some uncertainties on the horizon, the aviation industry is starting to recover. In recent months, IATA has published statistics that show a strong rebound in traffic worldwide. For example, in July, passenger traffic rose by 9.5% and cargo by 23%.

Of course, the recovery has been particularly strong in emerging countries and less so in developed economies like North America.

In Montréal, we also had a very active summer. In fact, July was a record month. For the full year, if the trend continues, we expect to return to – and even exceed – our pre-recession pace of almost 13 million passengers a year.

When you think about it, what is happening is rather normal. As the world economy recovers, so does international trade. And above all, people always want to travel and visit their relatives and friends abroad. Add a market that is being increasingly liberalized and ever-more-efficient aircraft, and you have all the conditions for growth.

The prospects are therefore excellent for all the players in this industry, including manufacturers of aircraft and aircraft components such as Bombardier, Pratt & Whitney and L-3 MAS.

Montréal and Québec will clearly benefit since it is “chez nous” that the Canadian aerospace industry is concentrated. And when I say “chez nous,” I'm thinking mainly of Montréal's airports!

You may well be surprised to learn, in fact, that the manufacture and repair of aircraft and aircraft components are by far the main economic activities taking place on our airport sites.

I'm not just saying this. It comes from the economists who conducted our most recent economic impact study of Montréal's airports.

Every five years or so, we ask an independent firm to measure the economic impacts of our airports in terms of jobs, added value and tax revenues for governments.

We have just completed the impact study for the year 2009. I am pleased to be able to share with you today some major findings from this study.

This survey was conducted with the collaboration of some 250 establishments active at Montréal–Trudeau and Montréal–Mirabel airports.

In 2009, these companies generated the following impacts:

- A grand total of 60,000 jobs, including 31,600 direct jobs;
- A direct, indirect and induced added value of \$5.5 billion, representing about 4% of the GDP of Greater Montréal.

More than 28,000 people work directly on the Montréal–Trudeau site, and around 3,600 on the Montréal–Mirabel site.

As I mentioned, the aircraft manufacturing and repair sector is the largest of the eight sectors identified. This sector, which is growing by the way, generates nearly 20,000 direct, indirect and induced jobs and added value of \$2.6 billion.

From 2005 to 2009, the number of direct, indirect and induced jobs generated by the two airports grew by 4,000 jobs and the total added value by \$1 billion, despite the 2007–2009 economic crisis.

This growth should continue because the companies operating at our airports, including ADM, plan to make investments of \$2.3 billion during the period 2010 to 2015.

As they should, the Island of Montréal and in particular the West Island enjoy the lion's share of these substantial economic benefits.

Montréal's economy also benefits from a large share of tourism expenditures made by visitors from outside Québec who transit through Trudeau airport. That spending is estimated at \$750 million in 2008.

The three levels of government also benefit from tax revenues and additional levies totalling nearly \$1 billion, including \$47 million worth of property taxes.

Aéroports de Montréal alone paid \$38 million in property taxes in 2009. Montréal–Trudeau airport is the most valuable property on the Island of Montréal, and our property value increases with our investments. This means that our tax bill has not stopped increasing.

Although we believe we pay too much tax, we are nevertheless pleased to see how much our airports are contributing to the development of Greater Montréal. We are also aware that these good results do not fall entirely from the sky! They testify to the soundness of our strategic directions and our development programs.

Among other things, the decision to consolidate passenger flights at Montréal–Trudeau and modernize the terminal has proved very astute. Although there is still some work left to do, Montrealers now have a world-class airport, both modern and user-friendly.

Since 2000, we have invested more than \$1.6 billion in our airport facilities – and this, I'd like to point out, without government subsidies. Over the next five years we plan to invest a further \$750 million.

As you know, the airport was virtually rebuilt, and at the same time its capacity has doubled. The only thing remaining of the old terminal, dating back to the 1960s, is the main building which we will be renovating in the coming years.

We also took the opportunity to roll out the most advanced technologies and systems at the new Montréal–Trudeau. The facility is decidedly “state of the art.”

For example, thanks to its revolutionary design, our new thermal plant consumes half as much energy as the old one, despite the fact that the terminal's area has doubled. In other words, it is four times more efficient.

In terms of passenger check-in, we are a global leader in self-service technology. We were the first airport to offer self-tagging of luggage in a common-use environment.

We also pioneered the application of 2D technology for mobile check-in and for tracking of passengers and their luggage.

Our new baggage room for flights to the United States is extremely advanced technologically, and is the first to meet U.S. authorities' new security requirements.

These are just some examples of technological innovation.

In addition, we have simplified and accelerated passenger processing, at least insofar as the rules allow.

Connecting at Montréal–Trudeau, particularly between the U.S. and Europe, is now very easy. In fact, connecting times at Montréal–Trudeau are among the best in the world.

The airlines also say they like operating at Montréal–Trudeau because it's efficient.

When an Air France A380 flew over in October to mark Air France's 60th anniversary in Canada, we took only two hours and 20 minutes to complete the full turnaround of the aircraft, from docking until departure. That is excellent! Few airports in the world can boast such excellent performance for an A380 with 550 passengers.

And beginning in May 2011, the A380 will fly to Montréal on a daily basis as Montréal–Trudeau becomes the fourth Air France destination to be served by the super jumbo.

Generally speaking, when it comes to air service, Montrealers are very fortunate to have non-stop access to some 130 regular and seasonal destinations

Montréal is connected to all major cities and hubs in the United States and Europe, among them New York, Chicago, Atlanta, Miami, Dallas, London, Paris, Amsterdam, Frankfurt and Zurich.

We are constantly striving to attract new carriers and to add new destinations to our network. Our ambition is to enhance Montréal–Trudeau's role as a hub between, on the one hand, North America and, on the other, Europe, the Middle East and North Africa. We are also promoting point-to-point flights to holiday destinations.

In this regard, we are pleased to have carriers like Air Canada and Air Transat, Montréal-based airlines that truly care about Montréal–Trudeau's development.

In fact, for a medium-sized city, Montréal is already well served in all three sectors: domestic, transborder and international. But it is clear that international travel is the fastest-developing of the three.

Even during the 2007–2009 recession, the international sector never stopped growing. Recently launched new routes such as Montréal–Geneva and Brussels are already showing high load factors. It appears that connecting traffic is contributing greatly to this success.

We expect this growth will continue in the years to come and that by 2015 the international sector will be bigger than the domestic sector.

The consequence of all this is that we must increase, sooner than anticipated, the capacity of our facilities for international flights. Over the short term, we will establish remote parking for aircraft and then add four gates to the international jetty. We will also be redeveloping the departures area.

Similarly, as part of our long-term planning, we need to immediately start determining the new facilities that will be needed by 2023.

So we have quite a lot on our plates!

Over the next few years, we also have much work to do to improve land access to the airport. The current situation is at times somewhat arduous.

According to the Québec Ministry of Transport, the direct access ramps to the airport are now expected to be ready by summer 2012.

On our side, the reconfiguration of our own road network in front of the terminal will be completed by late 2011, as planned.

We are looking forward to this. But, unfortunately, the underlying problem will not be so easily solved. Highway 20 will remain congested most of the time and, with the planned work along this axis at the Turcot Interchange, and then the St-Pierre Interchange, traffic will not improve any time soon.

I personally take the 20 every day, sometimes several times a day, and I can tell you that travel between downtown and the airport does not take 20 or 30 minutes. It's more like 45 or 60 minutes. In winter, when there's snow and ice to contend with, it's hell.

You don't need to be a university professor to understand that we need an alternative to road access to the airport. The majority of international airports in the world already have, or are in the process of establishing, a rail link.

It's been more than 10 years since we first began conducting studies with various partners to create this famous Montréal–Trudeau rail link. Several years ago, we determined that the type of service most appropriate for Montréal–Trudeau is a self-propelled shuttle that can enter under the terminal directly. We built our own station accordingly.

There are major differences between a shuttle service and a commuter train. The two differ in type of rolling stock, length of trains, car interior design, frequency and schedule, pricing, route, and so on.

A shuttle implies light-rail equipment, with trains composed of two or three cars, an interior laid out for passengers with luggage, an extended time schedule that corresponds to the airport's hours of operation, frequent departures in both directions, and a non-stop route. In short, the very opposite of a commuter rail link.

Airports are now looking for dedicated shuttles. Lyon has just unveiled one. So has Moscow. Paris, already served by the RER, wants one too. In fact, it is the optimal mode for serving airport customers.

As you know, the problem at Montréal–Trudeau is that the existing CP and CN tracks could not accommodate 120 shuttles a day. These corridors are saturated, and even the AMT cannot add commuter trains on its Dorion line because of a lack of capacity. We must therefore construct new railway tracks for passenger services. Fortunately, the existing rights of way are wide enough to accommodate new tracks.

The pre-feasibility studies that we conducted in conjunction with the AMT and the four levels of government have identified two possible railway configurations: namely the CP-3 tracks option and the Hybrid CN-CP option.

The Hybrid option is the preferred one because, for the same cost, it allows our shuttle to arrive at Central Station and for commuter trains to terminate at Lucien L'Allier. For us, it is very important to arrive at Central Station because of its location in the heart of downtown, its connection to the metro, ease of access via the underground network, its passenger-friendly layout, and so on.

More important, our studies show that Central Station would be used by 15 to 20% more people than Lucien L'Allier.

We thank all the organizations that have supported the choice of Central Station, including the City of Montréal, the Société de transport de Montréal, Tourisme Montréal and the Board of Trade of Metropolitan Montréal, to name a few.

We also thank Sam Hamad, the new Minister of Transport, and Raymond Bachand, the Minister of Finance responsible for the Montréal region, for supporting our vision.

In a joint press release dated October 20, the two ministers declared that West-Island citizens need to have a commuter train service on dedicated tracks and the Montreal airport also needs a shuttle service to downtown. Both projects are a priority and do not oppose each other.

Furthermore, to accelerate completion of the shuttle, we have proposed to the Québec government that we build our portion of the infrastructure and operate the service under a PPP arrangement. Because the shuttle service will generate positive cash flows, we are convinced we can raise \$200 million in private capital out of the total cost of \$600 million.

This proposal appealed to the Québec government. Last March, in the budget speech, it pledged to invest \$200 million in the project, while confirming ADM as general contractor.

This commitment by the Québec government cleared the way to make approaches to the Government of Canada to obtain an equivalent contribution. The file has been submitted to PPP Canada through Infrastructure Québec. Good news: the project has been deemed admissible.

We must now prepare a business case and submit it to PPP Canada for further evaluation, no later than spring 2011. As part of this exercise, we will also, together with Infrastructure Québec, validate the PPP approach and sound out potential private investors.

Furthermore, we have begun technical, economic feasibility studies, including an investment-grade usage study and detailed studies with CN to determine the capacity of rail lines that is required.

This new usage study is being conducted by a world-renowned firm using very conservative parameters. Although the report is not final, I can tell you that the preliminary results are encouraging to us with regard to customers' preference for Central Station and the desired operating characteristics, namely an express shuttle with high frequency of service, specially designed for travellers.

In short, there are still a lot of loose ends to tie up. Large community projects always take a long time! But, for the first time, the stars seem aligned for a takeoff in the near future.

We even believe it's possible to complete the shuttle in 2016, in time for the airport's 75th anniversary. If this deadline proves too tight, then the shuttle would be launched in time for the 375th anniversary of Montréal in 2017. In either event, it seems to me that this would be a nice birthday present!

The rail shuttle will benefit both the airport and the city. It will make our airport more competitive and allow our city to better compete globally as a place of business, as a conference centre and as a tourist destination. As far as I'm concerned, the city and the airport are one!

As our economic study shows, Montréal-Trudeau airport contributes greatly to the economic health of Montréal, and of Québec as a whole. In return, Montréal and Québec have every interest in supporting the development of their international airport.

In closing, I sincerely believe that our shuttle project is a win-win project and that it will be built. In addition to the very tangible benefits that it will generate for the airport and the city, the shuttle will have a symbolic function. By directly linking the airport to the city centre, the shuttle will strengthen our sense of being part of Montreal. That is my most sincere hope.

Thank you for listening.