



Pearson Forecast: Painful Hangover Expected After Terminal Opening Party

Toronto/Montreal, 5 April 2005 - Toronto Pearson International Airport's new terminal will open to a chorus of concern over its huge costs and rosy traffic projections, airlines say. "Clearly the future of Pearson as Canada's largest international gateway is in jeopardy of sinking under the weight of the airport's C\$6 billion debt," said Giovanni Bisignani, Director General and CEO of the International Air Transport Association (IATA).

"The Greater Toronto Airport Authority (GTAA) is completely out of touch with the state of the industry. Airlines worldwide are struggling to cut costs to meet consumer demands for cost-efficient air travel. Instead of building a gateway to North America, we have a toll-way for extravagance," said Bisignani.

By its own calculations, the GTAA will need to increase its revenue from items like parking, concessions and other charges to consumers by 100% in the coming years just to service its debt. Charges to airlines will rise at least 150%. But the airlines fear the impact could be much worse.

"The numbers do not add up," said Cliff Mackay, President of the Air Transport Association of Canada (ATAC). "To make ends meet based on the airport's projections, Pearson's traffic growth rate would need to be double that of 1991-2001 when the industry was in better shape. Aside from the GTAA nobody else is forecasting that kind of growth so unit costs will rise even higher. A price sensitive consumer market cannot tolerate increases of that magnitude."

In addition to airline demands for immediate cost control measures at GTAA, federal government intervention is required to:

- Reduce the Crown rent charged for airport facilities
- Improve governance of airport authorities

"These measures alone would take us a long way towards the cost reductions that the industry requires," said Bisignani.

"There is no question that Toronto needs a world-class airport, but that can only be realized if its costs are reasonable and promote growth. Airlines cannot grow their services into a hub that is too expensive. That is the reality and the victim will be the Greater Toronto Area," Bisignani added.

"We may have a great opening party, but the hangover could be long and painful," said Mackay.

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