on February 1, 1997 the Ottawa International Airport Authority took over management and operations of the airport from the federal government. Since then, the Ottawa Airport Authority has served well over 12 million travellers.

ottawa international airport

Building connections to the world.

Table of contents

Ottawa

2000

Building connections to the world is our vision. Connections to the global marketplace. Connections to colleagues, partners, friends, families, and opportunities.

In 2000, with our partners — some flying the Canadian and international skies, others taking our customers home — we served more than 3.4 million travellers. A seven percent increase over 1999.

We also paved the way for expansion, completing four years of planning, assembling a team of world-class experts and local talent and launching an infrastructure project this region urgently requires. All this to ensure we can appropriately serve our region — without tax dollars. To ensure that economic development opportunities can flourish.

Construction has begun. The new Ottawa Airport will rise until its 2004 inauguration. And then, serve for decades.

2000

Regis Trudel

Chair, Board of Directors

Looking back at the Year 2000 is most satisfying. The Airport Authority completed four years of prudent, systematic planning for our future airport, assembled a world-class team to deliver the facilities our thriving region so desperately requires, and launched the expansion project with broad-based community support. With these steps now behind us, our path forward has never been clearer.

For four years, the Airport Authority has paid its own way. The Authority has broken the long time dependence on tax dollars, generating from its operations enough revenues to significantly improve service to our customers.

We operate entirely without taxpayer subsidies. In fact, the Airport Authority now pays millions annually to governments. It makes payments in lieu of taxes to the City of Ottawa and pays rent to the Government of Canada, which owns the land on which the airport is located. Through discussions with the Government of Ontario, the Airport Authority has succeeded in establishing reasonable payments in lieu of taxes, based on the concept of sharing the airport's growth with the municipality. We anticipate that we will also reach an equitable rent agreement with the Federal government.

Looking forward, we see what must be done to meet the community's needs. The $300 million dollar expansion project, entirely financed without tax dollars, will provide our thriving region with the modern, efficient airport it requires.

The expansion project will provide immediate and ongoing benefits for our community. Local people—engineers, construction contractors, tradespeople—are working alongside world-leading experts to build our future gateway to the world. This project stands as our region's most significant infrastructure initiative in more than 20 years.

Looking forward, we see what must be done to meet the community's needs. The $300 million dollar expansion project, entirely financed without tax dollars, will provide our thriving region with the modern, efficient airport it requires.

Our region leads Canada in growth, and must equip to advance through the 21st century. In meeting this challenge, the airport expansion project will set new standards for success in this region.

I am particularly proud of the team that will deliver this project under Paul Benoit's leadership. The Airport Authority has created a vision, pursued it through sound management and hard work, and developed the right plan to deliver the airport that we need.

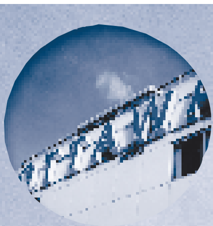
I am equally proud of the Board of Directors for their role in ensuring that the community's voice is heard in the Airport Authority's decision making. The directors are appointed by the community. They are custodians of a public trust. They serve because they care about our community and about the future we build together. The directors have asked tough questions, challenged the management team, and scrutinized the expansion project—all in the name of improving service for our region.

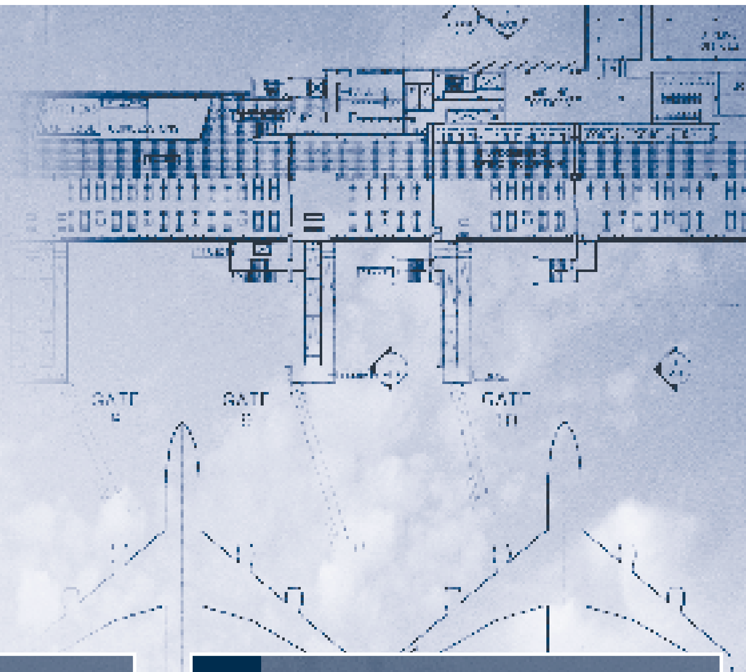
It has been an honour for me to work with my Board colleagues during my time as Chairman of the Airport Authority Board of Directors. I wish to thank each of them for their support and guidance. I wish also to thank the Airport Authority's management team and employees for their forward-looking approach to meeting the challenges of improving service to our community.

As I prepare to hand over my duties as Chairman to my successor, I am confident that our community will continue to be proud of the work we are accomplishing here together.

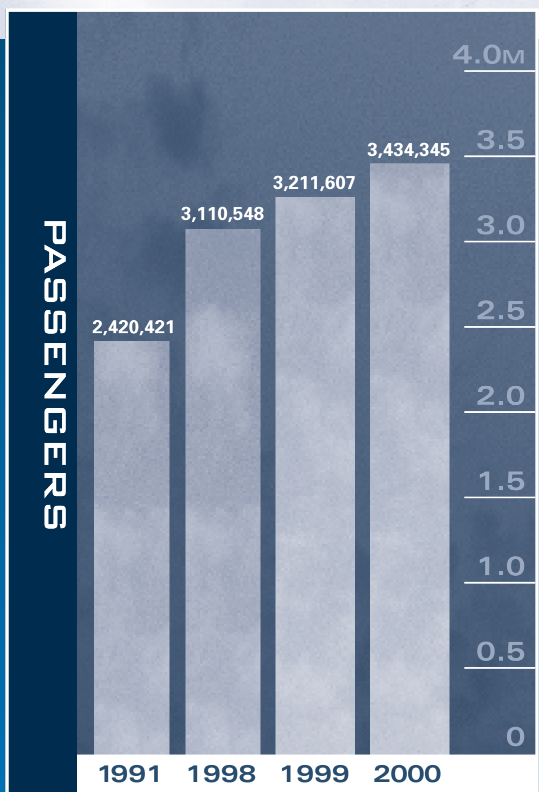
Regis Trudel
Chair, Board of Directors

By spring 2004, a new terminal building, a new parkade and other improvements will simplify and speed up travellers' connections between air and ground transportation. The expansion program also sets out plans for further improvements through 2014, ensuring that the airport can keep up with the community's expectations over the next 20 years.

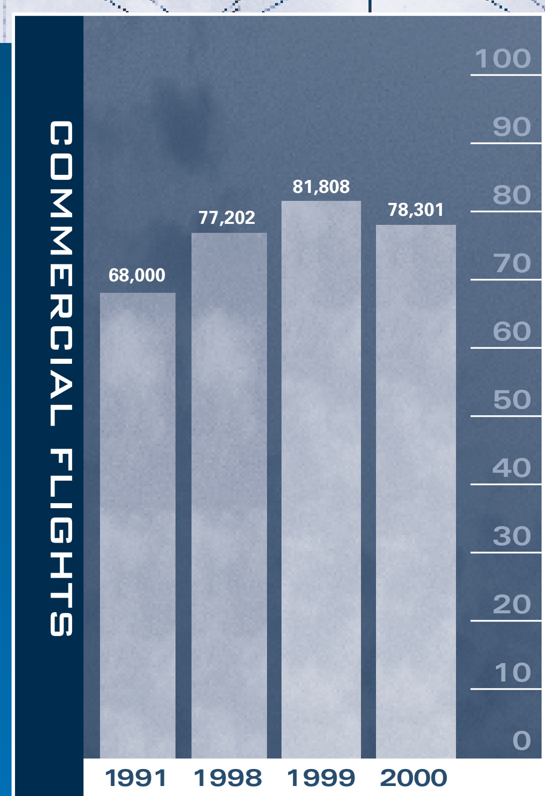




TRAFFIC



Last 10 years: 1,013,924 more travellers



Last 10 years: 10,301 more flights

Over the past 10 years, increases of more than 1 million travellers and 10,000 aircraft movements.

2000

Paul Benoit

President and CEO

The most significant development in 2000 came on October 26th. On that day, the Board of Directors approved the Airport Authority's plan to provide Ottawa-Hull with a new airport to meet community needs, both today and into the 21st century.

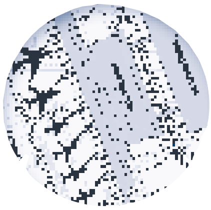
The airport has been operating at levels beyond its capacity for years. In 2000, the airport handled over 3.4 million passengers—30% more than the terminal building was designed to accommodate when it was last renovated in 1987. The airport has struggled to keep up with demand. Despite $25 million in airport improvements since the Airport Authority took over management in 1997, the facilities have become stretched to their upper limit. We are now building the airport that our region needs.

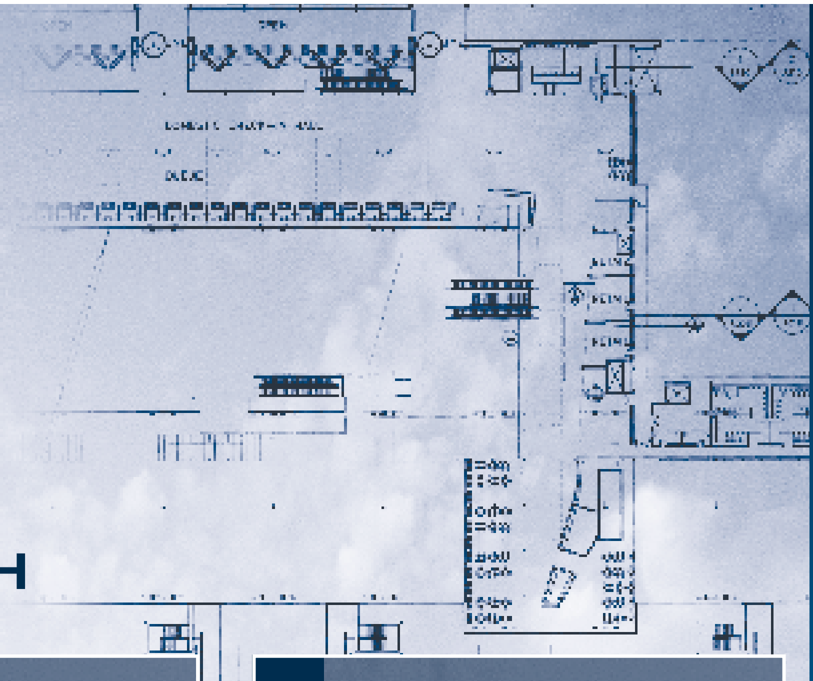
By spring 2004, a new terminal building, a new parkade and other improvements will simplify and speed up travellers' connections between air and ground transportation. The expansion program also sets out plans for further improvements through 2014, ensuring that the airport can keep up with the community's expectations over the next 20 years.

The remarkable growth in passenger volume testifies to the strength of our local economy, both to its commercial dynamism and its stability as the seat of national government. Advanced-technology enterprises located in Ottawa-Hull—from start-ups to global giants—exchange ideas, products and people with their counterparts in a growing number of transborder and world destinations. Their collective success has transformed Ottawa into Canada's fastest-growing economy. The people we serve have good lives, stable employment, technological opportunity, and promising futures.

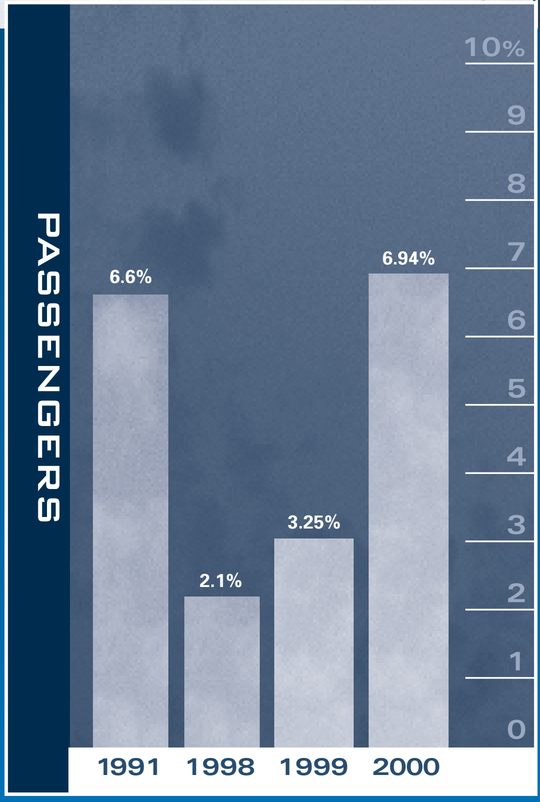
In many ways, the 21st century belongs to Ottawa.

The consolidation of Air Canada and Canadian International Airlines resulted in a net loss of eight domestic flights per day (4.2%). This reduction had little impact as the carrier elected to replace redundant same time departures, by a larger aircraft.

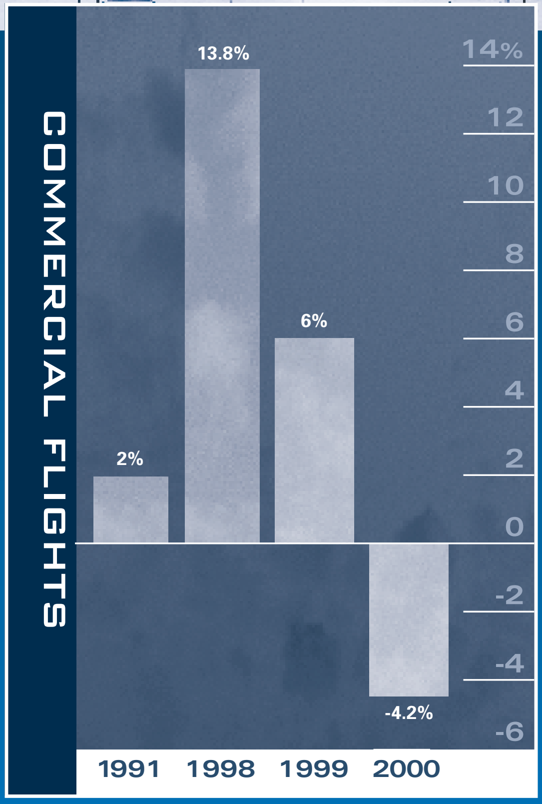




GROWTH



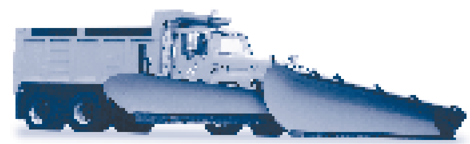
Last 10 years: 43% more travellers



Last 10 years: 15% more flights

The 2000 growth rate in passengers was the highest over the past 20 years.

2000



Air carriers recognize the strength of this market and are increasing service frequency and adding new routes. Even an industry-transforming event such as the merger of Canada's two largest air carriers, which reduced service at many airports, had only a minimal effect at Ottawa International. As Ottawa's connection to the global economy, the airport and the airlines that serve Ottawa-Hull must be able to provide the service and convenience that travellers require.

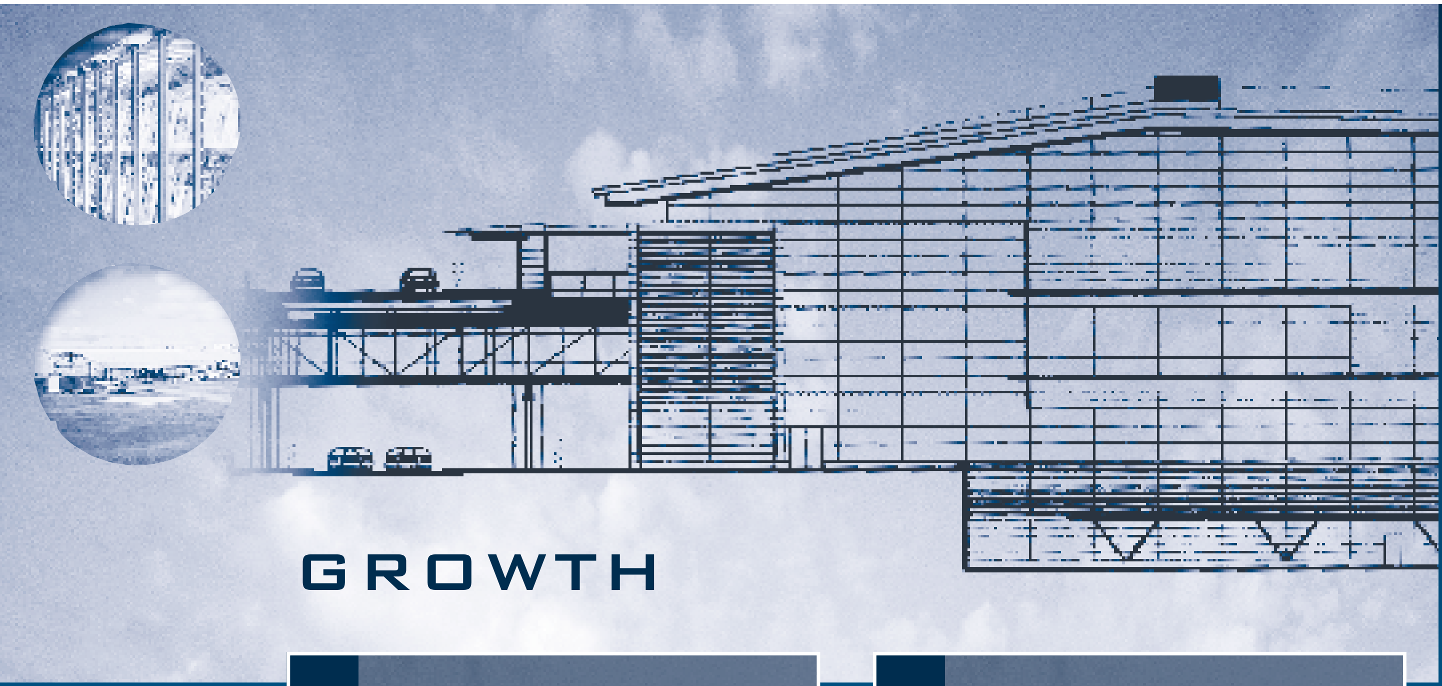
In approving the expansion plan, the Board of Directors validated the systematic planning performed by our airport employees and consulting team since 1997. In four years of operating the airport, the Airport Authority has demonstrated its financial self-reliance. The airport does not receive any tax dollars. Instead, it pays governments. It has paid millions of dollars in rent to the federal Crown, and millions to municipal governments in payments in lieu of taxes. Even the expansion project will be self-financed. Ottawa Airport's successful transition to self-reliance streams from Airport Authority employees' conversion to a customer-first, business approach.

As we prepare to build the new airport, our team draws on the success of the Combined Services Building that was completed and put into service in 2000. Inspired architecture transformed a maintenance garage and firehall into a building that is both functional and magnificent. At night, the structure shines like a beacon. For the airport team, that beacon stands as the standard of excellence in architecture and engineering for the expansion project.

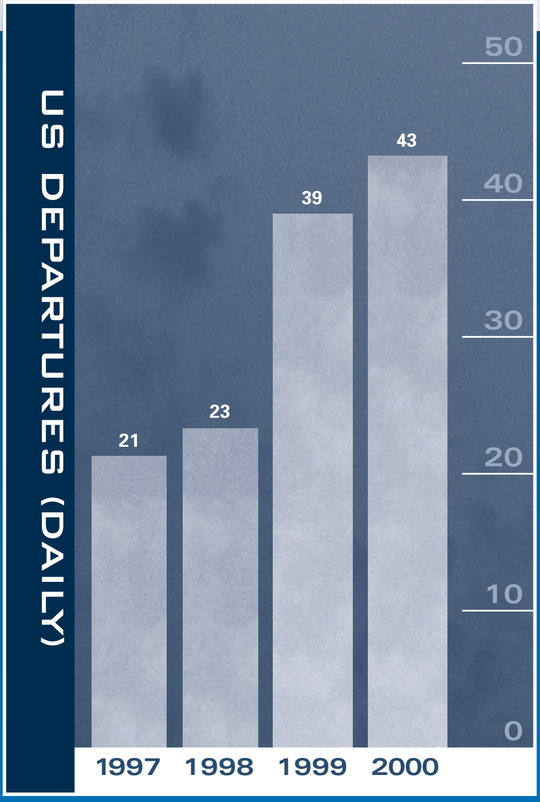
We will deliver a new terminal and other improvements on time and within our financial means, without any recourse to tax dollars. We will also deliver an airport in which our community can take pride. Our goal is to provide our customers and our region with the best-managed airport in the country. Considering the work accomplished so far, and with the expansion project now underway, I know that our team will deliver.

Paul Benoit
President and CEO

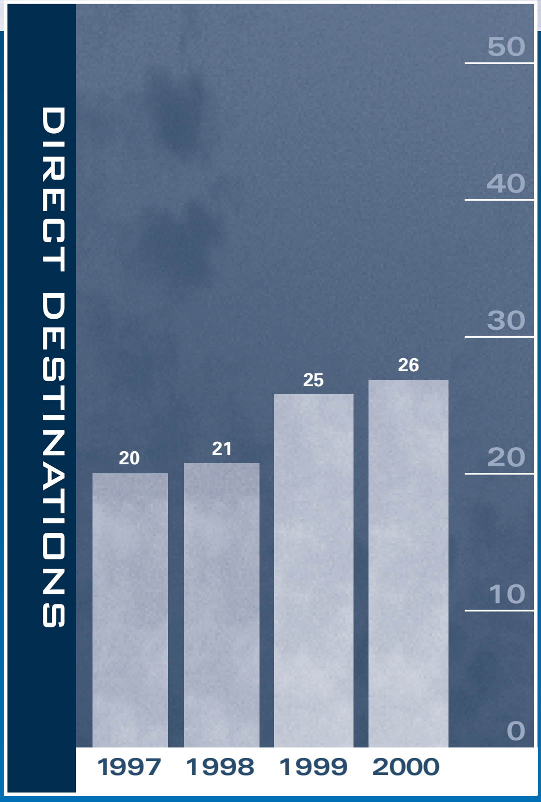
In 2000, the airport served 3.4 million passengers, up 7% from 1999. This growth rate is twice the growth rate established the year before. Clearly, as Ottawa grows, it relies more and more on the airport for efficient connections.



GROWTH



98% of commercial flights are scheduled carriers



Only 2% of commercial flights are charters

Since January 2001, a new carrier offers non-stop flights to six new vacation destinations from Ottawa. Residents of the region now have more vacation choices and the airport forecasts an increase of passenger volume in that sector for the current year.

2000

Growing with the community

In its fourth year of operation by the community-based Airport Authority, Ottawa Airport and its partners connected more people and planes than ever before. The airport provides the gateway between Canada's fastest-growing city and the global economy. The rising number of travellers confirms the need for the airport to expand to keep pace with the community's expectations. Ottawa Airport is positioned for growth.

2000: More, more, more

More people, more packages, and more planes. More destinations, more services, and more choices. Every day, air travellers pass through Ottawa Airport from origins and toward destinations that span the globe.

In 2000, the airport served 3.4 million passengers, up 7% from 1999. This growth rate is twice the growth rate established the year before. Clearly, as Ottawa grows, it relies more and more on the airport for efficient connections.

While almost three out of every four passengers' initial flight segment out of Ottawa was to a Canadian destination, a growing number of travellers took advantage of Ottawa's direct connections with the United States. Direct transborder travel represented 21% of volume, and has been rising steadily. With the Fall expansion of the U.S. pre-clearance area, the Airport Authority has ensured our high growth area can continue to expand. In 2000, direct transborder passenger volume grew 14.5% from 1999, helping to make Ottawa International Airport the sixth-busiest airport in Canada.

Travellers gained alternatives through increased flight frequencies, new routes, and new carriers. WestJet and CanJet began serving Ottawa. In their consolidating year, Air Canada and Canadian Airlines essentially maintained the capacity they offer to the Ottawa Region. Canada 3000 and Royal

2000

Infoguide

Airlines, charter airlines, added scheduled service. In all, prior to consolidation, the airport served 151 daily flights between Ottawa and 28 destinations. From Ottawa, one can fly non-stop as far west as Vancouver, as far east as London, as far north as Iqaluit and as far south as Atlanta.

Keeping up with demand

In 2000, Ottawa International served far more travellers than anyone had even imagined when the terminal was renovated in 1987. Back then, planners renovated the terminal to accommodate 2.6 million passengers a year. Just a few years later, passenger volumes broke through that number. By 2000, the airport worked at levels 30% in excess of its capacity.

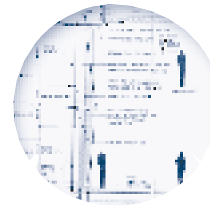
A thriving local economy sets the airport's pace. Ottawa, the fifth-largest city in Canada, is the fastest-growing labour market. Once a 19th century lumber town, then a 20th century government centre, Ottawa has developed into a 21st century technology powerhouse.

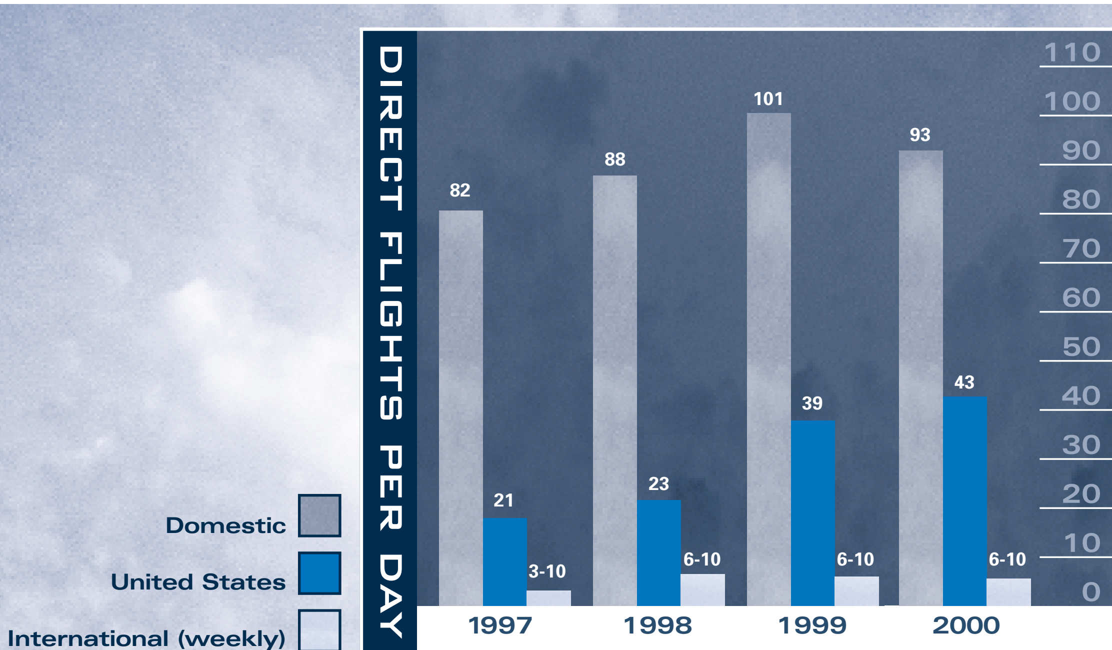
The advanced technology industries located here are leaders in research and development in the fields of telecommunications, information technology, software, multimedia, environmental technology and life sciences. Giants of the new economy — Nortel Networks, Alcatel, Mitel, JDS Uniphase, Cognos, and Corel, to name a few — have made Ottawa their home. Ideas and innovations flow between Ottawa and other technology centres. According to the Ottawa Economic Development Corporation, 90% of Ottawa's products and services are exported. To the businesses in this region, a modern, efficient global gateway is paramount to their success — both present and future.

The airport constraints to economic growth have become increasingly evident. The parking lots overflow, congestion is becoming routine in the terminal, and aircraft must wait to gain access to the airport's gates. Frustrating travel delays are the result. Given current constraints, additional flights are not an option at peak travel hours. This limits the number of people who can fly on existing routes and it prevents carriers from adding new routes to their peak schedules.

Ottawa's need for a modern, efficient airport has never been clearer.

In 2000, Ottawa International served far more travellers than anyone had even imagined when the terminal was renovated in 1987. Back then, planners renovated the terminal to accommodate 2.6 million passengers a year.





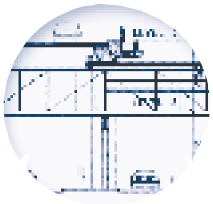
Positioned for growth.

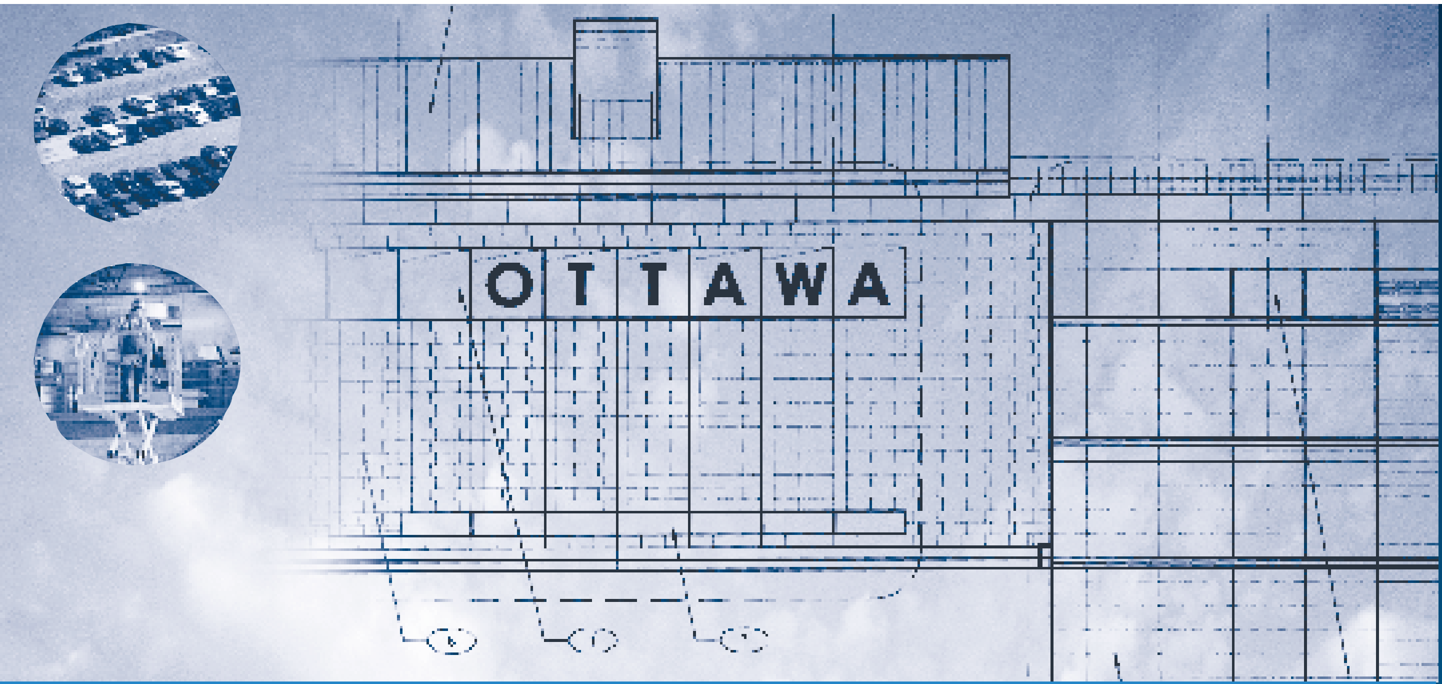
PASSENGER TRAFFIC BY SECTOR

Year	DOM	% increase	U.S.	% increase	Int'l	% increase	TOTAL	% increase
1996	2,223,941		529,602		104,295		2,857,838	
1997	2,435,534	9.5	502,072	-5.2	108,762	4.3	3,046,368	6.6
1998	2,414,355	-0.9	563,085	12.2	133,108	22.4	3,110,548	2.1
1999	2,426,288	0.5	628,203	11.5	157,116	18.0	3,211,607	3.25
2000	**2,562,282**	**5.6**	**719,200**	**14.5**	**152,863**	**-2.71**	**3,434,345**	**6.94**
2005	2,970,000	3.0	834,000	3.0	177,000	3.0	3,981,000	3.0
2010	3,443,000	3.0	967,000	3.0	205,000	3.0	4,615,000	3.0
2015	3,802,000	2.0	1,067,000	2.0	227,000	2.0	5,096,000	2.0
2020	4,198,000	2.0	1,178,000	2.0	250,000	2.0	5,626,000	2.0

DOM (domestic) – % increase (annual) – US (traffic to United States) – Int'l (international)

The airport contributes significantly to the community it serves. Ottawa Airport put $365 million directly into the Ottawa economy last year — a contribution of $1 million every day. Direct, indirect and induced economic output now exceeds $1 billion annually.





5 YEAR FORECAST

	Passengers	Annual Growth	Aircraft Movements	Annual Growth	Rent to Transport Canada	Annual Growth
1997	3,046,368	6.6	67,867		$ 3,977,000	
1998	3,110,548	2.1	77,202	13.8	$ 5,301,000	33.3
1999	3,211,607	3.25	81,808	6.0	$ 5,948,000	12.2
2000	**3,434,345**	**6.94**	**78,301**	**-4.2**	**$ 6,145,000**	**2.6**
2001	3,537,000	3.0	79,500	1.5	$ 8,800,000	30.2
2002	3,643,000	3.0	80,700	1.5	$11,200,000	21.4
2003	3,753,000	3.0	81,900	1.5	$11,400,000	1.8
2004	3,866,000	3.0	83,100	1.5	$11,700,000	2.7
2005	3,981,000	3.0	84,200	1.3	$13,100,000	12.0
Increase, 2005 over 2000		16.0%		7.5%		114.0%

Ottawa Airport operates without any government subsidies. Indeed, the Airport Authority has paid 40 million dollars in rent to the federal Crown and payments in lieu of taxes to municipal governments.

2000

Meeting community demand

People in the Ottawa region recognize the airport's role in connecting Ottawa to the global economy. An opinion study conducted by Decima Research found that 94% of area residents agreed that the airport must grow along with the community it serves. Despite the ever-increasing congestion, 83% rated the airport's overall quality as good, very good or excellent. Airport customers have witnessed — and obviously appreciate — the numerous improvements made by the Airport Authority. They acknowledge the airport's importance in connecting Canada with its capital, in serving tourists, and in contributing to the regional economy.

The airport contributes significantly to the community it serves. An impact study conducted by InterVISTAS Consulting Inc. attributed almost 4,000 direct jobs to the airport. This included 1,000 airline employees, 600 employees of air cargo and courier companies, and the 140 people who work for the Airport Authority. Virtually all of these jobs are permanent. The study also showed the airport provides $1 billion a year in direct, indirect and induced economic output. The airport put $365 million directly into the Ottawa economy last year — a contribution of $1 million every day.

Helping travellers

To help speed travellers on their way, the Airport Authority made several improvements during 2000.

Transborder travellers found a welcome change in the United States pre-clearance holdroom, where they await flights after pre-clearing U.S. Immigration and Customs. Under the Airport Authority's management, the number of U.S. flights has more than doubled to 43 flights daily. In 2000, the Airport Authority expanded the holdroom area by 50% to give an increasing number of transborder travellers greater comfort and convenience.

On the airfield, the Airport Authority replaced a seriously deteriorated maintenance garage and outdated firehall with the architecturally pleasing Combined Services Building. This facility improved safety and

2000

efficiency by providing maintenance and emergency response vehicles with direct runway access. The Airport Authority had made this a priority project when it assumed responsibility for Ottawa International. There was a clear need to replace 1950 set-up. The project was completed on time and within budget.

At the time of going to press, the Combined Services Building (Griffiths Rankin Cook, Architects) had just been named finalist for an architecture award by the Canadian Steel Institute.

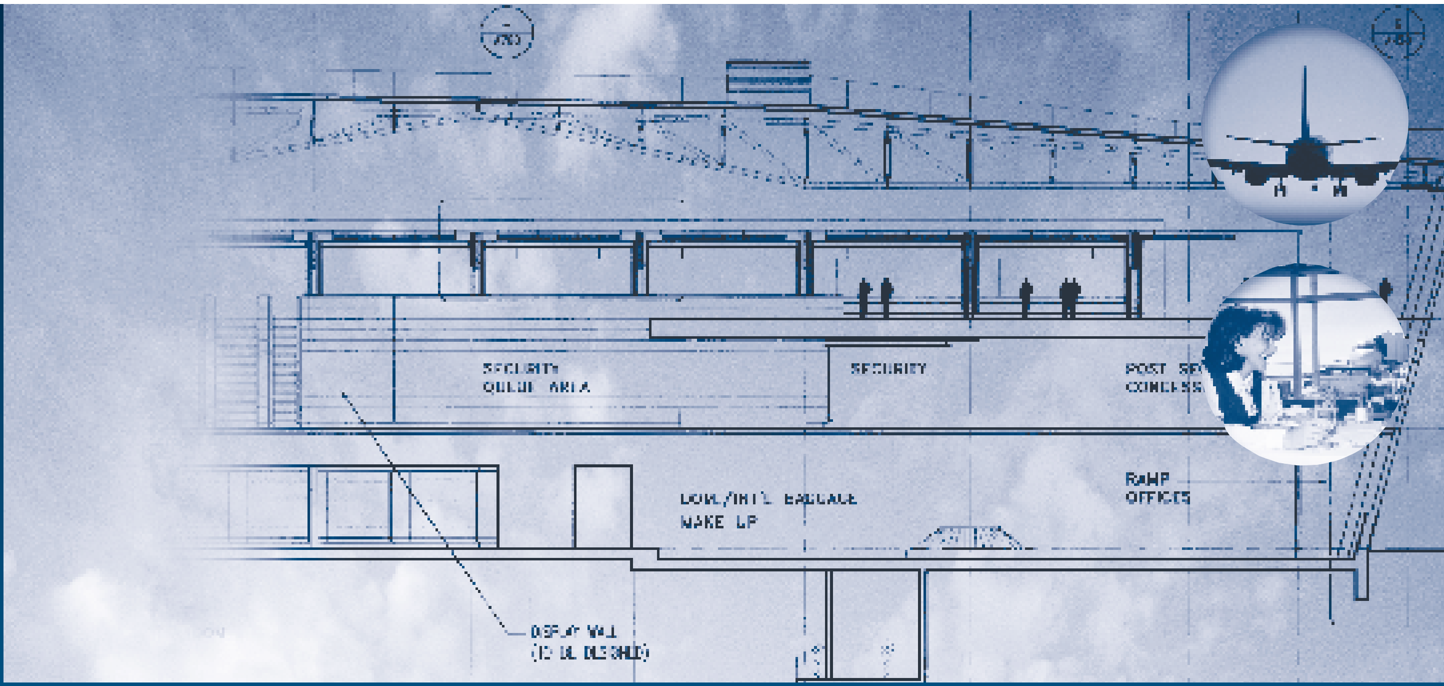
The Airport Authority also resurfaced and extended runway 14-32, its main runway, during the year at a cost of $3 million. Regular resurfacing improves passenger safety. Local firms completed both the Combined Services Building and the runway projects.

Since the Airport Authority took over Ottawa International four years ago, it has invested more than $25 million in improvements. The upgrades have been entirely self-financed, requiring no tax dollars. In fact, the Airport Authority makes payments to municipalities in lieu of property taxes, and pays rent to the Government of Canada under a 60-year lease signed in 1997.

New Ottawa Airport

The thriving Ottawa region requires better connections to the world. The Airport Authority recognized and developed the plan and the team that will provide Ottawa with a modern, efficient airport. The work has been moving steadily forward. In 1998, the Airport Authority completed consultations on the Master Plan, which provided a detailed analysis of future air travel needs, existing infrastructure, as well as environmental and land-use considerations. In 1999, the authority elaborated design principles and listed improvement specifications through the Project Definition Document, and carried out a further round of public consultations.

Since the Airport Authority took over Ottawa International four years ago, it has invested more than $25 million in improvements. The upgrades have been entirely self-financed, requiring no government subsidies.



Congestion scenes such as the ones above will become a thing of the past by Spring 2004.

2000

In October 2000, the Board of Directors approved a $300 million capital investment that will be financed entirely by the Airport Improvement Fee and airport operations. The expansion will not need government subsidies.

In its first phase, this investment will bring forward a passenger terminal building with significant airside and groundside improvements that will speed passengers and cargo toward their destinations. The first phase will be completed by the spring of 2004. The timing of subsequent phases is flexible and can be moved ahead or pushed back, as our region requires.

The new terminal has been designed to speed up transfers between air and ground transportation. Express travellers will enjoy direct access[1]. Passenger bridges will join the terminal and an adjacent parkade. More gate and counter positions for airlines, and better baggage-claim facilities, will help travellers save time. On the airfield, a dual taxiway adjacent to the terminal will reduce aircraft traffic congestion and allow more efficient use of the aircraft gates.

The first phase of this expansion will be the most complex and important construction project in Canada's capital in at least 20 years. It will also provide more than 1,700 person-years of employment. Large as it is, the construction project has been planned to minimize travel disruptions and inconveniences for travellers.

Phase 2 is tentatively scheduled to be completed by 2010. The plan also includes the extension of the dual taxiway for aircraft and envisages the removal of the existing terminal building.

Phase 3, scheduled for completion by 2020, will expand the new parking structure significantly and provide the terminal building with additional passenger gates.

1 To security checkpoint from the parking arcade, bypassing the check-in counters all together.

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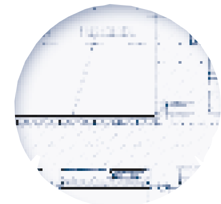


Partners in progress

Sound planning has created an expansion plan that is affordable and flexible. The plan will ensure that the airport grows together with, and enables the growth of the community it serves. Its solid financial footing will ensure that growth occurs without subsidies from tax dollars. The expansion will be financed entirely through the Airport Improvement Fee, collected on the authority's behalf by all airlines operating at the airport.

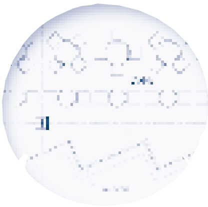
The Airport Authority has brought together an excellent team for the expansion project, blending the unique expertise of local suppliers with the knowledge of firms that lead the world in airport design and construction. The project manager is MRM, a joint venture between J. L. Richards & Associates Ltd. of Ottawa and Marshall Macklin Monaghan of Thornhill, Ontario. MRM has overall responsibility for planning, co-ordination and cost control. Design and engineering work is performed by YOW Consultants, an alliance between Brisbin Brook Beynon of Ottawa and Vancouver-based Architectura Planning Architectural Interiors Inc. PCL Construction Group manages the construction team. This combination of skills and knowledge will significantly benefit the community and deliver a terminal building of which we will all be proud.

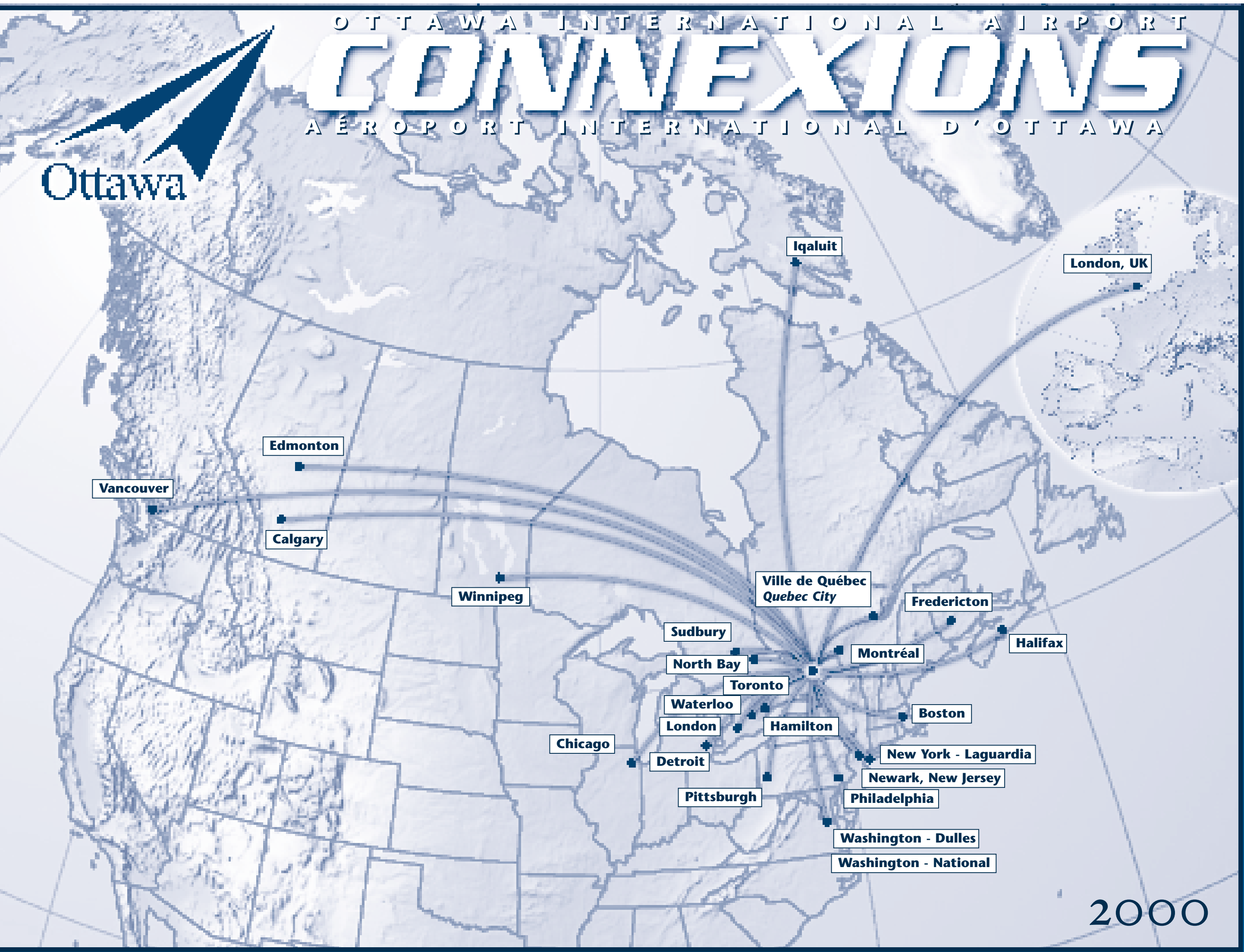
After meticulous study and planning, the Airport Authority is set to execute its plan to ensure regional air travel requirements can be met, both now and in the long term. An affordable, flexible and visionary plan.

In the Spring of 2001, bulldozers, cranes and local professionals and craftsmen will take to the site of Ottawa's future airport and set the Airport Authority's vision in motion.

Over the next three years, that vision will slowly rise, a constant reminder of Ottawa's new economy and status. The Airport Authority is committed to meeting the needs of the people it serves. Ottawa Airport Authority thanks its customers for their support. Today. Tomorrow. And for years to come.

In all aspects, 2000 was a breakthrough year, financially and operationally, with more passengers, more destinations and more services for the people and businesses we serve.





Since its inception in 1997, Ottawa Airport Authority and its partners have added six direct destinations including: Boston, Chicago, Detroit, and Pittsburgh.

2000

FINANCIALS

Revenues:	$ 53,140,000
Expenses:	31,669,000
Excess:	21,471,000
Capital expenditures:	13,763,000
Year end cash:	12,369,000
Rent to federal government:	6,145,000
AIF revenues:	14,949,000

Summary of the Airport Authority's objectives for the year 2001

- Successfully launch the construction program of the future Ottawa Airport
- Ensure a safe and pleasant environment for our customers during construction
- Achieve changes to our burdensome rent formula

2000

Financial review

Revenues

In 2000, Ottawa International Airport Authority generated $53.1 million in total revenues, an increase of $14.6 million over total revenues of $38.5 million in 1999. This growth resulted primarily from a full year of collection of airport improvement fees. Airport improvement fees increased from $3.9 million in 1999, when the $10 fee was first implemented in September of that year, to $14.9 million in 2000. This $10 fee is collected under an agreement with the air carriers and is included with the price of an airline ticket.

Aeronautical revenues represent the largest source of revenues for the Authority. Total aeronautical revenues, which include terminal fees, loading bridge charges, and landing fees charged to air carriers, increased by 9% from $18.8 million in 1999 to $20.6 million in 2000. On January 1, 2000, the Authority increased its rates for certain aeronautical charges by 9% to better recover a portion of the Authority's increased costs for payments in lieu of taxes. The merger of Air Canada and Canadian Airlines and resulting consolidation of flights had minimal impact on Ottawa airport, with lost revenues replaced by flights offered by new carriers such as WestJet and CanJet and new flights introduced by Royal Airlines.

Concession revenues increased from $5.5 million in 1999 to $6.0 million in 2000 as a result of higher concession spending attributable to a 7% increase in passenger volumes. This growth was most notable in revenues from car rental concessions. Car parking revenues also reflect the effects of increased passenger traffic. In addition, an increase in parking rates was implemented in August 2000. Car parking revenues increased by approximately 14% from $5.3 million in 1999 to $6.0 million in 2000.

An increase in interest income resulted from an accumulation in the Authority's cash reserves from operations.

Expenses

Total expenses increased by $1.1 million from $30.6 million in 1999 to $31.7 million in 2000. Expense increases were commensurate with the increase in the consumer price index over the year. The increase in salaries and benefits reflects increases in pay scheduled in the collective agreement with employees.

The Ottawa International Airport Authority operates the airport under the terms of a Ground Lease with the Crown that sets out the calculation of the annual ground rent. This rent is based on a fixed charge per passenger, adjusted annually for inflation, to a maximum threshold of 2,750,000 passengers for the years 1997 to 2000, and increasing thereafter. For 2000, the ground rent of $6.1 million increased from $5.9 million in 1999 as a result of an increase in the consumer price index.

The Authority is exempt from real property tax under the Assessment Act (Ontario) provided that it makes payments in lieu of taxes (PILTs) to the local municipalities in amounts determined by the Minister of Finance for the Province of Ontario. The Authority has paid, and reflected in the statement of operations, the full PILTs requested by the Minister of Finance for the Province of Ontario. The increase in PILTs in 1999 over 2000 reflects the 5% phase-in of market value assessments announced by the Province applicable to the year 2000. The Authority and the Province of Ontario have been working together on a proposal to change the regime for calculation of PILTs for the future. In December 2000, the Province passed new legislation that will cause PILTs to be based on passenger throughput measures rather than market value assessments.

Capital Resources

The excess of revenues over expenses for 2000 was $21.5 million. In accordance with the Authority's mandate, all earnings of the Airport Authority will be retained and reinvested in airport operations and development, including investment in capital expenditures to meet ongoing operating requirements.

In order to meet built-up and growing demand for capacity and facilities, in October 2000 the Board of Directors of the Airport Authority announced a decision to proceed with a major expansion plan for the Ottawa Airport. The expansion includes the construction of a new passenger terminal building alongside the airport's current 40-year-old building. The project also includes a parking structure and extensive airside and groundside infrastructure to support the new terminal and parking structure. The projected cost of the expansion program is $300 million, which includes the $7 million cost of a new Combined Services Building, completed in May 2000.

In addition to its cash resources, the Airport has a 364-day revolving operating facility of up to $20 million. To fund the ongoing airport expansion program through 2001, the Authority will utilize its existing bank facility and access other debt facilities during the year. The Authority has selected RBC Dominion Securities as its financial advisor and as the lead underwriter for a planned bond financing. RBC Dominion Securities has stated that, based on its prior experience and work to date with the Authority, it is confident that the Authority can obtain Canadian and US credit rating of at least A and, except in exceptional economic or market circumstances, these ratings will permit the Authority to raise all necessary funds for its capital expansion at reasonable rates.

Board of Directors, Committee Membership and Compensation

Committees of the Board as of December 31, 2000

Executive	**Audit**
Louis Bertrand	Gaétan Bélec
Jeffrey Dale	Claude Bennett
Michael Darch	Hugh Blakeney
François Pichard	Roger Lachapelle
Regis Trudel	François Pichard (chair)
Whitman Tucker	Whitman Tucker

Business Development & Communications

Louis Bertrand	Jeffrey Dale (chair)
Michael Darch	Jim Durrell
Larry Malloy	Gayle Mullington
Michael Robinson	Carol Stephenson

Nominating

Gaétan Bélec	Claude Bennett
Jeffrey Dale	Michael Darch
Regis Trudel	

Airport Expansion Program

Roger Lachapelle	Regis Trudel

Other adhoc committees are formed from time to time that include members of the board.

Directors' Compensation in 2000

Annual Retainer		**Meeting Fees**	
Chair	$ 19,000.	> 3.5 hours	$ 500.
Vice-Chair	$ 10,000.	< 3.5 hours	$ 300.
Committee Chairs	$ 10,000.		
Other Directors	$ 7,000.		

Executive Management Salary Range

The salary range for the President of the Authority is $113,000 to $169,400. The salary range for each of the Vice-Presidents is $77,000 to $115,400.

Required Declarations

Each Director has filed a Conflict of Interest declaration for 2000, as required by the Bylaws, and is in compliance with the Guidelines included in the Bylaws.

During 2000, all contracts for vendors over $80,000 were awarded following a competitive public tendering process.

2000

Financial Statements of

OTTAWA MACDONALD-CARTIER INTERNATIONAL AIRPORT AUTHORITY

December 31, 2000

Management's Responsibility for Financial Statements

Management of Ottawa Macdonald-Cartier International Airport Authority is responsible for the integrity of the accompanying financial statements and all other information in this Annual Report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Their preparation necessarily involves the use of management's best estimates and careful judgement, particularly in those circumstances where transactions affecting a current period are dependent upon future events. All financial information in the Annual Report is consistent with the information and data contained in the financial statements.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and reliable preparation of financial statements.

The Board of Directors discharges its responsibilities for the financial statements primarily through its Audit Committee, which is composed solely of directors who are neither officers nor employees of the Authority. This committee meets periodically with management and independent auditors to review performance and to discuss audit, internal control, accounting policy, and financial reporting matters. The Audit Committee reports its findings to the Board of Directors which reviews and approves annual financial statements. These financial statements were reviewed by the Audit Committee and approved by the Board of Directors.

The financial statements have been audited by Deloitte & Touche LLP, who were appointed at the annual general meeting. Their report is presented herein.

Paul Benoit
President and
Chief Executive Officer

John G. Weerdenburg, C.A.
Vice-President and
Chief Financial Officer

Auditors' Report

To the Directors of Ottawa Macdonald-Cartier International Airport Authority

We have audited the balance sheet of Ottawa Macdonald-Cartier International Airport Authority as at December 31, 2000 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada. As required by the *Canada Corporations Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Deloitte & Touche LLP

Chartered Accountants
Ottawa, Ontario
January 29, 2001
(except as to Note 11 which
is as of March 28, 2001)

2000

Balance Sheet

as at December 31, 2000 (in thousands of dollars)

	2000	1999
CURRENT ASSETS		
Cash	$ 12,369	$ 4,064
Accounts receivable	6,032	3,188
Consumable supplies	360	325
Prepaid expenses and advances	315	175
	19,076	7,752
CAPITAL ASSETS (Note 3)	25,952	14,372
OTHER ASSETS (Note 4)	3,552	4,120
	$ 48,580	$ 26,244
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 7,490	$ 4,952
Current portion of long-term debt	242	1,783
	7,732	6,735
SECURITY DEPOSITS	331	318
LONG-TERM DEBT (Note 5)	3,842	3,987
	11,905	11,040
COMMITMENTS AND CONTINGENCIES (Note 10 & Note 11)		
NET ASSETS	36,675	15,204
	$ 48,580	$ 26,244

On behalf of the Board

, Director

, Director

(See accompanying notes to the financial statements)

Statement of Operations and Changes in Net Assets

year ended December 31, 2000 (in thousands of dollars)

	2000	1999
REVENUES		
Terminal fees and loading bridge charges	**$ 11,632**	$ 10,930
Landing fees	**8,918**	7,918
Concessions	**6,003**	5,518
Car parking	**6,010**	5,290
Airport improvement fees (Note 7)	**14,949**	3,860
Land and space rentals	**3,341**	3,221
Interest income	**427**	89
Other revenue	**1,860**	1,658
	53,140	38,484
EXPENSES		
Ground rent (Note 10)	**6,145**	5,948
Materials, supplies and services	**10,330**	10,005
Salaries and benefits	**7,762**	7,554
Payments in lieu of municipal taxes (Note 11)	**4,421**	4,205
Amortization	**2,731**	2,618
Interest expense	**280**	230
	31,669	30,560
EXCESS OF REVENUES OVER EXPENSES	**21,471**	7,924
NET ASSETS, BEGINNING OF YEAR	**15,204**	7,280
NET ASSETS, END OF YEAR	**$ 36,675**	$ 15,204

(See accompanying notes to the financial statements)

2000

Statement of Cash Flows

year ended December 31, 2000 (in thousands of dollars)

	2000	1999
CASH PROVIDED BY (USED IN) -		
OPERATIONS:		
Excess of revenues over expenses	**$ 21,471**	$ 7,924
Add non-cash items:		
Amortization of capital assets and organization costs	**2,731**	2,618
Gain on sale of capital assets	**(30)**	-
Interest on long-term debt	**95**	90
Changes in non-cash working capital:		
Increase in accounts receivable	**(2,844)**	(986)
Decrease (increase) in consumable supplies	**(35)**	117
Increase in prepaid expenses and advances	**(140)**	(11)
Increase in accounts payable and accrued liabilities	**2,538**	2,383
Increase in security deposits	**13**	24
Total operations	**23,799**	12,159
FINANCING ACTIVITIES:		
Repayment of long-term debt	**(1,781)**	(1,260)
INVESTING ACTIVITIES:		
Purchase of capital assets	**(13,763)**	(6,969)
Proceeds from sale of capital assets	**50**	11
Total investing activities	**(13,713)**	(6,958)
INCREASE IN CASH	**8,305**	3,941
CASH, BEGINNING OF YEAR	**4,064**	123
CASH, END OF YEAR	**$ 12,369**	$ 4,064
CASH CONSISTS OF:		
Cash in bank	**$ 2,355**	$ 1,036
Bankers' acceptance	**10,014**	3,028
	$ 12,369	$ 4,064

(See accompanying notes to the financial statements)

Notes to the Financial Statements

for the year ended December 31, 2000

1. DESCRIPTION OF BUSINESS

Ottawa Macdonald-Cartier International Airport Authority (the "Authority") was incorporated January 1, 1995 as a corporation without share capital under Part II of the *Canada Corporations Act*. All earnings of the Authority are retained and reinvested in airport operations and development.

The objectives of the Authority are:

a) to manage, operate and develop the Ottawa International Airport, the premises of which are leased to the Authority by Transport Canada (see Note 10), and any other airport in the National Capital Region for which the Authority becomes responsible, in a safe, secure, efficient, cost effective and financially viable manner with reasonable airport user charges and equitable access to all carriers;

b) to undertake and promote the development of the Airport lands, for which it is responsible, for uses compatible with air transportation activities; and

c) to expand transportation facilities and generate economic activity in ways which are compatible with air transportation activities.

On January 31, 1997, the Authority signed a 60 year ground lease with Transport Canada and assumed responsibility for the management, operation and development of the Ottawa International Airport.

The Authority is exempt from federal and provincial income tax, federal large corporation tax, and Ontario capital tax.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada for commercial enterprises. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, commitments and contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Examples of such estimations and assumptions include the useful lives of capital assets, valuation adjustments, and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

Inventories

Inventories of consumable supplies are valued at the lower of cost, determined on a first-in, first-out basis, and estimated replacement value.

Capital assets

Capital assets are recorded at cost, net of government assistance, if any, and are amortized over their useful lives on a straight-line basis as follows:

Buildings	2.5% - 4%
Furniture and equipment	10% - 20%
Computer equipment and software	20% - 50%
Vehicles	6% - 17%
Leasehold improvements	10% - 33%
Roadways and paved surfaces	10%

Construction in progress includes costs associated with the airport expansion program. Construction in progress is recorded at cost and is transferred to buildings or leasehold improvements when the project is complete and the asset is placed in service.

2000

Organization costs

Organization costs represent start-up expenditures incurred by the Authority in advance of the transfer of operations to the Authority from Transport Canada. Organization costs are amortized to operations on a straight line basis over 5 years.

Employee future benefits

In accordance with recent recommendations of the Canadian Institute of Chartered Accountants, the Authority has adopted the new accounting standards related to employee future benefits. This change has been applied effective January 1, 2000 on a prospective basis. The effect of adopting this policy has not been significant.

Ground lease

The ground lease with Transport Canada is accounted for as an operating lease.

Revenue recognition

Landing fees, terminal fees, and parking revenues are recognized as the airport facilities are utilized. Concession revenues are recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum rent guarantees. Rental (and licence) revenues are recognized over the lives of respective leases, licences, and permits. Airport improvement fee ("AIF") revenue is recognized when passengers depart the terminal building.

3. CAPITAL ASSETS (in thousands of dollars)

	2000	1999
Cost:		
Buildings	$ 7,237	$ -
Furniture and equipment	2,003	1,633
Computer equipment & software	665	513
Vehicles	4,684	4,055
Leasehold improvements	5,377	4,770
Roadways and paved surfaces	5,386	3,111
Construction in progress	7,322	4,899
	32,674	18,981
Less accumulated amortization:		
Buildings	173	-
Furniture and equipment	717	522
Computer equipment & software	409	275
Vehicles	1,639	1,278
Leasehold improvements	2,848	2,019
Roadways and paved surfaces	936	515
	6,722	4,609
	$ 25,952	$ 14,372

4. OTHER ASSETS (in thousands of dollars)

	2000	1999
Cost:		
Organization costs	$ 2,840	$ 2,840
Interest in future proceeds from 4160 Riverside Drive, at cost	2,930	2,930
	5,770	5,770
Less accumulated amortization:		
Organization costs	2,218	1,650
	$ 3,552	$ 4,120

In an agreement signed on May 27, 1999, the Authority agreed to assist the Regional Municipality of Ottawa-Carleton (now the City of Ottawa) in acquiring lands municipally known as 4160 Riverside Drive by contributing to the City of Ottawa 50% of the funds required for the acquisition. In return, the City agreed to place restrictions on the use of the lands to ensure the lands are used for purposes that are compatible with the operations of the Authority. In addition, the Authority will receive 50% of the net proceeds from any future sale, transfer, lease, or other conveyance of the lands.

5. LONG-TERM DEBT

(tabular amounts in thousands of dollars)

	2000	1999
Non-interest bearing debt payable to Transport Canada in equal annual instalments and due on January 1, 2000	$ -	$ 1,259
Note payable to the City of Ottawa, bearing interest at 6.125%, repayable in equal annual instalments of principal and interest of $390,000, and due on July 7, 2008	**2,409**	2,930
Non-interest bearing debt to the Province of Ontario, discounted at a rate of 6.0%, payable over a 5 year period commencing in 2007	**1,675**	1,581
	4,084	5,770
Less: current portion	**242**	1,783
	$ 3,842	$ 3,987

The debt payable to Transport Canada was incurred in exchange for capital assets and inventories of consumable supplies acquired from Transport Canada in order to operate the Airport.

The note payable to the City of Ottawa relates to the interest in future proceeds of 4160 Riverside Drive included in other assets.

The amount payable to the Province of Ontario relates to land transfer tax resulting from the long-term lease of the Airport to the Authority in 1997.

6. OPERATING LINE OF CREDIT

The Authority has an operating line of credit with its bank of $20 million bearing interest at the prime lending rate. This operating line is secured by a General Security Agreement over all property and assets, and a mortgage by way of a sublease of the Authority's interest in its lease with Transport Canada.

7. AIRPORT IMPROVEMENT FEES

(in thousands of dollars)

On September 1, 1999, the Authority implemented an AIF of $10.00 per local boarded passenger to fund the cost of major capital expenditures. These fees are collected by the air carriers under an agreement between the Authority, the Air Transport Association of Canada, and the air carriers serving Ottawa International Airport. Under the agreement, AIF revenues may only be used to pay for the capital and related financing costs of major airport infrastructure development as jointly agreed with the air carriers.

	2000	cumulative to date
Cash provided by:		
AIF revenue		
– net of collection fees	**$ 14,949**	$ 18,809
Interest on surplus funds	**114**	24
	15,063	18,833
Less: Increase in Accounts Receivable	**(1,210)**	(2,188)
AIF revenue – net cash received	**13,853**	16,645
Expenditures:		
Airport Expansion program	**5,404**	7,358
Combined Service building	**4,375**	7,410
	9,779	14,768
Excess of AIF receipts over expenditures	**$ 4,074**	$ 1,877

8. PENSION PLAN and POST RETIREMENT BENEFITS
(in thousands of dollars)

The Authority sponsors and funds a pension plan on behalf of its employees, which has defined benefit and defined contribution components. The defined benefit component is for employees who were employees of the Authority on the date of transfer including former Transport Canada employees, some of whom transferred their vested benefits from the Public Service Superannuation Plan to the Authority's pension plan. Pension plan costs are charged to operations as services are rendered.

Based on a first actuarial determination of pension plan benefits completed as at December 31, 1999 and extrapolated to December 31, 2000, the status of the pension plan is as follows:

	2000	1999
Fair value of pension plan assets	**$ 15,727**	$ 13,798
Accrued pension benefit obligation	**$ 15,536**	$ 13,283
Funded Status – plan surplus	**$ 191**	$ 515
Accrued benefit asset	**$ 110**	$ -

In addition to pension benefits, the Authority provides other post employment and retirement benefits to its employees and accrues the cost of these future benefits as employees render their services. This plan is not funded. The status of post employment and retirement benefit plans is as follows:

	2000	1999
Accrued benefit obligation	**$ 1,046**	$ 773
Accrued benefit liability	**$ 262**	$ 189

The costs of the defined benefit component of the pension plan and of other post employment and retirement benefits are actuarially determined using the projected benefit method prorated on services. This determination reflects management's best estimates of the rate of return on plan assets, rate of salary increases, and various other factors including mortality, termination, and retirement rates.

The significant economic assumptions used by the Authority's actuaries in measuring the Authority's accrued benefit obligations are as follows:

	2000	1999
Discount rate	**6.0%**	6.5%
Expected long-term rate of return on plan assets	**8.0%**	7.6%
Rate of compensation increases	**4.0%**	4.0%
Rate of increases in health care costs	**12.0%**	12.0%
Decreasing gradually to increase starting after 2006 at	**6.0%**	6.0%

The net expense for the Authority's pension benefit plans is as follows:

	2000	1999
Defined benefit pension plan component	**$ 430**	$ 543
Defined contribution pension plan component	**$ 74**	$ 53
Other post retirement and employment benefits	**$ 93**	$ -

Other information about the Authority's defined benefit pension plan is as follows:

	2000	1999
Employer contributions	**$ 540**	$ 543
Employees' contributions	**$ 240**	$ 239
Benefits paid	**$ 146**	$ 62

9. FINANCIAL INSTRUMENTS

Fair value

The Authority's cash, accounts receivable, accounts payable and accrued liabilities, and security deposits are reflected in the financial statements at carrying values which approximate fair values due to the immediate and short-term maturity of these financial instruments. Fair values of long-term debt are similar to their carrying values taking into account their maturity dates.

Interest-rate swap agreements

The Authority has entered into interest-rate swap agreements with its bank to reduce the financial risk associated with future anticipated borrowings related to its expansion plans. Under these agreements, which have a notional amount of $90 million, the Authority will pay a fixed rate of interest ranging from 6.17% to 6.70 %, quarterly, for periods of 10 years commencing July 9, 2001 and January 2, 2004. In exchange, the Authority will receive a variable interest rate quarterly based on bankers' acceptance rates. The market valuation of these swap contracts as at December 31, 2000 results in an amount payable to terminate these swaps of $2,147,000 (1999 - $798,000 receivable). Amounts ultimately payable or receivable on these instruments will be charged to future interest and financing costs.

Interest rate risk

The Authority's exposure to interest rate risk relates to its future anticipated borrowings and is reduced by the interest-rate swap agreements disclosed above.

Credit risk

The Authority is subject to credit risk through its accounts receivable. A significant portion of the Authority's revenues, and resulting receivable balances, are derived from airlines. The Authority performs ongoing credit valuations of receivable balances and maintains provisions for potential credit losses.

10. COMMITMENTS AND CONTINGENCIES

On January 31, 1997, the Authority signed a 60 year ground lease with Transport Canada for the management, operation and development of Ottawa International Airport. The ground lease contains provisions for compliance with a number of requirements, including environmental standards, minimum insurance coverage, specific accounting and reporting requirements, and various other matters that have a significant effect on the day-to-day operation of the Airport. The Authority believes that it has complied with all requirements under the ground lease.

The lease contains a 20 year renewal option which may be exercised by the Authority at the end of the lease term. At the end of the renewal term, unless otherwise extended, the Authority is obligated to return control of the Airport to the landlord.

Rent payable under the ground lease with Transport Canada includes base rent and participation rent and is calculated based on a formula reflecting annual passenger volumes, annual revenues, and predetermined base operating costs. Base rent is calculated on a capped passenger volume formula subject to adjustments for inflation. Participation rent is based on a measure of incremental revenues and commences in year 11 (2007) of the lease.

Estimated lease payments under the ground lease for the next five years are as follows:

2001	$ 8.8 million
2002	$ 11.2 million
2003	$ 11.4 million
2004	$ 11.7 million
2005	$ 13.1 million

In addition to the above, at December 31, 2000, the Authority had operating commitments in the ordinary course of business of approximately $ 3.4 million per year extending for various periods up to 5 years in duration. The Authority also has commitments outstanding relating to construction in progress, the Authority's expansion program and the purchase of capital assets amounting to approximately $ 3.5 million.

2000

11. PAYMENTS IN LIEU OF MUNICIPAL TAXES (PILTs)

The Authority is exempt from real property tax under the Assessment Act (Ontario) provided that it makes payments in lieu of taxes (PILTs) to the local municipalities in amounts determined by the Minister of Finance for the Province of Ontario. The Authority has paid, and reflected in the statement of operations, the full PILTs requested by the Minister of Finance for the Province of Ontario. Payments for the years 1998, 1999, and 2000 were based on a 10%/5%/5% phase-in of market value assessments announced by the Province.

During 1998, the Province of Ontario amended the *Assessment Act* for application throughout the province and set a common market value assessment date for all properties in Ontario. The Province of Ontario has relied on these assessments as the basis for determining the amount of PILTs payable by the Authority. Using the values assessed by the Ontario Property Assessment Corporation (OPAC), PILTs for the Authority would increase to approximately $7.2 million after completion of the phase-in period for market value assessment. Management believes the values assessed by OPAC were significantly overstated, and filed an objection to appeal the values assessed to its land and buildings.

The Authority and the Province have worked together on a proposal to change the regime for the calculation of PILTs for the future. In December 2000, the Province passed new legislation that will cause PILTs for airport authorities to be based on a throughput measure such as passengers. The Province signed a regulation under this legislation on March 16, 2001 that calculates the amount of PILT to be paid as a fixed rate multiplied by the number of passengers for the previous year. Based on its satisfaction with this legislation, the Authority has withdrawn its appeals of 1998, 1999 and 2000 assessed values.

12. COMPARATIVE FIGURES

Certain of the 1999 comparative figures, primarily those on the statement of operations, have been reclassified to conform to the financial statement presentation adopted in 2000.

2000 Board Members

Director	Appointed by
Regis Trudel, Chair	Region of Ottawa-Carleton
Michael Darch, Vice-chair	Government of Canada
Louis Bertrand, Secretary	Communauté Urbaine de l'Outaouais
Gaétan Bélec	Communauté Urbaine de l'Outaouais
Claude Bennett	Region of Ottawa-Carleton
Hugh Blakeney	Region of Ottawa-Carleton
Jeffrey Dale	Region of Ottawa-Carleton
Jim Durrell	Region of Ottawa-Carleton
Roger Lachapelle	Communauté Urbaine de l'Outaouais
Larry Malloy	Government of Ontario
Gayle Mullington	Region of Ottawa-Carleton
François Pichard	Government of Canada
Michael Robinson	Region of Ottawa-Carleton
Carol Stephenson	Region of Ottawa-Carleton
Whitman Tucker	Region of Ottawa-Carleton

Senior Management Team

Paul Benoit	President and Chief Executive Officer
John Weerdenburg, CA	Vice-President and Chief Financial Officer
Pierre Lanoix	Vice-President, Operations and Technical Services
John Spinks	Vice-President, Business Development and Marketing
Annette Nicholson	General Counsel
Bill Thistle	Director, Safety and Security Services
Richard Laniel	Director, Human Resources
Laurent Benoit	Director, Communications and Public Affairs

Design: Hoselton Brunet

the Combined Services Building drew media praise for its architecture. Noting the building's "architectural sophistication," the Globe and Mail advised readers that in Ottawa, "a new airport building swoops with the dynamic form of an airfoil."

ottawa international airport

Photo: A. Searle

Ottawa

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Ottawa
Future Rising