

The Empire Club Presents

**ROBERT DELUCE
PRESIDENT & CEO, PORTER
AIRLINES INC:**

PORTER AIRLINES; TAKING OFF AT BILLY BISHOP AIRPORT

April 30, 2015

HEAD TABLE:

Distinguished Guest Speaker:

Mr. Robert Deluce, President & CEO, Porter Airlines Inc.

Guests:

Mr. Jim Cade, Senior Partner, Business Law Group, Norton Rose Fulbright

Mr. Ernie Eves, 23rd Premier of Ontario

Ms. M. J. Perry, Vice President and Owner, Mr. Discount; Director, Empire Club of Canada

Ms. Verity Sylvester, Director, TEEMA Strategic Search; Past President, Empire Club of Canada

Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; President, Empire Club of Canada

**Welcome Address by Andrea Wood, Senior
Vice President, Legal Services, TELUS;
President, Empire Club of Canada**

A couple of days ago, over lunch, a few of us got to talking about who in Canada we believe wields power effectively.

And you can tell that it was a dry lunch, but after having debated the obvious list of politicians, judges, and corporate CEOs, we concluded that there could be no more effective use of power than that exercised by somebody with an idea, talent, access to capital, and the grit and determination to build a business from the ground up. We concluded that someone like that could provide employment to hundreds, if not thousands; change the face of a city; and improve the lives of residents. Ladies and gentlemen, our speaker today is such a person. Robert Deluce is the founder, president and CEO of Porter Airlines, an airline based at Billy Bishop Airport here in Toronto.

Robert is a veteran airline executive having operated a number of airlines in Canada, including Air Ontario. His latest, Porter Airlines, is an incredible local success story and has changed the face of our city. Porter was launched with the simple premise that Canada's airlines can do better by focusing on offering an improved customer experience. Porter has created a niche for itself in a very tough industry. Launched in 2006 with a few short haul routes, today, Porter makes travelling more civilized to 14 Canadian and six American cities. It employs 1,400 people.

Thanks in large part to Porter, Billy Bishop Airport has been transformed. It has gone from being a small, dilapidated terminal—remember the old City Express days, guys? I do—to being a state-of-the-art modern facility that accommodates 2.5 million passengers a year. That

transformation continues: Soon Billy Bishop passengers will be able to skip the ferry and, instead, use a 240-metre pedestrian tunnel to access the airport. I for one cannot wait. Many people would stop there and call that success but not our speaker today. Robert Deluce is determined to expand Porter service to include longer haul flights. This, of course, means using jets and expanding the runways to the Airport, the controversial proposal that I think we are going to hear a little more about today.

So, ladies and gentlemen, please, join me in welcoming your speaker today, Robert Deluce.

Robert Deluce

Good afternoon, everyone. Thank you very much, Andrea, for that generous introduction. This is the second time that I have been afforded the privilege of addressing the Empire Club, and I am both grateful and honoured to be back at this prestigious podium.

I very much appreciate the opportunity to update you on Porter's exciting proposal as it relates to Billy Bishop Toronto City Airport. It is now more than two years since we unveiled plans to introduce flights to places like Florida and California using the latest jet aircraft technology. This plan was always based on the understanding that two specific requests be allowed. Two specific requests would have to be approved, namely that jet aircraft be allowed to fly at

Billy Bishop Airport and that the main runway be extended by 200 metres into the water at each end of the main runway but remaining within the existing marine exclusion zones. Porter is on record as having said—right from the day we announced our plans—that the Bombardier CS 100 aircraft must conform to the current noise limits set out in the Airport's tri-partite agreement, or we will not be accepting delivery of them. We have also been clear that the runway extension must have no material impact on boating or the use of the harbor, or we will not proceed with our plans. I will talk about these two requirements in more detail as we get into the presentation. This is not just a downtown issue or a marine issue or about new aviation technology. It is something that matters to our entire city: It is about jobs; it is about giving people choice; it is about providing lower airfares; and it is about developing Toronto's waterfront in balance with other efforts.

Now, it has been more than eight years since Porter Airlines started flying in 2006. Since that time, we have flown more than 13 million passengers, and I am proud to say that we have been previously voted "the world's best small airline" by *Condé Nast Traveller* and North America's Best Regional Airline by Skytrax. That is welcome recognition of the efforts being made every day on every flight by our more than 1,400 dedicated team members.

The proposal that we made in April 2013 to provide service to a number of new destinations, including Vancouver,

Calgary, Miami and San Francisco, is going through a very detailed review. Currently a number of studies are underway including an environmental assessment of the runway extension, a detailed design for the runway, an updated airport mass-juror plan that includes the possibility of jets being introduced and a neighbourhood precinct plan for the Bathurst-Quay area. Ports Toronto is undertaking the first three studies at the city's request and the city itself is leading the neighbourhood plan. This work is being conducted thoroughly and with appropriate public input in order to provide all stakeholders with the necessary information to make an informed judgment in regards to our plan.

Where there have been questions, I believe these studies can provide answers and facts. If there is a desire for compromise and a willingness to find solutions then there can be benefits not only to the Airport and for Porter, but for the local community through our redevelopment of the Airport's mainland access and the city's economy and a further benefit of using the Airport's excess as a catalyst for redevelopment of that specific section of the waterfront. Now, sometimes I am asked why we made this proposal at all given the fact that Porter is doing relatively well and considering the fact that it was bound to produce a certain amount of resistance. The truth is that we were asked much the same thing when we went planning to start the airline in the first place. There were questions about how long it could possibly last and how many people could possibly

be interested in flying with a new airline. More than eight years later, millions of passengers have flown with Porter. The airport is a recognized asset for the city, and it, together with Porter, serves to significantly promote Toronto in the destinations we fly to and even more places around the world. It is fair to say that results have surpassed even our most optimistic expectations. This foundation of support and feedback is really what led us to make our current proposal.

Our customers told us that they appreciate Porter's service to our current 21 destinations; they told us that they really appreciate the reasonably priced airfares that make travel to these destinations much more affordable; and they told us that Billy Bishop Toronto City Airport is an important city asset that makes their travel experience very convenient. At the same time, they said service to longer range destinations—like Florida, the Caribbean and western Canada—is of great interest.

We are also insistent that any growth should not effect the premium service and refined approach to flying that we have developed and are known for. Based on our experience to date, we are confident that base airfares on new routes will decrease by up to 60% or more with the introduction of competition. You will benefit from this even if you decide to fly from Pearson because airlines based there will also need to compete for your business. Before announcing our growth plans, we considered all these various factors

knowing that there is a jet ban at the airport as part of the long-standing tri-partite agreement that controls its operation.

After a global search of aircraft manufacturers, we determined that Bombardier's new state of the art CS100 was the best way to serve all of these interests. Noise is a primary consideration for the introduction of any new aircraft at Billy Bishop. That was uppermost in our minds when we chose Bombardier's Q400 turboprop as the original aircraft in our fleet when we launched back in 2006. The Q400 is known for its quiet sound profile, and I can tell you that on-ground and in-flight testing have proven that the CS100 comparably quiet to the Q400. In fact, the CS100 will be quieter overall when activity on the ground such as taxing and maintenance procedures are also factored in. This aircraft will meet the very stringent restrictions imposed by the tri-partite agreement, and those restrictions are the toughest of any airport in the world.

When jet limitations at the Airport were set out more than 30 years ago it was impossible to predict the profound changes that would occur in the world of aircraft technology. Bombardier and the Pratt & Whitney Geared Turbofan engine have literally reinvented this category with an airplane that is up to four times quieter than any similar jet aircraft—that is why we have made a conditional purchase agreement for up to 30 CS100s. We have also committed to purchase rights for six more Q400s, which are manufactured

right here in Toronto. That makes Porter's total plan and additional investment sum \$2.3 million, which is a strong vote of confidence in both the Canadian aerospace industry and the economy of our city. It is an investment that we are proud to make.

The agreement is conditional because in order to proceed, Porter needs the approval of all three parties to the tri-partite agreement—the city of Toronto, the federal government and Ports Toronto. The first consideration that I mentioned earlier is allowing the CS100 to operate from Billy Bishop Toronto City Airport. The Airport is already governed by the strictest noise regulations in the world, and we are now asking that any aircraft meeting these restrictions be allowed to fly from there. Simply put, if the CS100 does not comply, we will not be purchasing the aircraft; we will not move forward with our plans. In essence, that is our noise guarantee to the city and to our neighbours.

Bombardier plans for the CS100 to enter commercial flights in early 2016—the test flight program currently has five aircrafts flying, including one with a fully fitted out passenger cabin. The CS100 will be exhibited at the Paris Air Show in June, so the aviation world will see firsthand what a stellar and revolutionary aircraft it actually is. Porter is proud to be an early adopter and leading proponent of this aircraft just as we were with the Q400.

The CS100 is also revolutionary in terms of environmental performance. It is a model of operating efficiency using

less fuel per seat than many modern compact cars, and it virtually eliminates the production of unburned hydrocarbons—over 99% lower per flight. Work that the city had already completed indicates that the Airport is a relatively small contributor to local air and sound quality. The Lakeshore and Gardiner are actually closer to most residents and contribute substantially more.

The health of waterfront and downtown residents is important to us as well, as many of our team members, passengers, neighbours and their families work and live in this area. A combination of CS100s and Q400s, all made by Bombardier, will ensure that Porter is flying one of the greenest fleets in North America.

We are also asking that the tri-partite agreement be amended to allow for a runway extension of 200 metres into the water at each end of the main runway. Our paramount principle in requesting the extension is that it be accommodated within the existing marine exclusion zones and have no material impact on boating. We have said from the day our plans were announced that we would not proceed if this principle could not be honoured. Another important factor regarding the runway is that extensions into the water are almost certainly going to happen with or without jets. Transport Canada is presently finalizing regulations that will require enhanced runway and safety areas, or RESAs, for airports across the country—this involves a safety buffer of 150 metres that at the island would include a portion of water.

Porter's proposal already incorporates this requirement, so there is no further extension needed or intended.

There are those who do not want Porter's plans to proceed—this includes some who are opposed to the very existence of an airport: No Jets TO and others have waged a campaign of untruth and misinformation to further their ends. I have personally seen much of the material they are using, so I hope that what I can tell you today helps put your mind at ease.

They falsely predict a number of dire consequences including that there will need to be runway approach lighting beyond the runway extension further into the lake—not true. Transport Canada has been very clear that approach lighting towers are absolutely not required at the Airport. The runways have sufficient and safe navigation guidance provided by other visual aids for both turboprops and any jets that may operate from there. A further claim on their part is that jets will affect development opportunities along the waterfront and Port Lands. With building heights having to be limited due to the jet's lower approach pass—not true. We know this is wrong because the CS100s flight paths will not be lower than it exists today for the Q400 and will not change building height requirements along the waterfront. Development opportunities could actually improve by using the latest navigation technology to improve, to provide even more precise flight paths. We are actually working on this already because the technology can benefit all commercial

flights whether they are turboprops or jets. Flight paths will be further refined and apply in all conditions.

Development that has occurred or is planned is based on central waterfront pricing, which has increased some 72% since Porter's launch. The Airport does not affect property demand or value; in fact, many developers believe that proximity to the Airport is an advantage for typical residents, and new routes will only increase this benefit.

The final example that I would like to mention is of particular interest to those in the room who are boaters. The opponents claim that the existing marine exclusion zones, which are marked off by buoys, will extend all the way from Ontario Place to York Street effectively closing off the Western Gap. This is another fantasy intended simply to scare people. Any information that you have seen or heard about this claim is entirely inaccurate based on speculative, misleading, and rather amateurish calculations.

The fact is that no credible runway design has been presented to indicate anything even resembling this. The most current version shown as part of the Airport's draft master plan indicates no buoy movement on both the far eastern and western ends of the main runway. There is also no movement along the northeastern section of the buoys. The only relevant area with marginal buoy movement is along the northwestern section, and this amounts to an average shift of ten metres northward, which would not require any material change to existing navigation. This

area actually happens to also include some natural shallows with sediment buildup that already guides both traffic in that area. So, yes, there is some minor proposed change to the MEZ, or Marine Exclusion Zone area, but it will not affect how the water is used in any significant way if at all. Porter has very good relationships with many of our neighbours—these people are our customers who often walk to the Airport. They are local businesses who enjoy the tourism provided through Porter and the local school and community centre, where our team volunteers time and donates money. We would like to build more relationships like this and hope that we are given an opportunity to do so.

We take our community responsibility seriously, and we work hard at being good corporate citizens in a number of ways. Porter supports activities as diverse as leading cultural institutions and charitable golf tournaments, just to mention a few. We are also flying the Pan Am Games flame to multiple points along the torch relay route and two specially painted Q400s that will help promote the Toronto 2015 games as they fly to our various destinations. Doing our part to make this a better city is important to us, and we will continue this effort into the future.

I would like to highlight the proposal's economic benefits. To date, Porter has created 1,400 jobs, and our plans will create an additional 1,000 direct jobs at the airline plus another 1,000 indirect jobs within the tourism and transportation

sectors. Billy Bishop Toronto City Airport contributes more than \$2 billion in economic benefit to the city each year, and that number is anticipated to increase by at least \$250 million annually if we are allowed to proceed.

Tourism is a vital part of our economy. Currently, Porter brings in more than 600,000 visitors to Toronto each year, and that number will grow by adding major new population centres to our network—that is good news for the over 315 thousand individuals who make their living delivering services in a variety of businesses including accommodations, attractions, taxis, retail and entertainment. Some people have already decided to oppose the plans we have put forward. Others may still be unsure and want to see the studies that will be completed later this year. We fully support these studies and look forward to their release and the city council's debate on them. We have had detractors from before Porter even started flying. If we allowed negative assumptions to guide our decisions back then, I probably would not be here today because there would not be an airline to begin with.

We do run a business, and we do so in order to be profitable. We do not make apologies for that, but Toronto is also home for me, and many of our team and passengers, and we generally want the best for it. We believe in a revitalized waterfront that includes a revitalized airport, waterfront airport. Ten years ago it was said that any development at the Airport associated with Porter startup would permanently

setback any plans for waterfront development. I think it is fair to say that those predictions never came to pass. The waterfront is thriving with dozens of major commercial and residential developments, and more projects are announced seemingly every month. Just as in the past, there is no reason now to believe that this will not continue, whether or not the Airport's own future growth includes jets.

Now, speaking of jets, I would like to take a minute to comment on Air Canada's recently adopted position of opposing jets at the Airport—or as I might describe it, finally admitting publically a position that has been obvious for some time. Earlier this month they summarized their position as the following: “Air Canada's position on this matter is crystal clear. We do not support jets at Billy Bishop; instead, Air Canada says they prefer focusing on short haul routes from this Airport using modern turboprop aircraft.” It has always been a bit hard for me to tell what Air Canada actually does want at Billy Bishop Airport. For about 16 years Air Canada had an effective monopoly at the Airport. During that time, they chose to consolidate flights at Pearson and help to grow passenger numbers from 400,000 annually all the way down to approximately 20,000 passengers per year. In 2003, when a bridge to the island was approved and on the cusp of being built, they claimed they wanted to fly jets from the Airport. Of course, that was in the middle of a municipal election back in the Miller days when the Airport was being hotly discussed. Coincidentally, we had

proposed starting turboprop service in conjunction with the bridge's completion, but jets at that time were not nearly as advanced as today's CS100 whisper jets. There was no way that they could have realistically started operating jets then, but the Air Canada claim helped derail the bridge from ever being built and our startup at that time.

When Porter did start operating in 2006, Air Canada was, again, motivated to have a strong presence, immediately requesting significant access and flights to multiple destinations. After our proposal to operate jets was unveiled in April 2013, the Air Canada CEO said that if there was any opportunity to permit jets, then Air Canada would want access. He is quoted as saying, "We would absolutely categorically expect to fly our jets there." Now, comes the latest claims that not only are they not interested in jets, but that leaving the Airport entirely is an option they are contemplating. The only consistent theme seems to be one of doing what is best for Air Canada, not Toronto, and certainly not passengers.

Why the dramatic change of mind on flying jets from the Airport to longer range destinations? I would suggest to you that they do not want additional competition on the routes we proposed because past performance shows that any market Porter enters results in fares being lowered by up to 60% or more. Consider this for a moment: On the Sault Ste. Marie–Toronto route, prior to Porter's arrival, the prevailing average price for a one-way based fare was

\$296. With Porter in the market as an alternative, this fare immediately dropped to \$119. Similarly, for Timmins–Toronto, the old fare was \$316 compared with \$109 when we entered the market, so it is in their interest to support the status quo of no jets in order to stifle competition on longer range lucrative routes. We do not expect to win everyone over—probably not Air Canada either. Some never will be convinced for their own reasons.

All that I can ask of anyone is to make up your mind based on the facts. If you consider the complete picture, I believe the evidence will allow you to be supportive. There is much to be discussed among the parties in the coming months, but I am confident that agreement can be reached, and council will be presented with a comprehensive plan later in the year. Porter is proud of what we have accomplished in more than eight years, and we believe we have earned the trust of our passengers, our neighbours and the city, and the citizens of Toronto.

Thank you very much for your attendance today.

Note of Appreciation, by M. J. Perry, President and Owner, Mr. Discount; Director, Empire Club of Canada

For those who know me, it might seem strange that I am the one who has been asked to thank Mr. Deluce because I am the one on the board with the arts and social concerns interest, and not usually business; however, I heard Mr. Deluce was going to grace us with his presence again, and I was ecstatic. This is the man who proved to Canadians that you can fly, and there is something between first class and steerage.

I am absolutely delighted to have him here again and to give a thank you, and I wanted to share one personal experience with Porter: A few years ago, my godson was getting married in Boston, and his mother who lives here in Toronto and my son and I were going to make it a fun motor trip, and then I went out bicycling and did something that young people do all the time, but I guess I am getting old and broke my hand. And because I have a standard, I was told that I was an impaired driver, and I could not even rent an automatic. I went on the Porter website. I could not find three tickets anywhere to get where I had to go, and I phoned, and I had explained the situation, and the loveliest person who works for you said, “I don’t know if I can get all three of you on the same plane, but I’ll get you all there that day. Give me two hours, and I’ll call you back,” and she did. And we got there and all on the same flight, so your

wit, your charm, your dedication to consumers—I am just ecstatic to say thank you very much for coming and joining us once again.

**Concluding Remarks, by Andrea Wood,
President, Empire Club of Canada**

Thanks, M. J. M. J. really is the conscience of the board of the Empire Club of Canada, and so those words coming from her are very meaningful.

Before we all leave today, I would like to take a moment to thank the generous sponsors of today's lunch. Thank you to Norton Rose Fulbright, and thank you to Bombardier. I would also like to thank the *National Post* as our print media sponsor. This meeting will be broadcast on Rogers TV.

Please, consider becoming a member of the Empire Club of Canada. We would love to have you. Perks of membership include reduced ticket prices to our luncheons and advanced notice for and priority seating at events and invitations to members-only events. To make it easier for you to join right now, for the balance of this season, we are offering a special promotion: If you join now, we will throw in a lunch on us. To learn more about membership and about upcoming events, visit us online at www.empireclub.org. You can also follow us on Twitter @Empire_Club. Please, join us again soon. This meeting is now adjourned. Thank you all for coming.