

OTTAWA MACDONALD-CARTIER INTERNATIONAL AIRPORT AUTHORITY
ANNUAL REPORT 2009

**PULLING
TOGETHER**



MISSION

Working with its partners, the Authority will be a leader in providing affordable, safe and secure world-class airport facilities and services to the community and all of the airport's customers.

VISION

Building connections to the world

STRATEGIC DIRECTIONS

- To manage the business in a financially, environmentally and socially responsible manner.
- To be an industry leader in the planning, development and operation of world-class airport facilities.
- To provide the diverse and dynamic customer base with a high level of customer service.
- To further develop the commercial focus of the Authority.
- To develop and maintain productive, talented employees who are excited by their work, committed to the Authority's values and the achievement of its mission and business objectives.
- To foster partnerships that contribute to the viability of the airport and the socio-economic growth of the community.
- To continue to work proactively with all levels of government, the cities of Ottawa and Gatineau, the community and major stakeholders.
- To operate the airport facilities in a safe manner.
- To manage the airport campus in a secure manner.
- To foster environmental stewardship in all facets of its business and throughout the campus.

ORGANIZATIONAL VALUES

The Authority conducts its business with:

- Responsibility;
- Transparency;
- Accountability; and
- Integrity.

On the Cover (left to right)
Todd McLean, Airport Authority, Plumber
Rodolph Sabbak, Airport Authority, Firefighter
Ray Butler, Airport Authority, Director of Finance and Corporate Controller
Liane Bell, Airport Authority, Project Support
Jennifer Thomas, Airport Authority, AORC Coordinator



J. Peter Vice, Q.C.

A WORD FROM OUR CHAIRMAN

As you will read in this report, 2009 was a year unlike many. Economic uncertainty, difficulty in the airline sector and declining passenger volumes seemed to capture headlines week after week. Amidst the headlines, however, there was much to celebrate in Ottawa. From airline route development, retail growth, strong financial performance, to excellent customer service and innovation, I am proud to say that the Ottawa International Airport Authority had another excellent year and the airport continues to be an important economic generator for Ottawa/Gatineau.

As each new year approaches, the Authority's management team gets together with the Board of Directors to discuss the strategic direction of the organization for the following year. As goals were established for 2009, it was with the understanding that there would be obstacles and challenges throughout the year. Despite the difficulties, the goals were achieved on all fronts. You will read about projects and events that touch on each of the 2009 goals, but here is a quick overview of the highlights of each strategic direction.

The Authority has continued its tradition of conducting every aspect of its business with the highest degree of **social responsibility**. From working hard to reduce the footprint that is left by airport operations to ensuring that money is only spent on what is necessary, the team continues to be careful, thoughtful and wise.

An airport is a complex environment where change can have a tremendous impact on many organizations. You will read about projects such as pre-board

screening redesign and airfield lighting and Field Electrical Centre upgrades. Careful **planning** and attention to detail resulted in a seamless execution in both; the former has improved customer service significantly and the latter has further improved safety on the airfield.

Speaking of customer service, you will read about the results of the 2009 Airport Service Quality program. It was a close race, but for now, suffice it to say that we maintained our 2nd place ranking. Success in **customer service** is dependent on so many things; a friendly voice at the end of the telephone, a smiling face at the information counter, a bilingual greeting at a restaurant, clean facilities and clear signage are just a few elements that enhance a customer's experience. Our customers have told us through the survey that they appreciate the service we offer, but we will keep aiming for first place.

We regularly encourage our clients to provide feedback, and we commit to them that we will take action as and when possible. One item that generated many web comments over the years was pay-per-use Wi-Fi. I am delighted to say that the Airport Authority is now providing it to our customers for free, which is proof positive that we do listen to and take your input to heart.

We hear regularly from businesses and developers who are interested in locating their enterprise, project or idea at or in the airport. Some are compatible with our land use plans, whereas others are not, but we work with interested parties to explore the possibilities. The Authority's focus on **commercial development** saw success with the opening of a new

strip mall in December, at the corner of Hunt Club and Riverside, with anchor tenant T&T, an Asian supermarket.

You've heard, time and again, how great the Authority team is. Because one of our priorities is to ensure that the team is **engaged, enthusiastic and committed**, it is particularly gratifying to know that several employee-initiated work groups were assembled during the year to address such items as cost cutting, analysis of employee survey results and Plane Pull logistics and planning. We really could not achieve such great results year after year without a team that we consider to be the best in the industry.

Building **partnerships** with outside organizations has enriched the Authority family, but I firmly believe that these relationships have also enriched the community. Be it welcoming wounded soldiers back from their tour of duty, presenting donations to charities in our community or supporting efforts such as Stars of the City, we know that the sum of the whole is stronger than the individual parts. By putting our skills together with organizations that have different talents and ideas, we can accomplish much more and make a greater difference at the airport and in the communities we serve.

The Authority continued to forge partnerships and relationships with **various levels of government**. Whether working with the federal government on air liberalization and other files, collaborating with the National Capital Commission on a roadway banner program or working with the City of Ottawa and other stakeholders on pandemic, emergency and security planning, we understand that working in concert rather than individually will ultimately result in greater cooperation, better preparedness and higher levels of trust and communication.

Safety and security will always be at the very top of our priority list. Efforts to enhance safety include upgrades to the Field Electrical Centre and airfield wiring that you will read about further in this report. While perhaps not evident to passengers, pilots and those who operate on the airfield will appreciate the investment in the airfield infrastructure. The security threats in December affirmed that our investment in both pre-board screening upgrade projects was indeed necessary. Accommodating the stepped-up secondary screening activities and other security-related changes in the transborder area would have been nearly impossible without the redesign.

On the environmental front, our award-winning glycol biotreatment system did not let us down in 2009, and we met all targets where glycol recovery is concerned. The Authority also maintained its focus on waste diversion and recycling. One item that you will read more about is the Authority's roll-out of virtual servers across the airport – a technology project that is helping our bottom line and the **environment**.

The above-noted highlights speak clearly to the fact that the focus of the team has been unwavering, even in the face of difficult economic times. To achieve stated goals while cutting budgets and still delighting customers is a tremendous accomplishment, and I congratulate and thank the employees and management team for their commitment to excellence. I would also like to thank Paul Benoit for his continued wisdom and leadership; your passion and commitment mean a great deal to the Board of Directors, the Authority team and to our partners across the airport.

I would like to offer my personal thanks to my colleagues on the Board of Directors, each of whom brings their particular skills, talents and ideas to each meeting and discussion. Their dedication and caring have contributed to the success of the Authority and the achievement of its goals year after year.

As you read this report, my hope is that you will have an appreciation for the Airport Authority team and its efforts to ensure that this airport is world class in every sense of the word.



J. Peter Vice, Q.C.
Chairman of the Board



Paul Benoit

A WORD FROM OUR CHIEF EXECUTIVE OFFICER

Many of you may remember 2009 as a difficult year, fraught with economic issues and more worries than many of us have known for some time.

I prefer to think of 2009 as a year of reflection, renewal and retrenching. In other words, 2009 was a year of opportunity.

From the Airport Authority's point of view, projects were examined with an even higher level of scrutiny. Which projects could wait? Which projects could reasonably be scaled back? Where could we make cuts that wouldn't have a negative impact on customer service? What did we have in our plan that was absolutely necessary? The result of this exercise was excellent cost containment for an organization that already prides itself on caution and financial prudence. As an added measure, the Authority's employees formed a committee that looked at many programs and procedures to see what changes could be made to further help the cost cutting effort. At the end of the day, we achieved a degree of resilience in an industry that has seen much turbulence worldwide. Comparatively speaking, our airport was much less severely impacted than others in Canada and North America in general.

A few projects did pass the necessity test, and as a result, some very positive changes were made in the terminal; modifications to the pre-board screening areas on both the transborder and domestic/international sides were completed, allowing more efficient queuing and processing for passengers. Public washrooms were also added near the domestic checkpoint for the convenience of passengers and visitors.

Other organizations on the campus were busy with their own expansion plans, as efforts were focused on opening a second Booster Juice location near gate 18 in the domestic/international holdroom and the opening of Porter's new lounge between gates 18 and 20. Again, these changes point to Ottawa being a healthy and strong market.

Maintaining customer service as a priority continued to reap rewards in 2009. Once again, the Ottawa International Airport was ranked second in the world for airports that serve between 0 and 5 million passengers. It has now been five years in a row that we have earned the honour, and this year we missed first place by a mere tenth of a point. We still have our eye on the top prize, and will keep working to make your next travel experience better than the last.

We hope the addition of free Wi-Fi in the terminal will enhance the quality of your next trip. In December, the Authority's contract with its Wi-Fi provider expired, which gave us the opportunity to take over management of the system, and provide the service at no cost to our clients. We like to think of it as our way of thanking you for visiting.

And, visit you did. Amid reports of some airports in North America experiencing double digit passenger declines, our results have been much more positive. While at mid-year, passenger volumes were approximately 7% lower than those of 2008, the gap narrowed as the year progressed. By year-end, the figures were approximately 2.5% lower than in 2008.

After significant growth for several years prior, the volumes are actually very much on track and we are pleased.

Are we out of the proverbial woods yet? The housing and job markets continue to show strength, and consumer spending seems to be gaining momentum, but is it sustainable? I'm not entirely sure – nor is anyone else for that matter. What I can say with confidence is that our capacity (available airline seats) has increased to the tune of approximately 6% more departing seats, which means that the airlines continue to have confidence in the Ottawa-Gatineau market. Our daily flights to London and Frankfurt continue to do extremely well and new flights have been added to the mix, including seasonal service to Turks and Caicos, and Roatan, Honduras. We will watch the early 2010 charter traffic with interest and hope that volumes return to near 2008 levels.

I would not have been able to make the foregoing comments without the cooperation and support of a number of individuals and groups. First and foremost, I say a heartfelt thank you to the Authority's employees who took up the challenge of cost-cutting with enthusiasm; while they tightened their belts at home they did the same at the office and made a tremendous difference. At the same time, they were involved in historic events such as the U.S. Presidential visit in February, the Japanese Imperial Visit in July, the Royal visit in November and they organized the most successful Plane Pull event yet, while doing their everyday jobs with the highest level of professionalism and pride. You'll read more about specific activities further in this report, but trust me when I say that every employee made a difference in 2009.

To Chairman Peter Vice and the entire Board of Directors, I extend my continued appreciation for their support and confidence in our ability to handle the airport's affairs responsibly and with integrity. Thank you for making sure we are accountable to our stakeholders, but also for trusting our management decisions on a day-to-day basis.

To our partners across the airport campus, my thanks for working together during challenging times to make the customer experience better. During irregular operations, special visits, aircraft divers and enhanced security measures, the level of collaboration between partners and competitors set the Ottawa International Airport apart from others.

And finally, thanks to the business community and general public for their ongoing support of our efforts. By continuing to travel by air, by providing feedback, both constructive and positive, and by participating in events such as the Plane Pull for Charity, you affirm the importance of this airport in the community. We will do everything we can to continue to earn your confidence.



Paul Benoit
President and CEO



2009 IN REVIEW



Senior Management Team (left to right) **Paul Benoit**, President and CEO, **Ian Bell**, Vice President, Infrastructure and Technology, **Jean Barrette**, Vice President, Operations and Security, **Lisa Dwyer Hurteau**, Vice President, Legal Affairs, **Louise Bergevin**, Executive Assistant to the President and CEO, **Krista Kealey**, Vice President, Communications and Public Affairs, **Michael Crockatt**, Vice President, Business Development and Marketing, **John Weerdenburg**, Vice President and Chief Financial Officer

In spite of the difficulties faced by the aviation industry, 2009 was a successful year for the Ottawa International Airport Authority (the Authority). One of the most important contributing factors to this success was collaboration. Throughout this report there are words such as “partnership”, “teamwork”, “working group”, and “consultation.” Difficult times create a perfect environment for people to share, to work together and to care about the difficulties of others. This report speaks to many successes in 2009 that would not have been achievable without the collaboration and mutual caring of many of the airport’s stakeholders, both on the campus and in the community.

CHALLENGE = OPPORTUNITY

The economy provided the first and most pervasive challenge that set the stage for the year on all fronts. The first half of 2009 was characterized by weak economic conditions, financial turmoil and concerns that airline financial difficulty and labour issues would impact operations. Weak but slightly improving economic conditions continued into the third quarter, and the fourth quarter showed a modest return to growth. In response to the economic concerns and uncertainties, management undertook significant cost containment measures early in the year. These included the deferral

of non-critical maintenance costs and delayed hiring to fill vacant positions. Another successful initiative was an employee-led committee that came up with creative ideas for cost reductions. Finally, our bottom line was assisted by a \$2.8 million reduction in the ground rent paid by the Authority to the Government from 2008.

As has been the case year after year, the Authority’s prudent financial management prevailed and even as passenger volumes decreased by 2.5% from 2008 and negatively impacted revenues, in 2009 the Authority was able to generate slightly higher earnings than in 2008. The Authority finished the year with earnings before depreciation of \$14.8 million compared to \$14.3 million in 2008. These earnings continue to be reinvested in airport operations and development.



PARTNERSHIPS

Improving the Community We Live In

The Authority negotiated a memorandum of understanding (MOU) with the City of Ottawa’s Public Health Department for an exchange of services that would see the Authority store approximately 70 pallets of pandemic supplies, such as gloves, masks, face shields and hand sanitizer, in exchange for use of the hand sanitizer at no cost to us. Until the MOU was signed, the City had stores of pandemic supplies scattered throughout the city, with no easy way to track the expiration dates of perishable products. By storing the supplies in one location, the City is able to rotate stock thereby discarding far less, and the Authority can deploy the sanitizer product throughout its facilities. Two key wins from this arrangement include less waste for the City and reducing the spread of germs at the airport.

This agreement, along with a similar arrangement with the Red Cross for storage of their disaster relief supplies, puts the Authority in an excellent position to provide aid in the event of a serious emergency situation.

Summary of Amounts Spent in the Ottawa Region

(\$ IN THOUSANDS)	2005	2006	2007	2008	2009	Total
Wage bill	\$12,050	\$13,367	\$14,191	\$15,733	\$15,628	\$70,969
Payments in lieu of municipal taxes	3,690	3,875	4,069	4,272	4,486	20,392
Operations costs	16,000	16,500	17,000	22,000	21,000	92,500
Capital costs	17,000	23,000	57,000	31,000	12,000	140,000
	\$48,740	\$56,742	\$92,260	\$73,005	\$53,114	\$323,861

Notes:

Wage bill includes benefits

Payments in lieu of municipal taxes (PILT) - paid to the City of Ottawa

Operation costs do not include Rent, PILT, Payroll, Depreciation and interest expenses

PARTNERS IN SECURITY

YOWP3WG (Ottawa International Airport Private-Public Partnership Working Group)

The YOWP3WG is a joint initiative of the Authority, the Ottawa Police Service and the RCMP created in an ongoing effort to enhance the safety and security of the employees and patrons of the airport. The objectives of the YOWP3WG are:

- To promote awareness and cooperation between all public and private stakeholders;
- To promote emergency preparedness and the resiliency of industry, business and communities; and
- To develop appropriate partnerships to enhance safety and security in the National Capital Region (NCR).

Within the passenger terminal building (PTB), the group also includes representatives of the airlines, Canadian Air Transport Security Authority (CATSA), CARA, the Canadian Corps of Commissionaires, Canada Border Services Agency (CBSA), and U.S. Customs and Border Protection (U.S. CBP). Elsewhere on the campus, the group includes representatives from the various hangars and flying clubs that are located on the property, ground handlers, cargo companies and fuel service providers. The initiative was inspired by Operation Intersect, which is an integrated response framework that deals with high profile events in the NCR.

PARTNERS IN HEALTH

Hospital Emergency Planning Committee of Ottawa

The Authority hosted the 2009 meeting of the Hospital Emergency Planning Committee of Ottawa (HEPCO) in September. The committee, which the Authority has been a member of for several years, includes all regional hospitals, long-term care facilities, Ottawa Public Health, Police, Fire and Paramedic Services and the Canadian Red Cross. One of the top agenda items, understandably, was Pandemic Preparedness, and discussions led to the pandemic initiatives that were already noted elsewhere in this report.

Five-year Review

(\$ IN THOUSANDS)	2005	2006	2007	2008	2009
Revenues	\$72,503	\$75,820	\$84,713	\$86,430	\$83,858
Expenses before depreciation	63,491	64,943	66,491	72,113	69,099
Earnings before depreciation	9,012	10,877	18,222	14,317	14,759
Capital expenditures	17,503	23,445	57,058	31,306	12,085
AIF revenues	24,520	24,926	28,283	27,816	27,261

Five-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	3.3%	81,808	6.0%	\$ 5,948,000	12.2%
2000	3,434,345	6.9%	78,301	-4.2%	\$ 6,145,000	2.6%
2001	3,391,295	-1.3%	72,630	-7.2%	\$ 8,840,000	43.9%
2002	3,216,886	-5.1%	68,499	-5.7%	\$11,005,000	24.5%
2003	3,262,345	1.4%	69,798	1.9%	\$11,329,000	2.9%
2004	3,609,885	10.7%	69,626	-0.2%	\$11,643,000	2.8%
2005	3,735,433	3.5%	66,146	-5.0%	\$12,958,000	11.3%
2006	3,807,756	1.9%	65,396	-1.1%	\$12,487,000	-3.6%
2007	4,088,528	7.4%	72,342	10.6%	\$11,546,000	-7.5%
2008	4,339,225	6.1%	79,777	2.0%	\$10,134,120	-12.2%
2009	4,232,830	-2.5%	81,120	1.7%	\$ 7,310,000	-28.0%
2010	4,299,000	1.6%	83,000	2.3%	\$ 6,100,000	-16.4%
2011	4,410,000	2.6%	85,000	2.4%	\$ 6,200,000	1.6%
2012	4,544,000	3.0%	86,750	2.1%	\$ 6,400,000	3.2%
2013	4,694,000	3.3%	88,250	1.7%	\$ 6,600,000	3.1%
2014	4,849,000	3.3%	89,750	1.7%	\$ 6,800,000	3.0%

Notes:

Federal Government Net Book Value at time of transfer - \$75M

Total rent projected 1997-2014 - \$151M

Forecast passenger volumes are as provided by outside consultants

For financial planning purposes, the Authority forecasts on a more conservative basis

SPECIAL GUESTS

While every passenger is important to us, there were a few stand-outs during the year that required additional focus and effort.

U.S. Presidential Visit

The year began with a flurry of preparations for the first official visit of newly-elected U.S. President Barack Obama on February 7th. Weekly meetings at the national level, site-specific planning meetings with the Royal Canadian Mounted Police, Ottawa Police Service and U.S. Secret Service, facilitated the development of an operational support plan for security and commercial aircraft operations for the airport. Every aspect of the plan was carefully executed with minimal operational impact on the airport and its customers. The visit will long be remembered by everyone who was involved, and the Airport Authority received high praise for its contribution to the success of the visit. And of course, no one will soon forget the President's impromptu visit to Ottawa's ByWard Market to pick up a Beaver Tail and some cookies for his daughters.

Japanese Imperial Visit

Emperor Akihito of Japan arrived in Ottawa on July 3rd, to start an historic Canadian visit. In the weeks leading up to the visit, the Authority was involved in the operational planning of the visit with several members of the Japanese Advance Delegation. The Authority's Terminal Operations and Security departments faced many challenges in accommodating the visit, not the least of which was parking two B747-400s for five full days, while maintaining normal operations.

Royal Visit

The Authority assisted with the coordination of the brief visit of His Royal Highness The Prince of Wales and The Duchess of Cornwall. The main objective, which we achieved, was to ensure that the regular commercial operation of the airport was not negatively impacted.

Passenger Growth by Sector

	DOMESTIC	%	TRANSBORDER	%	INTERNATIONAL	%	TOTAL	%
1996	2,223,941		529,602		104,295		2,857,838	
1997	2,435,534	9.51%	502,072	-5.20%	108,762	4.28%	3,046,368	6.60%
1998	2,414,355	-0.87%	563,085	12.15%	133,108	22.38%	3,110,548	2.11%
1999	2,426,288	0.49%	628,203	11.56%	157,116	18.04%	3,211,607	3.25%
2000	2,562,282	5.61%	719,200	14.49%	152,863	-2.71%	3,434,345	6.94%
2001	2,625,630	2.47%	618,694	-13.97%	146,971	-3.85%	3,391,295	-1.25%
2002	2,445,770	-6.85%	600,365	-2.96%	170,751	16.18%	3,216,886	-5.14%
2003	2,491,691	1.88%	588,088	-2.04%	182,566	6.92%	3,262,345	1.41%
2004	2,736,779	9.84%	641,157	9.02%	231,949	27.05%	3,609,885	10.65%
2005	2,779,895	1.58%	719,150	12.16%	236,388	1.91%	3,735,433	3.48%
2006	2,807,377	0.99%	735,753	2.31%	264,626	11.95%	3,807,756	1.94%
2007	3,052,813	8.74%	746,435	1.45%	289,280	9.32%	4,088,528	7.37%
2008	3,255,540	6.64%	740,369	-0.81%	343,315	18.68%	4,339,225	6.13%
2009	3,141,812	-3.49%	682,822	-7.77%	408,196	18.90%	4,232,830	-2.45%
2010	3,180,000	1.22%	699,000	2.37%	420,000	2.89%	4,299,000	1.56%
2015	3,657,000	3.00%	829,000	3.72%	473,000	2.52%	4,959,000	3.07%
2020	4,222,000	3.09%	1,011,000	4.39%	544,000	3.00%	5,777,000	3.30%
2025	4,651,000	2.03%	1,177,000	3.28%	641,000	3.57%	6,469,000	2.40%

Harquail Photography



Pageantry

The Authority and National Capital Commission (NCC) forged a wonderful partnership in 2009. We worked with the NCC to create a roadway banner program that is comprised of beautiful images of the region. The series was custom-created for the airport, and provides a visually stunning welcome to visitors.

BE PREPARED

Exercise Nucleus

On September 30th, the Authority hosted a multi-agency security exercise with participation by Ottawa Police Service, Ottawa Fire Services, Ottawa Paramedic Service, the Public Health Agency of Canada (PHAC), RCMP, Air Canada and the Canadian Nuclear Safety Commission, to name a few. The exercise, which is required to be conducted every two years per Transport Canada regulation, involved a bomb threat scenario. The bomb, which was theorized to be aboard an aircraft, and which detonated post-evacuation, caused radio-active cargo to leak, resulting in human contamination. The exercise proved an extremely valuable learning tool for all involved agencies, and tested inter- and intra-agency communications.

H1N1 Virus Pandemic Preparedness

In April, the first case of H1N1 put the world on alert. Fortunately for the Ottawa Airport, the charter season and related flights to Mexico had just concluded, thereby lessening the impact on our passenger volume. A scheduled weekly flight to Cancun was cancelled by the carrier in response to concerns. The situation did not come to an end quickly, as fears of a fall resurgence kept the concern and planning efforts at a high level.

The situation caused the Authority to invoke a portion of its Pandemic Plan, including a heightened disinfection and cleaning regimen using virucides on high contact areas of the terminal such as handrails, baggage cart handles, countertops, work surfaces and elevator controls. These additional measures were consistent with recommendations provided by PHAC.

In anticipation of a resurgence of the virus, a Steering Committee was created to closely monitor the situation. Pandemic supplies were stockpiled and hand sanitizer dispensers were distributed throughout the terminal. A business continuity plan was developed, including the identification of essential workers and functions that would enable continuous operations in the face of mass illness. Airport partners were included in the discussions in an effort to minimize any operational impact.

CARING FOR OUR OWN

The Authority's greatest strength is its employees. With the fear of a pandemic hitting Canada, the Authority set about to make a plan for keeping its employees healthy, as well as equipping those who might be required to work from home due to health issues in their respective families. In that vein, arrangements were made to vaccinate first responders with the H1N1 vaccine, and subsequently other employees who wished to receive the H1N1 and seasonal flu vaccines.

Further, the Information Technology Department upgraded remote e-mail access mechanisms to allow all employees to connect from home, and implemented an instant messaging feature to facilitate quick communication among colleagues. Finally, a secure remote access facility was installed to allow the management team to remotely access the majority of corporate software applications.

Bryan McNally, Ottawa Police Service



Emotional Comings and Goings

An emotional homecoming played out in Arrivals in December when two Ottawa Police Service officers returned from a six-month tour in Afghanistan. An 18-piece pipe and drums band provided a regal welcome to the officers, who were understandably moved to see their loved ones anxiously awaiting their return. The reunion was bittersweet, however, as the officers greeted colleagues from the Royal Canadian Mounted Police who were departing on their own tour of duty in the war torn country.

Education is the Key to Prevention

A major concern of the Authority's with respect to a possible H1N1 pandemic was the potential impact on our employees and their families. With the help of a nursing student from Laurentian University, a Pandemic Planning Awareness Program was developed. Seminars focusing on preventing the spread of germs, how to differentiate symptoms of various illnesses and how to respond when certain symptoms present themselves were delivered to the entire Authority team.

TAKING CARE OF THE ENVIRONMENT

Again in 2009, the Authority met all regulatory requirements regarding glycol, which is used for aircraft de-icing, and un-ionized ammonia which is used to keep runway surfaces ice-free. The continued success of the glycol biotreatment system and the elimination of the use of urea have ensured that we continue to meet and better our targets in this area.

The Community Noise Committee was reconstituted in 2009 with newly-engaged members. As a result of this renewal, and based on feedback received from the public through the airport's noise line, we worked with NAV CANADA to modify the aircraft paths that are followed by training schools in an effort to minimize the noise impact on area residents. The new routes follow roads and overfly commercial areas as an alternative to residential areas. The resulting feedback from local residents has been extremely positive.

Virtualizing How We Do Business

The Authority is progressing well with a major computer virtualization project that allows us to run multiple virtual computers on a single physical piece of hardware, while sharing resources of the single machine across multiple environments. Different virtual machines can run different operating systems and multiple applications, again on a single piece of hardware. In 2009 alone, the Authority saved more than \$200,000 on hardware costs, but one of the most surprising savings came in the form of energy consumption, with energy savings of nearly \$30,000 and 300,000 kWh. This virtualization project is the first of its kind at a Canadian airport.

COME FLY WITH ME

Despite difficult economic conditions, there were some positive additions to Ottawa's route network. In June, United Airlines added non-stop service from Ottawa to Denver, United's second largest hub and the airline's third destination from Ottawa. Denver offers easy connections to the west coast and southwest United States, including the key western markets of San Francisco, Los Angeles and Las Vegas.

After the successful introduction of non-stop Ottawa-Frankfurt service in 2008, Air Canada increased the frequency of the flight by over 60% in the winter of 2009, taking it from three flights per week to five. In the busier summer season, the route continued to be operated on a daily basis.

MAJOR CAPITAL PROJECTS

Field Electrical Centre and Airfield Wiring Upgrade

The Authority completed a \$3.5 million upgrade of the airfield infrastructure, including the replacement of a 30-year old Field Electrical Centre that controls all airfield lighting circuits and replacement of the airfield wiring that had reached the end of its life. Completion of the project means an even safer environment for airfield operations.

Transborder Upgrade Project

This particular project was introduced in the 2008 Annual Report as an important customer service and operational initiative that would solve the severe problems of congestion and lack of space in the transborder area. The \$4.1 million project was completed in June and included an expansion of the pre-board screening and pre-clearance areas. Benefits include a 33% increase in U.S. pre-clearance processing capacity, a 50% increase in available queuing space and the installation of an additional Nexus kiosk. Added benefits include 50% more processing and queuing capacity for transborder pre-board security screening functions, and an expanded Duty Free store that was relocated to a more convenient location for our customers.

Recent changes in security, which have resulted in more extensive baggage and passenger screening of U.S.-bound passengers have more than justified the project, and the extra space is being well utilized.

Stars in our Midst

The Authority is exceedingly proud of the dozens of airport employees who were nominated by customers in the Stars of the City program. Stars of the City is an Ottawa Tourism initiative that recognizes the outstanding customer service efforts of the people who interact with visitors and tourists throughout the year. Three of our stars went on to be finalists in two categories and two were ultimately named winners in their respective categories.

David Pankhurst, Pankhurst Photography



Vera Mahoney (right) receives her award from Cindy Gilbert of the Ottawa Citizen

Vera Mahoney, Infoguide Volunteer, won her category of "Good Citizen" for going far above and beyond the call of duty to help a young Korean girl who mistakenly arrived in Ottawa instead of her intended destination of Lansing, Michigan. Vera moved mountains to ensure that she made it to Lansing safely and has made a lifelong friend along the way.

David Pankhurst, Pankhurst Photography



Tarik Waheed receives his award from Cindy VanBuskirk of the Rideau Centre

Tariq Waheed, WestWay Taxi Driver, won in his category, "What's Lost is Found" for returning money to a passenger who inadvertently dropped it in the taxi after a long trip home from Europe. The grateful customer wasn't even aware that she had lost the money when Tariq delivered it to her door.

Domestic/International Pre-board Screening Upgrade

A portion of the transborder upgrade project budget was allocated to changes in the domestic/international area. Changes to the queuing areas were completed, resulting in a more efficient area for clients to divest of their personal items prior to screening as well as more efficient queuing for waiting customers. Washrooms were also added adjacent to the queuing area as a part of the project, as was space for an eighth screening lane to meet future needs.

FUTURE CAPITAL PROJECTS

Parkade Expansion

In March 2008, the public Parkade facility neared capacity. Shortly after, the Authority completed a feasibility study which examined various options for expanding the facility. Based on this study, the Authority commissioned for the full design of an expanded garage. The design, which is now well underway, accounts for the potential expansion to both the north and south ends of the facility to a level equal to the height of the existing facility. In addition, a roof will be added to the entire structure to provide a higher level of customer service and to reduce snow clearing requirements. The expansion will be staged with a north-end expansion, which is anticipated to start in 2010. We will continue to track parking levels and will proceed with construction of the south-end expansion as demand dictates.



THE AIRPORT EXPERIENCE

Wi-Fi – You Asked, We Listened

In 2005, the Authority signed a contract with a provider to build the infrastructure that would make wireless service available throughout the terminal. To build the service ourselves was cost prohibitive at the time and was beyond our scope of expertise. In response to a number of customer requests for a free service, the Authority undertook to assume responsibility for the infrastructure as the contract neared expiration. On December 1st, the service was transferred to the Authority and it was made available at no cost to travellers. The reaction from our customers has been overwhelmingly positive. To quantify its success, during the first quarter of 2009, 4,500 users paid to use the service, while in the first week of free service, we had more than 4,000 users.

CBC News Express

Clear Channel along with its partner, CBC, installed over 50 plasma television screens in both the domestic/international and transborder holdrooms, and a new giant screen in the international arrivals area to enable passengers to sit back, relax and enjoy Canadian and international news coverage. Advertising opportunities abound on the CBC News Express line-up for companies that wish to capture the attention of the travellers.



Security is a Team Effort

A thwarted act of terror aboard a Detroit-bound aircraft on Christmas Day changed the security process for all travellers to the U.S. In an instant, all passengers and their carry-on baggage required a secondary search. Methods and procedures changed daily, and for a period of several weeks, virtually no carry-on was permitted. These changes happened during one of the busiest travel periods of the year. The airport family came together, once again, to ensure that the impact on our passengers was minimized. CATSA and their Aeroguard screeners are to be commended for working very long hours to carry out the ever-changing requirements. The efforts of our airline partners, U.S. CBP, Infoguides and Authority employees have also earned kudos for keeping passengers informed, and for doing what they could to keep everything running smoothly during the holiday period.

Bouquet from a Passenger – Denis Bélanger

"I simply wanted to pass along my compliments to everyone who manages our beautiful airport in Ottawa. Over the 15 years I have lived in Ottawa, the airport has been transformed into one of Canada's most spacious, efficient, bright, and friendly airports. The addition of electrical outlets conveniently located under clearly-identified banks of seats and the recent addition of free Wi-Fi for airport clients demonstrate a true commitment to helping clients manage their busy travel days. Our airport is a fitting gateway to our Nation's Capital for both domestic and international visitors. Keep up the great work."

COMMERCIAL DEVELOPMENT

There was much activity on the development front – both in the terminal and elsewhere on airport property, offering more for our clients and the community. The exciting additions include the following:

Booster Juice Grows

Following two years of success at its location on level 3, pre-security, Booster Juice opened its first ever airport post security location at gate 18 just in time for the holiday rush. The full Booster Juice menu is sold at both locations and all items are offered at street prices.

Juno Gems

A local entrepreneur began selling silver jewelry from an airport kiosk in 2008. Business has been a success and a permanent kiosk has been constructed for Juno Gems on level 3 near the food court where customers can find a variety of beautiful jewelry and fashion accessories.

Hunt Club Place

The airport welcomed the development of Ottawa's first T&T supermarket, a very popular Asian grocery store, at the corner of Hunt Club Road and Riverside Drive. First Capital Realties continues to develop Hunt Club Place, offering travel and other professional services. Stay tuned in 2010 for new eateries and additional retail stores to open their doors for business.

THE VOICE OF THE CLIENT COUNTS

In 2009, the community's airport was the winner of more awards from the Airports Council International's Airport Service Quality program.

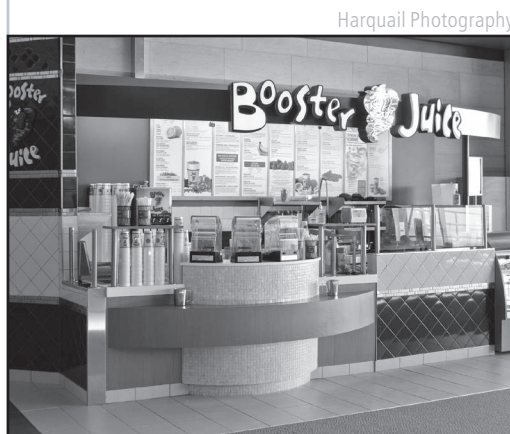
The Authority is delighted to report that the Ottawa International Airport finished 2nd place among airports that serve between 0 and 5 million passengers, and it finished in 3rd place among North American airports. Thanks go to all airport partners for making the customer experience a pleasant one.

These prestigious awards are made possible because our passengers take the time to fill out a questionnaire that rates the airport in a number of categories. Thanks to their input, our efforts are recognized.

As always, the Authority pays attention to the feedback it receives from passengers and visitors. In 2009, a total of 529 comments were received, by comment card, web comments or by letter. All of the comments were acknowledged and responded to where requested. As mentioned earlier, your feedback does make a difference where customer service is concerned and the Authority does take action as was the case with the introduction of free Wi-Fi.

Origin and Destination

92% OF TRAFFIC (ESTIMATED)



Total Nonstop Destinations

1997	20
1998	21
1999	25
2000	26
2001	29
2002	30
2003	32
2004	25
2005	39
2006	44
2007	49
2008	49
2009	49

Aircraft Movements

1997	68,000
1998	77,202
1999	81,808
2000	78,301
2001	72,630
2002	68,499
2003	69,798
2004	69,626
2005	66,146
2006	65,396
2007	72,342
2008	79,777
2009	81,120

Daily Nonstop Flights

	DOMESTIC	TRANSBORDER	INTERNATIONAL (weekly)
1997	82	21	3
1998	88	23	6
1999	101	39	7
2000	93	43	7
2001	84	30	7
2002	80	35	8
2003	81	35	7
2004	71	35	7
2005	60	32	9
2006	60	29	9
2007	70	31	11
2008	77	32	13
2009	80	29	14

PULLING TOGETHER TO IMPROVE LIVES

The Authority has always believed in the importance of giving back to the community, and in doing whatever we can, however small, to improve lives. *Project Clear Skies* is an example of our effort to make a difference. In 2009, \$132,000 was distributed among 22 charitable organizations to help them carry out their good work. 2009's contribution brings the total funds that *Project Clear Skies* has injected in charitable projects in Ottawa-Gatineau, since 2004, to \$645,000.

An added source of funding to keep *Project Clear Skies* going is the Plane Pull for Charity. Plane Pull 4 was the best yet, involving a tremendous amount of planning and coordination to pull off a major family event that hosted nearly 2,000 people.

FedEx Express, our Plane Pull partner, provided the A310 aircraft that serves Ottawa. A 727-200 has typically been used, and the A310 is much heavier, so the added weight called for larger teams of 25. While we originally feared that larger teams would negatively affect registration, nothing could have been farther from the truth - teams embraced the change and before long, the event was oversold. Export Development Canada's "Export This", the winning team, pulled the aircraft 12-feet in an incredible 5.529 seconds. At the end of the day, approximately \$45,000 was raised – funds that were divided equally between *Project Clear Skies* and United Way Ottawa.

We extend our warmest thanks to the Authority's Plane Pull organizing committee, to FedEx Express and to the teams, sponsors and volunteers who made the day a memorable one for all.

Harquail Photography



Winners! Export Development Canada's "Export This" 5.529 seconds

Harquail Photography



2nd Place Drain-All Ltd.'s "Enviroforce" 5.826 seconds

Harquail Photography



3rd Place ZW Group Inc.'s "Walker's Warriors" 6.112 seconds

MILESTONES

The Authority's two volunteer programs celebrated significant milestones in 2009.

Harquail Photography

Infoguides

The Infoguide Program, formerly known as Travellers' Aid under the stewardship of Transport Canada, celebrated 20 years in 2009. Renamed Infoguides when the Airport Authority was established in 1997, this group of 80+ volunteers has been providing invaluable assistance to visitors at the airport's two information kiosks. Assistance is provided from 9:00 a.m. to 9:00 p.m., 365 days per year. Two volunteers celebrated their own 20-year service milestones as well; Alice West and Bill MacKay are original members of the volunteer team and were recognized with service awards at the annual Christmas Party. In 2009, Infoguides provided 7,100 hours of service to our customers.



Alice West and Bill MacKay

Airport Watch

In 1999, the Authority, in partnership with the Ottawa Police Service and the RCMP, developed the first Airport Watch Program in Canada. The Airport Watch is composed of people who have an interest in various aspects of aviation and who spend time in the vicinity of the airport to observe airport operations. Some members also combine their aviation "spotting" activities with their photography hobby to produce very interesting photos, some of which are found on various internet sites dedicated to aviation topics. Their presence at the airport provides an added layer of security, in much the same way that Neighbourhood Watch does in residential areas. They monitor aviation activity, perimeter fencing, wildlife activity and suspicious behavior with a mandate to "Observe, Record and Report". In 2009, Airport Watch members logged 3,750 volunteer hours.

Their 10-year anniversary was marked by a weekend of festivities, including tours of the Aviation Museum's Vintage Aircraft Display and our Combined Services Building and a big barbeque, with invited guests from the Airport Watch Program at Aéroports de Montréal. A documentary filmmaker also captured footage for a future feature story on the program.

PORTER LOUNGE

In October, Porter Airlines opened its first customer lounge outside of the Billy Bishop Toronto City Airport. Located between gates 18 and 20, the lounge features refreshments and workstations, and it provides all Porter clients with a comfortable, beautifully appointed space to wait for their flight.

Harquail Photography



J. Davies

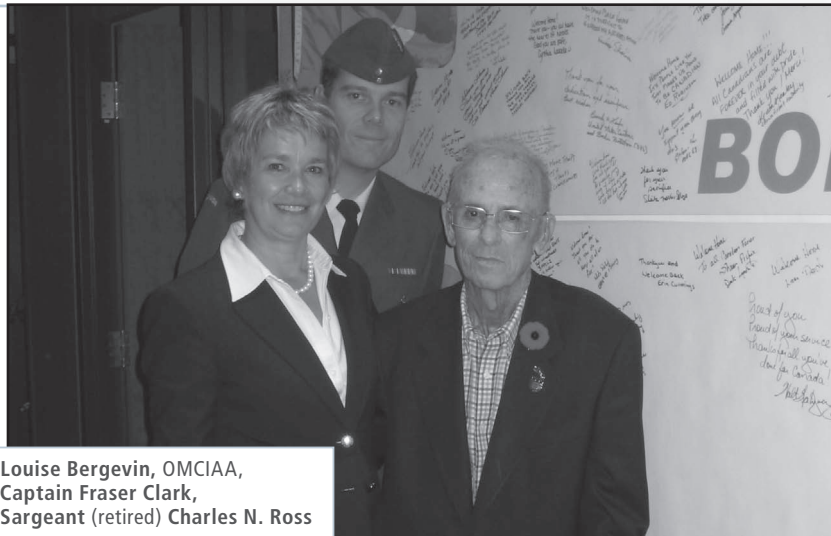


Airport Watch Group

WELCOME HOME

In the 2008 Annual Report, we told you about the DND Military Repatriation Program that included Ottawa as a point of return for wounded soldiers. The Authority continued to provide the use of its VIP Lounge as a private meeting place for the soldiers and their families. Dozens of reunions were hosted in 2009, and the list of signatures and messages of thanks on the Welcome Home banner continued to grow. We were honoured to have been visited by Mr. Chuck Ross, an 89-year old veteran of WWII, who travelled from Edmonton to assist with Remembrance Day celebrations at the National War Memorial. Mr. Ross was escorted from the gate to the VIP Lounge by a military piper, where he added his own personal message to the banner.

Dale Gervais



Louise Bergevin, OMCIAA,
Captain Fraser Clark,
Sargeant (retired) Charles N. Ross

WELCOME TO CANADA

In anticipation of the Vancouver Winter Olympic Games in February of 2010, the Canadian Tourism Commission, Ontario Tourism Marketing Partnership and Canada Border Services Agency launched a national marketing campaign called Welcome to Canada here at the Ottawa International Airport. The program targeted ports of entry to Canada and depicts typical Canadian scenery as well as local landmarks in particular ports, and is intended to introduce visitors to everything that Canada has to offer should they decide to make a return visit. The stunning visuals grace several jetbridges, corridors, and the Canada Customs arrival and baggage areas.

CTC



Corridor into the Canada Customs Hall

CORPORATE GOVERNANCE, ACCOUNTABILITY AND TRANSPARENCY

The Ottawa International Airport Authority's mission says that "working with its partners, the Authority will be a leader in providing affordable, safe and secure world-class airport facilities and services to the community and all of the airport's customers".

The Board of Directors

The adoption of the National Airports Policy in 1994 resulted in the creation of local airport authorities across the country. These authorities were first created with community-appointed Boards of Directors which were tasked with overseeing the management of their local facility.

The Ottawa International Airport Authority's Board of Directors follows these guidelines, which are included in the Authority's by-laws:

- includes professional representation nominated by all three levels of government as well as community and business organizations;
- directors shall not be elected officials or government employees;
- each director has a fiduciary duty to the Airport Authority;
- meets 6 to 8 times during the year;
- views its principal responsibility as overseeing the conduct of the business and supervising management to ensure that long-term goals and strategies are met; and
- must meet Conflict of Interest rules, adhere to the Code of Business Conduct, and the Public Accountability Principles.

Each director has filed a conflict of interest declaration for 2009, as required by the Authority's by-laws. Furthermore, all directors are in compliance with the conflict of interest and code of conduct guidelines noted above.

Revised By-laws














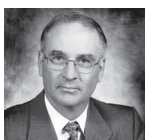
The Authority adopted revised by-laws in 2003 to replace the original by-laws that were established at incorporation in 1995. The revised by-laws specify the composition of the Board of Directors and the process for nominating members to the Board. The selecting bodies that provide nominees to the 14-member Board are as follows:

SELECTING BODIES	NUMBER OF DIRECTORS NOMINATED
Minister of Transport (Government of Canada)	2
Government of the Province of Ontario	1
City of Ottawa	2
City of Gatineau	1
Air Transport Association of Canada	1
Ottawa Chamber of Commerce	1
Ottawa Tourism	1
Chambre de commerce de Gatineau	1
Ottawa Centre for Research and Innovation	1
Ottawa Macdonald-Cartier International Airport Authority (at large)	3
TOTAL	14

A director's term of office is a maximum of three years, and each director may serve up to three terms, thereby allowing a director to serve a maximum of nine years.

The qualifications required of a director are included in the by-laws. Collectively, the directors shall have experience in the fields of law, engineering, accounting and management, and air carrier management. In addition, the by-laws include restrictions to eliminate possible conflicts of interest arising from relationships with selecting bodies, thereby ensuring the independence of directors and reinforcing their fiduciary responsibilities to the Authority. The Governance Committee has the power to ensure that the selecting bodies provide candidates for nomination to the Board having the skills and expertise necessary for the Board as a whole to carry out its duties.

The following represents the composition of the Board of Directors as at December 31, 2009:

DIRECTOR	NAME AND POSITION WITH AUTHORITY	OCCUPATION	SELECTING BODY AND YEAR APPOINTED	DIRECTOR	NAME AND POSITION WITH AUTHORITY	OCCUPATION	SELECTING BODY AND YEAR APPOINTED
	J. Peter Vice, Q.C. (2) (3) (4) Chairman of the Board Chair, Executive Committee Chair, Governance, Human Resources & Compensation Committee	Partner, Vice Hunter Labrosse LLP	At Large 2003		Gilles Lalonde (4)	President and CEO, Provance Technologies Inc.	Ville de Gatineau 2008
	Raymond Brunet (2) (3) (4) Vice-Chair, Chair, Major Infrastructure and Environment Committee	President, Ed Brunet & Associés Inc.	Chambre de commerce de Gatineau 2006 Ville de Gatineau 2003-2006		Eric McSweeney (1)	President, McSweeney & Associates Consulting Inc.	Ottawa Chamber of Commerce 2004
	Charlie Logue (1) (2) (3) Secretary	Partner, Welch LLP	Minister of Transport 2006 (Government of Canada)		Pat Murray (4)	Retired (Architect)	Government of the Province of Ontario 2006
	Geneviève Brown (2) (3)	Owner, Club de golf Mont-Cascades	Minister of Transport 2006 (Government of Canada)		Michael Skrobica (1) (2)	Vice-President, Industry Monetary Affairs, Air Transport Association of Canada	Air Transport Association of Canada 2004
	Ron Clifton (1) (3)	President and CEO, International Datacasting Corporation	Ottawa Centre for Research and Innovation 2007		Joan Sun McGarry (1)	CFO, Hulse Playfair & McGarry	City of Ottawa 2006
	Barbara Farber (1)	President, Leikin Group Inc.	At Large 2007		Pamela Sweet (4)	Vice-President, FoTenn Consultants Inc.	City of Ottawa 2001
	Patrick Kelly (4)	President, Ottawa Congress Centre	Ottawa Tourism 2007		James Wright (1) (2) (4) Chair, Audit Committee	President, Mastermark Financial Services	At Large 2003

- (1) Member of Audit Committee (3) Member of Governance, Human Resources and Compensation Committee
 (2) Member of Executive Committee (4) Member of Major Infrastructure and Environment Committee

Directors' Compensation in 2009

ANNUAL RETAINER

Chair	\$35,000
Vice-Chair	\$15,000
Audit Committee Chair	\$17,000
Other Committee chairs	\$15,000
All other Directors	\$12,000

PER MEETING FEE

\$500 per meeting,
\$200 for participation via
telephone conference

Attendance at Board and Committee Meetings

BOARD MEMBER	BOARD MEETINGS	COMMITTEE MEETINGS
	ATTENDED	ATTENDED WHILE MEMBER OF A COMMITTEE
J. Peter Vice, Q.C.	9 out of 9	14 out of 14
Geneviève Brown	7 out of 9	4 out of 4
Raymond Brunet	9 out of 9	7 out of 8
Ron Clifton	7 out of 9	6 out of 7
Barbara Farber	7 out of 9	4 out of 4
Pat Kelly	9 out of 9	3 out of 5
Gilles Lalonde	6 out of 9	4 out of 6
Charlie Logue	9 out of 9	8 out of 8
Eric McSweeney	9 out of 9	4 out of 4
Pat Murray	5 out of 9	3 out of 6
Michael Skrobica	7 out of 9	6 out of 6
Joan Sun McGarry	9 out of 9	2 out of 4
Pamela Sweet	7 out of 9	5 out of 6
James Wright	9 out of 9	12 out of 12

COMMITTEES OF THE BOARD

Following is a list of Committees of the Board and the mandate of each:

Executive Committee

- annual review and assessment of the performance of the President;
- review the Annual Report as prepared by the President;
- review the results of the tri-annual employee satisfaction survey;
- recommend Directors for the Governance, Human Resources & Compensation Committee,
- recommend chairs of committees; and
- review the Authority's commitment to corporate social responsibility.

Major Infrastructure and Environment Committee (formerly AEP Overview Committee)

- oversee the development and progress of major construction projects; and
- oversee the environmental program.

Audit Committee

- the external auditors report to the Audit Committee. Review matters relating to the appointment of external auditors, including fees, and recommend to the Members the appointment of the external auditors;
- annually review with the external auditors and management matters relating to conduct of the annual audit and any recommendations of the auditors regarding internal controls;
- annual review of proposed fiscal operating and capital budgets for recommendation to and approval by the Board;
- review the annual audited financial statements of the Authority for recommendation to and approval by the Board;
- review and approve quarterly financial statements of the Authority; and
- review matters having a material financial impact on the Authority, including financing requirements and options, and recommendation to the Board.

Governance, Human Resources and Compensation Committee

- establish the nomination procedures, the skill sets required for nominees and the length of term of selected nominees;
- evaluate nominees and report to the Board;
- review succession plans and provide advice on development and career planning for potential successors;
- recommend the remuneration plan to the Board;
- annual review of Board governance and compensation;
- oversee the application of Conflict of Interest rules to Board members and nominees;
- evaluate the performance of the Board and individual Directors;
- evaluate the communication flow between the Board and management;
- review the governance section of the Annual Report;
- study and adopt evolving best practices in corporate governance; and
- recommend to the Board on the hiring of external advisors by individual Board Members and establish circumstances when it is appropriate or inappropriate to do so.

Other ad-hoc committees may be formed from time to time that include members of the Board of Directors. No ad hoc committees were formed during 2009.

ACCOUNTABILITY

The Authority's policy is to be accountable to the community and transparent in relations with business and customers. The Authority's mandate, as set out in its Letters Patent, establishes a standard against which its performance can be measured.

The mandate of the Authority is:

- to manage, operate and develop the Ottawa International Airport, which is leased to the Authority by Transport Canada, 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;
- to undertake and promote the development of airport lands, for which it is responsible, for uses that are compatible with air transportation activities; and
- to expand transportation facilities and generate economic activity in ways which are compatible with air transportation activities.

The Authority accounts for its actions to the community in a number of ways:

- by publishing an Annual Report;
- by hosting an Annual Public Meeting;
- by hosting an annual meeting with selecting bodies;
- by establishing and/or reporting to the following consultation committees:
 - Community Noise Committee
 - Airline Consultative Committee
 - Airport Operators Committee
 - Community Consultative Committee
 - Airside Safety Committee;
- through meetings and/or consultations with local city officials;
- through extensive public consultations on the periodic renewal of the Airport Master Plan, which was updated in 1998 and again in early 2008, and the Land Use Plan, which was last updated in 2008, and approved by the Minister of Transport in 2009; and
- by maintaining a corporate Website at www.ottawa-airport.ca.

In addition, a performance review must be conducted at least once every five years, in keeping with the Authority's Ground Lease with Transport Canada. This performance review was last completed in early 2007.

TRANSPARENCY

Procurement and Contracting

The Authority is transparent in its procurement practices. The Public Accountability Principles for Canadian Airport Authorities and the Authority's Ground Lease require that all contracts for the procurement of goods, services, and construction services with a value in excess of \$100,000 (\$75,000 in 1994 dollars adjusted for CPI), must be awarded through a competitive public tendering process, or be disclosed in the Authority's

Annual Report together with the reasons why they were not awarded through a public competitive process.

Contracts in excess of \$100,000 that were not awarded on the basis of a public competitive process during 2009:

CONTRACTOR	CONTRACT DESCRIPTION	REASON FOR SOLE SOURCE
ZW Group	\$136,480 Project management services Parkade	See A below
DELL	\$121,530 Purchase computers and software for common use counters	See B below
Honeywell	\$138,346 Service contract for building management and control system	See B below
IER Inc.	\$159,122 Supply and deliver printers	See B below
Electrical Safety Authority	\$159,150 Electrical inspection services	Only source available to provide ongoing safety services
Complete Entry Systems, CESS	\$161,085 Fire door repairs	See A below
ARINC	\$164,170 Common use systems operating system maintenance \$487,795 System upgrade – common use systems	See B below

A - Prior experience, knowledge of the facility, or expertise of the contractor in a highly specialized area.

B - To ensure integration and functionality with existing systems and equipment originally purchased following a public competitive process.

EXECUTIVE MANAGEMENT SALARY RANGES

The base salary range for the President of the Authority in 2009 was between \$220,000 and \$250,000. The base salary range for each of the Vice Presidents in 2009 was between \$110,000 and \$180,000.

In addition, under the management incentive plan, the President and the Vice Presidents receive appropriate bonuses based on achieving targets/objectives that are approved by the Board at the beginning of each year.

FEES AND CHARGES

The Authority provides 60 days advance notice in local news media for all changes in user charges (excluding rent), together with an explanation for the noted increase. This includes parking rates, aeronautical fees, and airport improvement fees (AIF).

While the Authority’s goal is to keep the aeronautical fees it charges air carriers constant, it has been necessary to adjust these fees on a few occasions. The Authority’s process for adjusting aeronautical fees and charges includes:

- consulting with air carriers, with necessary explanations and calculations showing how these fees were determined, prior to any change through the Airline Consultative Committee; and
- providing 90 days notice of the increase in fees to the airlines.

The Authority publicizes the reason for imposing an AIF, or for making changes to the fee, as it last did when it increased its fee to \$15 on January 1, 2003. The purpose of the existing AIF is to pay for the construction of and the debt associated with the Airport Expansion Program.

The process for adjusting AIFs is similar to the process for adjusting aeronautical fees and charges, including public notice in the local news media.

PUBLIC ACCESS TO DOCUMENTS

In accordance with Public Accountability Principles for Canadian Airport Authorities, the Ottawa International Airport Authority makes available by appointment the following documents for examination, at no charge, during its usual business hours:

- the current Airport Master Plan;
- a summary of the Authority's current Business and Strategic Plans;
- the most recent and the previous annual financial statements of the Authority, with the accompanying auditors reports (included in each year's Annual Report);
- its five most recent Annual Reports, each of which includes a general summary of the Authority's affairs during the previous fiscal year;
- summaries of the Authority's five most recent Business Plans;
- the Authority's Articles of Incorporation (its letters patent) and by-laws, including any amendments;
- all signed airport transfer agreements; and
- a summary of the Authority's Five-year Performance Review document.

CONTACTING THE AUTHORITY

There are a number of methods available to the public to contact and provide input to the Authority:

- submit questions, comments or concerns through the Authority's website **www.ottawa-airport.ca**;
- complete a customer comment card which is available at both of the airport's information kiosks;
- call the general inquiries lines at 613-248-2125 or 613-248-2141;
- call the noise information line at 613-248-2023;
- call or write to individual Airport Authority departments at the following address: Suite 2500, 1000 Airport Parkway Private, Ottawa, ON Canada K1V 9B4; and
- fax questions, comments or concerns to 613-248-2068.

In addition, the Authority conducts quarterly customer satisfaction surveys in the Passenger Terminal Building.

The Authority's policy is to respond to all questions, comments and concerns as expeditiously as possible.



Board of Directors (left to right) J. Peter Vice Q.C., Paul Benoit, Patrick Kelly, Eric McSweeney, Gilles Lalonde, Raymond Brunet, Geneviève Brown, Charlie Logue, Michael Skrobica, Ron Clifton, Pamela Sweet, James Wright, Joan Sun McGarry, absent: Barbara Farber, Pat Murray



2009 FINANCIAL REVIEW

This Financial Review reports on the results and financial position of Ottawa International Airport Authority (the Authority) for its year ended December 31, 2009. This review should be read in conjunction with the audited financial statements and related notes of the Authority. This review contains forward-looking statements, including statements regarding the business and anticipated financial performance of the Authority. These statements are subject to a number of risks and uncertainties that will cause actual results to differ from those contemplated in the forward-looking statements.

OVERALL PERFORMANCE

Earnings before depreciation for the year ended December 31, 2009 were \$14.8 million compared to \$14.3 million for the year ended December 31, 2008.

The first half of 2009 was characterized by weak economic conditions and concerns that Air Canada's financial difficulties and labour issues would impact operations. Weak but slightly improving economic conditions continued into the third quarter, and the fourth quarter showed a return to growth. In response to economic concerns and Air Canada uncertainties, early in the year management undertook various cost containment measures. These included measures such as the deferral of non-critical maintenance costs and a delay in filling vacated employee positions. In addition, ground rent paid by the Authority to the Government of Canada decreased by \$2.8 million from 2008. Accordingly, even as passenger volumes decreased by 2.5% from 2008 volumes and negatively impacted revenues, in 2009 the Authority was able to generate slightly higher earnings before depreciation than in 2008.

The Authority recorded depreciation of \$18.4 million in 2009 compared to \$17.2 million in 2008, reflecting depreciation of the terminal building and facilities over their estimated economic lives. The increase in depreciation in 2009 reflects depreciation on new investments in property, plant and equipment, including completion of Phase II of the Authority's Airport Expansion Program (AEP II), which came into service in late 2008. After subtracting depreciation, the excess of expenses over revenues in 2009 amounted to \$3.6 million as compared to \$2.9 million in 2008.

SELECTED ANNUAL INFORMATION

The Authority's net operating results for the three years ended December 31, 2009 are summarized as follows:

(\$ IN MILLIONS)	2009	2008	2007
Revenues	\$ 83.9	\$ 86.4	\$ 84.7
Expenses before depreciation	69.1	72.1	66.5
Earnings before depreciation	14.8	14.3	18.2
Depreciation	18.4	17.2	14.6
Net of revenues over expenses (expenses over revenues)	\$ (3.6)	\$ (2.9)	\$ 3.6
Total assets	\$426.6	\$432.2	\$446.0
Total long-term debt	\$349.2	\$350.9	\$352.4

RESULTS OF OPERATIONS

Operating Activities

During 2009, the Ottawa Airport gave up a portion of the passenger volume gains that it had experienced in 2008. 4,232,830 passengers moved through the airport as compared to 4,339,225 passengers in 2008, a decrease of 2.5%. This decrease occurred as follows:

- domestic volumes decreased 3.5%;
- transborder volumes decreased 7.8%; and
- international volumes increased 18.9%.

Decreases in domestic and transborder traffic were consistent with the recessionary economic conditions being reported in Canada and in the U.S. through 2009 and late 2008. As the economy showed signs of improving, so too, passenger volumes improved in the fourth quarter of 2009 as compared to the fourth quarter in 2008.

In spite of the recession, increased international passenger volumes helped reduce the impact of weakened domestic and transborder volumes. With the exception of modest growth in 2005 due to the impact of Hurricanes Katrina and Wilma, annual growth in travel to international (non U.S.) sunshine destinations has continued to be significant since 2001. Robust seasonal charter traffic continued in 2009 with international travel volumes higher than 2008 by 18.9%. International volumes also increased as a result of passenger traffic on Air Canada’s direct non-stop flight to Frankfurt which commenced operations on June 1, 2008. The addition of Ottawa-Frankfurt not only helps attract passengers connecting from other markets in Canada, but also targets passengers on competing airlines using surface transportation between Ottawa and Montreal. It operated on a daily frequency through the third quarters of both 2008 and 2009, but at other times of the year, has operated at a frequency of 3 to 5 flights per week.

Both of Canada’s largest carriers, Air Canada and WestJet, saw Ottawa passenger volumes to domestic destinations decrease in 2009 with WestJet’s volumes decreasing more significantly of the two. Porter’s 2009 domestic volumes for Ottawa increased very strongly, augmenting strong growth in 2008. Porter’s service to Toronto City Centre Airport has proven to have been an exceptionally popular option for accessing Toronto, particularly for business travellers.

By sector, for each quarter of 2009 passenger volumes compared to comparable quarters in 2008 were as follows:

	DOMESTIC	TRANSBORDER	INTERNATIONAL
Q1	Lower by 6.7%	Lower by 5.7%	Higher by 14.9%
Q2	Lower by 6.3%	Lower by 11.6%	Higher by 24.4%
Q3	Lower by 2.7%	Lower by 11.4%	Higher by 4.6%
Q4	Higher by 1.8%	Lower by 2.6%	Higher by 40.4%

By quarter, total passenger volumes were as follows:

	2009	2008	% CHANGE
Q1	1,069,190	1,109,336	(3.6 %)
Q2	1,059,923	1,120,606	(5.4 %)
Q3	1,051,410	1,090,758	(3.6 %)
Q4	1,052,307	1,018,525	3.3%
Total	4,232,830	4,339,225	(2.5 %)

The size (weight) of an aircraft and number of “landed” seats on an aircraft (regardless of whether those seats are occupied by passengers) are the most significant factors in the determination of aeronautical fees charged to airlines. In 2009, the number of landed seats increased only marginally by 1.0% from 2008. In the first nine months of 2009, the number of landed seats decreased by 1.3% from the comparable period in 2008 as Air Canada, WestJet and U.S. scheduled carriers decreased flight frequencies to adjust to economic conditions. In Q4, the number of landed seats increased by 8.4% over the fourth quarter in 2008. Porter, which has operated daily scheduled service between Ottawa and Toronto City Centre Airport since late October 2006, maintained and increased its available seat capacity through the year and in Q4, as conditions improved, further increased flight frequencies to Toronto and Halifax. Other scheduled carriers adjusted flight frequencies modestly in Q4 to accommodate growth.



REVENUES

Total revenues decreased by 3% to \$83.9 million in 2009 compared to \$86.4 million in 2008. All revenue lines except for land and space rentals and other decreased in response to decreased passenger volumes.

Revenues by category

(\$ IN THOUSANDS)	2009	2008	CHANGE	%
Airport improvement fees	\$27,261	\$27,816	\$ (555)	(2%)
Terminal fees and loading bridge charges	19,380	19,707	(327)	(2%)
Landing fees	9,888	10,239	(351)	(3%)
Concessions	9,350	9,857	(507)	(5%)
Car parking	10,592	10,609	(17)	(0%)
Land and space rentals	4,879	4,609	270	6%
Interest	116	1,253	(1,137)	(91%)
Other revenue	2,392	2,340	52	2%
	\$83,858	\$86,430	\$(2,572)	(3%)

Airport improvement fees (AIFs) at \$27.3 million in 2009 decreased from \$27.8 million in 2008 by 2%. However, the 2008 revenues were net of a \$0.5 million adjustment made by Air Canada to correct a series of errors that it had made in prior years' payments. In 2007, Air Canada made a special payment to the Authority to correct errors that it had made in prior years. In 2008, Air Canada reduced its AIF payments to the Authority by \$0.5 million to correct an error that it had made in calculating this special payment. Adjusting 2008 airport improvement fee revenues for this amount, the decrease in revenue from 2008 would be 3.8%. This decrease is commensurate with the decrease in passenger volumes and a small decrease in the percentage of departing passengers originating in Ottawa versus connecting through Ottawa.

An average of approximately 92% of departing passengers originated in Ottawa (versus connecting through Ottawa) in 2009, as compared to 94% in 2008. Under an agreement with the airlines, AIFs are collected by the airlines in the price of a ticket and are paid to airport authorities on an estimated basis on the first of the month following the month of

enplanement. Final settlement based on actual passenger volumes occurs at the end of the month following the month of enplanement.

Aeronautical revenues represent the largest source of revenues for the Authority. At \$29.3 million in 2009, total aeronautical revenues, which include terminal fees, loading bridge charges and landing fees charged to air carriers, were 2.2% lower than revenues of \$29.9 million in 2008. The decrease reflects minor changes in the fleet mix of aircraft sizes serving Ottawa impacting fees. Most significantly, the Authority decreased its rates for general terminal fees by 5% effective July 1, 2008.

As a result of the Government of Canada's decision to discontinue its Airport Policing Contribution Program effective January 1, 2010, the Authority will increase the policing and security fees that it charges to airlines (included in terminal fees) by 27%, effective January 1, 2010. Since September 11, 2001, the significant and increasing costs of airport policing and security had been partially funded by this program at a rate of approximately \$1 million per year. Discontinuing the program has forced airport authorities to fully fund policing costs with increased fees. In addition to this increase in fees, as the growth in airline volumes has not kept pace with inflation over the years, the Authority will increase its other aeronautical fee rates by 2%, effective January 1, 2010. Despite these increases, the Authority's average aeronautical fee rates remain among the lowest in Canada.

Concession revenues decreased to \$9.4 million in 2009 from \$9.9 million in 2008 primarily as a result of lower minimum annual guarantees provided under new concession agreements by car rental concessions. Higher minimum annual guarantees on retail and other concessions have offset the impact of decreased passenger volumes on revenues from food concessions.

Car parking revenues remained relatively constant at \$10.6 million in 2009. The Authority had added lower rate surface parking capacity at the end of 2008 in order to meet demand for that product, and this proved to be a popular parking choice during 2009. Although decreased passenger volumes impacted car parking revenues somewhat, the impact of this decrease was reduced by a 9% increase in the daily maximum rate for parkade parking that was implemented late in the first quarter of 2009. Demand for parking and the availability of convenient parking options continues to impact management's investment decisions.

Revenues from land and space rentals increased primarily as a result of new space leases in the new terminal building extension, but also as a result of a new land lease on excess authority lands in the last half of 2008.

Interest income reflects the result of investing, on a short-term basis, the net cash provided by operations and not yet reinvested in airport development and operations. Interest income has decreased as a result of lower short term interest rates and lower average cash balances as funds have been disbursed on the expansion program.

EXPENSES

Expenses By Category

(\$ IN THOUSANDS)	2009	2008	CHANGE	%
Interest	\$19,967	\$19,694	\$ 273	1%
Ground rent	7,310	10,134	(2,824)	(28%)
Materials, supplies and services	21,708	22,280	(572)	(3%)
Salaries and benefits	15,628	15,733	(105)	(1%)
Payments in lieu of municipal taxes	4,486	4,272	214	5%
	\$69,099	\$72,113	\$(3,014)	(4%)

Expenses before depreciation decreased to \$69.1 million in 2009 from \$72.1 million in 2008. Depreciation increased to \$18.4 million in 2009 from \$17.2 million in 2008. The increase in depreciation reflects depreciation on new investment in property, plant and equipment which came into service in late 2008 and during 2009. On March 13, 2008, a newly constructed addition to the passenger terminal building became operational. Related airside infrastructure to support the expanded terminal complex, including bridges and apron, became operational in late 2008. As these expanded facilities became operational, the Authority commenced depreciating the capital costs for accounting purposes. Accordingly, depreciation reflected in the statement of operations has increased from 2008.

Interest expense reflected in the statement of operations has increased as a result of borrowing to invest in the Authority's Expansion Program. Prior to March 13, 2008, the Authority capitalized interest on new debt directly

attributable to the cost of its Airport Expansion Program before the project became operational, but only to the extent that cash had been invested in the AEP. All interest expense is now reflected in the statement of operations.

Ground rent payable to the Government of Canada decreased by 28% to \$7.3 million in 2009 as a result of changes in the rent formula announced during 2005 by the Government of Canada. The Authority operates the airport under the terms of a ground lease with the Government of Canada (the "Gound Lease") that sets out the calculation of the annual ground rent. The reduced rent under the lease has been phased in gradually over a transition period between 2006 and 2009. Starting in 2010, ground rent will be calculated as a percentage of gross annual revenues, as defined in the lease, with no rent payable on the Authority's first \$5 million in annual revenue and an increasing rent percentage payable as revenue increases, on a cumulative basis. Following the transition period, rent would be levied at a maximum 12% rate on annual revenues in excess of \$250 million as follows:

GROSS REVENUES	RENT PAYABLE	CUMULATIVE MAXIMUM GROUND RENT
On the first \$5 million of revenues	0%	\$0
On the next \$5 million	1%	\$50 thousand
On the next \$15 million	5%	\$800 thousand
On the next \$75 million	8%	\$6,800 thousand
On the next \$150 million	10%	\$21,800 thousand
On revenues over \$250 million	12%	

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

2010	\$ 6.1 million
2011	\$ 6.2 million
2012	\$ 6.4 million
2013	\$ 6.6 million
2014	\$ 6.8 million

The cost of materials, supplies and services decreased from \$22.3 million in 2008 to \$21.7 million in 2009. Approximately \$0.6 million of the 2008 expenses resulted from the increased use of chemicals, fuel, equipment rentals and other supplies that were required to maintain runways and

remove snow from surface parking lots and roadways through the more severe weather conditions and record snow falls during the first four months of 2008. In early 2009, to brace the Authority for weaker economic conditions, and with concerns that Air Canada's financial difficulties and labour issues would impact operations, management implemented cost containment and cost deferral measures by deferring non-critical maintenance costs and delaying filling vacated employee positions. Offsetting this reduced spending, the costs of operating the physical plant, including utilities, cleaning, and security, increased, as expected, with the opening of the new addition to the passenger terminal building on March 13, 2008. In addition, in 2009 there were \$0.9 million in contract increases in the cost of other contracted services, such as contracted policing services and technology maintenance agreements.

In its budget announced on January 27, 2008, the Government of Canada announced a reduction in its policing contribution agreement program to be implemented in the Government's 2009/2010 fiscal year. The Authority received \$1.0 million in connection with this agreement during 2009 and recorded this as a reduction of the related cost of this service. It was subsequently determined that this program will be discontinued effective January 1, 2010.

The cost of salaries and benefits decreased 1% from \$15.7 million in 2008 to \$15.6 million in 2009. As a result of severe weather conditions and record snow falls during the first four months of 2008, costs for seasonal workers and overtime were elevated during 2008. The winter of 2009 was less severe, and as a result, these costs were lower by \$0.3 million. Offsetting these lower costs, the total cost of salaries and other employee benefits increased as a result of estimated contract rate increases for the Authority's collective agreement with its emergency response personnel which expired on June 30, 2007, contracted rate increases for the Authority's collective agreement with its other unionized employees, and a small increase in the number of employees related to the Authority's expanded facilities. Whereas the number of employees was higher in the first quarter of 2009 as compared to the first quarter of 2008, management delayed filling vacated employee positions into 2009 and after the first quarter, the number of employees was slightly less than in 2008.

Payments in lieu of municipal taxes increased by 5% to comply with provincial legislation that prescribes the calculation of this payment. Under this legislation, payments in lieu of municipal taxes are based on a fixed

legislated rate for the Authority, multiplied by the previous year's passenger numbers, but to a maximum increase of 5% over the previous year's payment amount. The \$4.5 million paid for 2009 reflects the 5% limit in the increase over the 2008 payment amount as opposed to the large increases in passenger volumes that occurred in 2007 and 2008. Payments in lieu of taxes will increase again in 2010 by approximately 2% over the 2009 amount based on this legislation reflecting the large increases in passenger volumes that occurred in 2007 and 2008.

SUMMARY OF QUARTERLY RESULTS

Selected unaudited quarterly financial information for the eight most recently completed quarters is set out below:

(\$ IN MILLIONS)	2008				2009			
	QUARTER ENDED	MAR	JUNE	SEPT	DEC	MAR	JUNE	SEPT
Revenue	\$22.5	\$22.0	\$21.2	\$20.7	\$21.5	\$20.9	\$20.5	\$21.0
Expense	18.0	17.7	17.0	19.4	18.0	16.1	16.5	18.5
Earnings before depreciation	4.5	4.3	4.2	1.3	3.5	4.8	4.0	2.5
Depreciation	3.9	4.3	4.4	4.6	4.6	4.4	4.7	4.7
Excess revenue over expense (expense over revenue)	\$ 0.6	\$ 0.0	\$ (0.2)	\$ (3.3)	\$ (1.1)	\$ 0.4	\$ (0.7)	\$ (2.2)

The Authority's quarterly results are influenced by passenger activity, aircraft movements, maintenance project decisions, and other factors such as weather conditions and economic conditions and do not necessarily fluctuate based on the season. Due to these external factors, the historic results on a quarterly basis cannot be relied upon as a predictor of future trends.

CAPITAL EXPENDITURES

In accordance with the Authority's mandate, all earnings are retained and reinvested in airport operations and development, including investment in property, plant, and equipment to meet ongoing operating requirements.

During 2009, the Authority made cash payments of \$4.6 million for major capital expenditures and holdbacks related to AEP II, including \$0.6 million in planning and design costs for a further future expansion of the parkade. Demand for parking and the availability of convenient parking options continues to impact management's investment decisions. Accordingly, the Board of Directors approved expenditures to plan and design the next phase of the parkade expansion in order to be ready to commence construction to respond to this demand.

In addition, during 2009 the Authority made cash payments of \$10.5 million for sustaining capital expenditures and special projects, including renovations to the U.S. pre-clearance area of the terminal building.

CONTRACTUAL OBLIGATIONS

In addition to ground rent payments noted above, the Authority has operating commitments in the ordinary course of business requiring payments which diminish as contracts expire as follows:

Payments for years ending December 31

(\$ IN THOUSANDS)	TOTAL	2010	2011	2012	2013	2014	THEREAFTER
Long-term debt (note 1)	\$349,174	\$ 2,041	\$2,339	\$2,097	\$2,409	\$2,747	\$337,541
Operating commitments	17,857	7,738	3,931	3,080	3,080	28	
Capital commitments	5,602	5,602					
Total contractual obligations	\$372,633	\$15,381	\$6,270	\$5,177	\$5,489	\$2,775	\$337,541

Note 1 – Further information on interest rates and maturity dates on long-term debt are provided in note 7 to the financial statements.

LIQUIDITY AND CAPITAL RESOURCES

As a non-share capital corporation, the Authority funds its operating requirements, including debt service, through operating revenues and AIF revenue. The Authority manages its operations to ensure that AIF revenue is not used to fund regular ongoing expenses of operations or sustaining capital. AIF revenue is used to fund debt service costs and other expenses related to the AEP. The Authority funds major infrastructure expenditures by borrowing in the capital markets and bank credit.

The Authority maintains access to an aggregate of \$118 million in committed 364-day revolving credit facilities with two Canadian banks. The current facilities have been extended for another 364-day term expiring on October 21, 2010. Included in such facilities are a \$20 million operating credit to fund day to day financial requirements and an additional \$98 million in the aggregate to fund general corporate purposes, to provide liquidity support, and to fund major capital expenditures on a short term basis prior to securing longer term financing in the capital markets.

In 2002, during Phase I of the AEP, the Authority established a Capital Markets Platform under a Master Trust Indenture (MTI) setting out the terms of all debt, including bank facilities and revenue bonds. Under the MTI, the Authority is required to maintain with the Trustee, a Debt Service Reserve Fund equal to six months' debt service. At December 31, 2009, the balance in the Debt Service Reserve Fund was just over \$10.4 million, an amount in excess of the amount required under the MTI. The MTI also requires that the Authority maintain an Operating and Maintenance Reserve Fund in an amount equal to 25% of defined operating and maintenance expenses for the previous year. This fund may be maintained in the form of cash and investments held by the Authority, or the undrawn availability of a committed credit facility. As at December 31, 2009, \$9.6 million of the Authority's credit facilities had been allocated exclusively to the Operating and Maintenance Reserve Fund. At December 31, 2009 the Authority was in full compliance with the provisions of its debt facilities, including the MTI's provisions related to reserve funds, the flow of funds and the rate covenant.

The Authority completed 2009 with cash and short-term investments of \$11.7 million, relatively unchanged from December 31, 2008. Cash has been invested in short-term investments permitted by the MTI, while maintaining liquidity for purposes of investing in the Authority's capital programs.

As at December 31, 2009, the Authority's accounts receivable decreased from December 31, 2008 by \$0.4 million to \$5.6 million. The decrease occurred as a result of payments of amounts receivable from Transport Canada related to the police contribution agreement. This program had been transferred from CATSA to the Government of Canada (Transport Canada) effective April 1, 2008. Delays by Transport Canada in rewriting and concluding a new contribution agreement caused delays in processing of claims for these amounts and they remained outstanding at the end of 2008.

As at December 31, 2009, the Authority's accounts payable had decreased by \$1.2 million to \$11.7 million. The decrease is primarily attributable to payments and releases of holdbacks related to the AEP.

During 2009, Moody's Standard & Poors and DBRS reaffirmed the Authority's credit ratings with stable outlooks in respect of the Authority's revenue bonds under the MTI at Aa3, A+ and A(high) respectively.

RISKS AND UNCERTAINTIES

Levels of Aviation Activity

The Authority will continue to face certain risks beyond its control which may or may not have a significant impact on its financial condition. Airport revenue is largely a function of passenger volumes. Passenger volumes are driven by air travel demand. The events of the past several years have emphasized the volatile nature of air travel demand and the impact of external factors such as economic conditions, health epidemics, geopolitical unrest (September 11, 2001), government regulation, the price of fares, additional taxes on airline tickets and the financial uncertainty of the airline industry.

The financial uncertainty of the airline industry, although currently relatively stable in Canada, remains an ongoing risk to the Authority. This is mitigated by the fact that approximately 92% of the passenger activity at the airport originates or terminates at Ottawa International Airport, as opposed to connecting through Ottawa. Connecting passenger volumes are more vulnerable to fluctuation due to routing and scheduling changes by airlines. In addition, a greater percentage of the traffic through the airport is by business travellers, whose travel decisions are less discretionary than those of leisure travellers.

Aviation Liability Insurance

The availability of adequate insurance coverage is subject to the conditions of the overall insurance market and the Authority's claims and performance record. The Authority participates with an insurance buying group that also includes airport authorities from Vancouver, Edmonton, Calgary, Winnipeg, Montreal, and Halifax. This group has been successful in placing all of its insurance needs. In previous years, there have been significant changes in the insurance markets for aviation, largely driven by the events of September 11, 2001. These events limited certain insurance products and resulted in higher pricing. The Government of Canada has extended an indemnification for third-party aviation war risk liability for all essential aviation service operators in Canada. The amount of this indemnification is in excess of U.S. \$50 million, the limit of insurance coverage which is currently available to airport operators on the market. The Government of Canada originally provided this indemnification in response to a decision by international insurers to withdraw third-party aviation war risk liability coverage that was available before September 11, 2001. The Government of Canada has given no indication that it will cease providing excess indemnity coverage.



FINANCIAL STATEMENTS OF OTTAWA MACDONALD-CARTIER INTERNATIONAL AIRPORT AUTHORITY

December 31, 2009

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 below.



Paul Benoit
President and
Chief Executive Officer



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

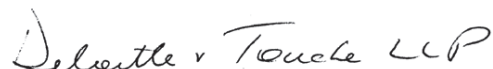
AUDITORS' REPORT

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, 2009 and the statements of operations and retained earnings and of 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 Canadian generally accepted auditing standards. 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. 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.



Chartered Accountants
Licensed Public Accountants

Ottawa Ontario
January 29, 2010

BALANCE SHEET

as at December 31, 2009 (in thousands of dollars)

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,742	\$ 11,593
Accounts receivable	5,553	5,958
Consumable supplies	1,568	1,469
Prepaid expenses and advances	749	708
	19,612	19,728
DEBT SERVICE RESERVE FUND (Note 7(a))	10,444	10,384
PROPERTY, PLANT and EQUIPMENT (Note 3)	389,442	395,806
ACCRUED BENEFIT ASSET (Note 9)	4,128	3,360
OTHER ASSET (Note 4)	2,930	2,930
	\$426,556	\$432,208
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 11,746	\$ 12,850
Current portion of long-term debt (Note 7)	2,041	1,765
	13,787	14,615
ACCRUED BENEFIT LIABILITY (Note 9)	5,010	4,363
LONG-TERM DEBT (Note 7)	343,623	345,456
	362,420	364,434
Commitments and Contingencies (Note 11)		
RETAINED EARNINGS (Note 8)	64,136	67,774
	\$426,556	\$432,208

(See accompanying notes to the financial statements)

ON BEHALF OF THE BOARD



, Director



, Director

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

year ended December 31, 2009 (in thousands of dollars)

	2009	2008
REVENUES		
Airport improvement fees (Note 8)	\$27,261	\$27,816
Terminal fees and loading bridge charges	19,380	19,707
Landing fees	9,888	10,239
Concessions	9,350	9,857
Car parking	10,592	10,609
Land and space rentals	4,879	4,609
Interest	116	1,253
Other revenue	2,392	2,340
	83,858	86,430
EXPENSES		
Interest (Note 7(d))	19,967	19,694
Ground rent (Note 11)	7,310	10,134
Materials, supplies and services (Note 12)	21,708	22,280
Salaries and benefits	15,628	15,733
Payments in lieu of municipal taxes	4,486	4,272
	69,099	72,113
EARNINGS BEFORE DEPRECIATION	14,759	14,317
DEPRECIATION	18,397	17,194
EXCESS OF EXPENSES OVER REVENUES	(3,638)	(2,877)
RETAINED EARNINGS, BEGINNING OF YEAR	67,774	70,651
RETAINED EARNINGS, END OF YEAR	\$64,136	\$67,774

(See accompanying notes to the financial statements)

STATEMENT OF CASH FLOWS

year ended December 31, 2009 (in thousands of dollars)

	2009	2008
Cash provided by (used in)		
Operations:		
Excess of expenses over revenues	\$ (3,638)	\$(2,877)
Add non-cash items:		
Depreciation	18,397	17,194
Amortization of deferred financing costs	208	194
Increase in accrued benefit liability	647	750
Increase in accrued benefit asset	(768)	(522)
Changes in non-cash working capital related to operations:		
Accounts receivable	405	472
Prepays and consumable supplies	(140)	(142)
Accounts payable and accrued liabilities	1,890	101
Other	52	(30)
Total operations	17,053	15,140
Financing activities:		
Decrease (increase) in debt service reserve fund (Note 7(a))	(60)	221
Repayment of long-term debt	(1,765)	(1,510)
Total financing activities	(1,825)	(1,289)
Investing activities:		
Purchase of property, plant and equipment	(12,085)	(31,306)
Change in accounts payable and accrued liabilities related to investing activities	(2,994)	(10,385)
Total investing activities	(15,079)	(41,691)
Increase (decrease) in cash and cash equivalents	149	(27,840)
Cash and cash equivalents, beginning of year	11,593	39,433
Cash and cash equivalents, end of year	\$11,742	\$ 11,593

(See accompanying notes to the financial statements)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2009

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 objects of the Authority are:

- a) to manage, operate and develop the Ottawa International Airport, the premises of which are leased to the Authority by the Government of Canada (Transport Canada - see Note 11), 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 the Government of 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, and Ontario capital tax. The address of the Authority's registered office and its principal place of business is Suite 2500 – 1000 Airport Parkway Private, Ottawa, Ontario, Canada, K1V 9B4.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") applicable to commercial enterprises.

Cash and cash equivalents

Cash and cash equivalents are defined as cash and short-term investments with original terms to maturity of less than 90 days. Such short-term investments are recorded at fair value.

Consumable supplies

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

Property, plant and equipment

Property, plant and equipment are recorded at cost, net of government assistance, if any, and include only the amounts expended by the Authority. Property, plant and equipment do not include the cost of facilities which are leased from the Government of Canada. Incremental interest incurred during the construction of property, plant and equipment is included in the cost. Depreciation is provided on a straight-line basis over the useful lives of individual assets as follows:

Buildings and support facilities	3 – 40 years
Runways, roadways and other paved surfaces	10 – 40 years
Land improvements	5 – 40 years
Furniture and equipment	5 – 20 years
Computer equipment and systems	2 – 10 years
Vehicles	7 – 15 years

Construction in progress is recorded at cost and is transferred to buildings and support facilities and other asset categories as appropriate when the project is complete and the asset is placed in service.

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Deferred financing costs

Transaction costs relating to the issuance of long-term debt, including underwriting fees, professional fees, termination of interest-rate swap agreements, and bond discounts, are deferred and amortized using the effective-interest rate method over the term of the related debt. Under the effective interest rate method, amortization is recognized over the life of the debt at a constant rate applied to the net carrying amount of the debt. Amortization is included in interest expense. Deferred financing costs are reflected as a reduction in the carrying amount of related long-term debt.

Ground Lease

The ground lease with the Government of 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. The Authority has a landing fee rebate incentive program which provides airlines with incentives, such as free landing fees, to operate flights to new destinations for a minimum duration of one year. These rebate obligations are recognized as a reduction of revenues until the expiry of the obligation.

Concession revenues are recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum rent guarantees.

Rental revenues are recognized over the lives of respective leases, licences, and permits.

Airport improvement fees ("AIF"), net of airline administrative fees, are recognized on an estimated basis upon the enplanement of passengers.

Pension plan and post retirement benefits

The Authority accrues its obligations under pension and post retirement benefit plans as employees render the services necessary to earn these benefits. The costs of these plans are actuarially determined using the projected benefit method prorated on services. This determination reflects management's best estimates at the beginning of each fiscal year of the rate of return on plan assets, rate of salary increases, and various other factors including mortality, termination, and retirement rates. For the purpose of calculating expected return on pension plan assets, those assets are valued at fair value. Experience gains and losses will arise because actual experience for each year will differ from the beginning of year assumptions used for purposes of determining the cost and liabilities of these plans. These experience gains and losses are deferred and amortized over future years on the following basis: the excess of these gains or losses over 10% of the greater of the accrued benefit obligation at the beginning of the year, or the fair value of plan assets at the beginning of the year, is amortized on a straight line basis over the average remaining service period of active employees. The average remaining service period of active employees is approximately 7 years.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP 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 property, plant and equipment, valuation adjustments including allowances for uncollectible accounts, the cost of employee future benefits, and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

Financial instruments and hedging

During 2009, the Canadian Institute of Chartered Accountants issued additional accounting recommendations to enhance disclosures of fair value measurements and the liquidity risk of financial instruments. Under these

recommendations, all financial instruments measured at fair value are to be classified according to the following hierarchy:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques with significant observable market parameters; and
- Level 3 – valuation techniques with significant unobservable market parameters.

The Authority's financial assets include cash and cash equivalents, accounts receivable, advances (included with prepaid expenses), and the debt service reserve fund. Cash and cash equivalents, and the debt service reserve fund are classified as held-for-trading and are recorded at fair value with realized and unrealized gains and losses reported in earnings for the period in which they arise. Fair values reflect quoted prices in active markets for identical assets or liabilities (level 1). Accounts receivable and advances are classified as loans and receivables and are accounted for at amortized cost which approximates fair value. The Authority has no held-to-maturity or available-for-sale financial assets.

The Authority's financial liabilities include bank indebtedness, accounts payable and accrued liabilities, and long-term debt. Bank indebtedness is classified as a held-for-trading liability. All remaining financial liabilities are classified as other liabilities and are accounted for at amortized cost with gains and losses reported in earnings for the period in which they arise.

Comprehensive income

Comprehensive income is defined to include net income (in the case of the Authority, excess of expenses over revenues or excess of revenues over expenses) plus or minus other comprehensive income. Other comprehensive income includes changes arising from gains and losses in the fair values of certain financial instruments and hedges, which in the Authority's circumstances, are nil. Other comprehensive income is accumulated in a separate component of Retained Earnings called accumulated other comprehensive income.

The Authority has no other comprehensive income items and no items in accumulated other comprehensive income.

International Financial Reporting Standards

During 2008, the Canadian Accounting Standards Board (AcSB) confirmed that use of International Financial Reporting Standards (IFRS) will be required in 2011 for publicly accountable enterprises in Canada. IFRS will replace Canadian GAAP for those enterprises. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement, and disclosures.

The Authority intends to adopt IFRS when the standards come into effect for its year ending December 31, 2011. The transition will require the restatement, for comparative purposes, of amounts reported by the Authority for its year ending December 31, 2010, and of the opening balance sheet as at January 1, 2010.

The Authority's IFRS conversion project consists of three phases: scope and plan, analysis and design, and implementation and review. The Authority has completed the scope and plan phase. This involved developing a transition plan based on the results of a high-level assessment of the differences between IFRS and the Authority's current accounting policies. This assessment provided insight into the most significant areas of potential impact to the Authority, including property, plant and equipment and employee benefits. The Authority has commenced analysis and design of its IFRS conversion plan for these areas.

The conversion to IFRS is a significant undertaking that may materially affect the Authority's reported financial position and results of operations. As the Authority is still in the analysis and design phase, the Authority is unable to reasonably estimate the impact of conversion on its financial reporting at this time. The areas of significance identified above are based on available information, and thus are subject to change as a result of new facts and circumstances.

3. PROPERTY, PLANT AND EQUIPMENT

(IN THOUSANDS OF DOLLARS)

	2009	2008
Cost:		
Buildings and support facilities		
Buildings and building improvements	\$ 337,422	\$ 331,646
De-icing facility	7,189	7,191
Pedestrian bridges	13,361	13,265
Utilities infrastructure	6,077	5,726
	364,049	357,828
Runways, roadways and other paved surfaces	50,614	49,710
Land improvements	22,176	21,977
Furniture and equipment	22,426	23,286
Computer equipment and systems	18,081	17,950
Vehicles	10,701	10,408
Construction in progress	598	-
	488,645	481,159
Less accumulated depreciation:		
Buildings and support facilities		
Buildings and building improvements	48,141	40,342
De-icing facility	2,358	2,046
Pedestrian bridges	2,599	1,935
Utilities infrastructure	1,563	1,325
	54,661	45,648
Runways, roadways and other paved surfaces	10,624	8,986
Land improvements	5,525	4,806
Furniture and equipment	10,916	10,196
Computer equipment and systems	12,009	10,591
Vehicles	5,468	5,126
	99,203	85,353
	\$ 389,442	\$ 395,806

Interest costs of Nil (2008—\$413 thousand) were capitalized and included in construction in progress in 2009.

4. OTHER ASSET

(IN THOUSANDS OF DOLLARS)

	2009	2008
Interest in future proceeds from 4160 Riverside Drive, at cost	\$ 2,930	\$ 2,930

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. CREDIT FACILITIES

The Authority maintains credit facility agreements with two Canadian banks. Under these credit facilities the Authority is provided with a 364-day revolving operating facility in an amount of up to \$20 million plus 364-day revolving credit facilities up to \$98 million in the aggregate for general corporate purposes and for the financing of capital expenditure requirements associated with the Authority's Airport Expansion Program. These facilities are secured under the Master Trust Indenture (see Note 7) and are due on October 21, 2010. They are available by way of overdraft, Prime Rate Loans, or Banker's Acceptances. As at December 31, 2009, \$9.6 million of these revolving facilities had been designated to the Operating and Maintenance Reserve Fund (see Note 7). In addition, as at December 31, 2009 the Authority has a letter of credit outstanding in the amount of \$2,058,000 in favour of the Authority's pension plan (see Note 9).

6. CAPITAL MANAGEMENT

The Authority is incorporated without share capital under Part II of the *Canada Corporations Act* and, as such, all earnings are retained and reinvested in airport operations and development. Accordingly, the Authority's only sources of capital for investing in airport operations and development are bank debt, long-term debt and accumulated earnings included on the Authority's balance sheet as Retained Earnings.

The Authority incurs debt, including bank debt and long-term debt, to fund development. It does so on the basis of the amount that it considers that it can afford and manage based on revenues from airport improvement fees (AIF) and to maintain a minimum AIF: debt service coverage ratio. This provides for a self-imposed limit on what the Authority can spend on major development of the airport, such as the Airport Expansion Program.

The Authority manages its rates and charges for aeronautical and other fees to safeguard the Authority's ability to continue as a going concern and to maintain a conservative capital structure. It makes adjustments to these rates in light of changes in economic conditions and events, and to maintain sufficient net earnings to meet ongoing debt coverage requirements.

The Authority is not subject to capital requirements imposed by a regulator, but manages its capital to comply with the covenants of its Master Trust Indenture (see Note 7(a)) and to maintain its credit ratings in order to secure access to financing at a reasonable cost.

7. LONG-TERM DEBT

(tabular amounts in thousands of dollars)

	<u>2009</u>	<u>2008</u>
6.973% amortizing Revenue bonds, Series B, due May 25, 2032, interest payable on May 25 and November 25 of each year until maturity commencing November 25, 2002, scheduled accelerating semi-annual instalments of principal payable on each interest payment date commencing November 25, 2004	\$ 146,746	\$ 147,805
4.733% Revenue bonds, Series D, due May 2, 2017, interest payable on May 2 and November 2 of each year until maturity commencing November 2, 2007	200,000	200,000
Non-interest-bearing debt to the Province of Ontario, discounted at a rate of 6.0%, payable in 5 equal annual instalments of \$532 thousand over a 5 year period commencing January 31, 2007	1,034	1,508
Deferred rent repayable to the Government of Canada, without interest in equal monthly instalments of \$19 thousand over a ten year period commencing in 2006	1,394	1,626
	349,174	350,939
Less: deferred financing costs	3,510	3,718
	345,664	347,221
Less: current portion	2,041	1,765
	\$ 343,623	\$ 345,456



(a) Bond Issues

In May 2002, the Authority completed its original \$270 million Revenue bond issue with two series, the \$120 million Revenue bonds, Series A at 5.64% due on May 25, 2007 and the \$150 million Revenue bonds, Series B at 6.973% due on May 25, 2032. In May 2007, the Authority completed a \$200 million Revenue bond issue, in part to refinance the Series A, Revenue bonds payable on May 25, 2007. The \$200 million Revenue bonds, Series D at 4.733% are due on May 2, 2017 and are expected to be refinanced in 2017.

The net proceeds from these offerings were used to finance the Airport Expansion Program (AEP) and for general corporate purposes. These purposes included refinancing existing bank indebtedness incurred by the Authority in connection with the AEP and funding of the Debt Service Reserve Fund.

Under the Master Trust Indenture entered into by the Authority in connection with the original debt offering in May 2002, all of these bond issues are direct obligations of the Authority ranking *pari passu* with all other indebtedness issued. All indebtedness, including indebtedness under bank credit facilities, are secured under the Master Trust Indenture by an assignment of revenues and related book debts, a security interest on money in reserve funds and certain accounts of the Authority, a security interest in leases, concessions and other revenue contracts of the Authority, and an unregistered mortgage of the Authority's leasehold interest in airport lands.

The Authority is unregulated in its ability to raise its rates and charges as required to meet its obligations. Under the Master Trust Indenture, the Authority is required to take action, such as increasing its rates, should its projected debt service coverage ratio fall below 1.0. If this debt service covenant is not met in any year, the Authority is not in default of its obligations under the Master Trust Indenture as long as the test is met in the subsequent year.

Pursuant to the terms of the Master Trust Indenture, the Authority is required to establish and maintain with a trustee a Debt Service Reserve Fund with a balance at least equal to 50% of annual debt service costs. At December 31, 2009, the Debt Service Reserve Fund included \$10.4 million in interest-bearing deposits held in trust. These

trust funds are held for the benefit of the bondholders for use and application in accordance with the terms of the Master Trust Indenture. In addition, the Authority is required to maintain an Operating and Maintenance Reserve Fund equal to 25% of defined operating and maintenance expenses in the previous year (approximately \$9.6 million in 2009 based on 2008 expenses). The Operating and Maintenance Reserve Fund has been satisfied by the undrawn availability under a committed credit facility described above.

(b) 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.

(c) On July 16, 2003, the Minister of Transport announced short-term rent relief for airports. Under this program, the Authority was able to defer approximately 10% of its rent for the 2 year-period that started July 1, 2003 (a total of \$2.3 million). The deferral is to be repaid, interest-free, over a period of 10 years starting on January 1, 2006. Because this is a deferral and not a permanent reduction of rent, the full amounts of rent were recorded as a liability in the accounts.

(d) Interest expense

	2009	2008
Bond interest	\$ 19,697	\$ 19,812
Interest expense - Other	270	295
	19,967	20,107
Less: Capitalized interest	-	(413)
Total Interest Expense	\$ 19,967	\$ 19,694
Interest paid during the year	\$ 19,763	\$ 19,834

(e) The future annual principal payments for all long-term debt are as follows:

2010	\$ 2,041
2011	2,339
2012	2,097
2013	2,409
2014	2,747
Beyond 2014	337,541

(f) Deferred financing costs

	2009	2008
Deferred financing costs	\$ 4,398	\$ 4,398
Less: Accumulated amortization	(888)	(680)
	\$ 3,510	\$ 3,718



8. AIRPORT IMPROVEMENT FEES (AIF)

(tabular amounts 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 under the Authority's Airport Expansion Program. This fee was increased to \$15.00 effective January 1, 2003. These fees are collected by air carriers under an agreement between the Authority, the Air Transport Association of Canada, and the air carriers serving the airport. Under the agreement, AIF revenues may only be used to pay for the capital and related financing costs of major airport infrastructure development. AIF revenues are recorded net of collection fees of 6% withheld by air carriers of \$1,729 thousand (2008 - \$1,786 thousand).

	2009	CUMULATIVE TO DATE
Airport Expansion Program Expenditures:		
Passenger terminal building, parking garage, airside and landside infrastructure and other expenditures	\$ 1,488	\$ 447,046
Interest capitalized	-	16,969
Interest expensed (including internal interest on funds provided by operations)	22,229	135,095
	23,717	599,110
AIF cash receipts:		
AIF revenue – net of collection fees	27,261	223,895
Interest on surplus funds	101	9,755
	27,362	233,650
(Increase) decrease in accounts receivable	325	(1,459)
AIF revenue – net cash received	27,687	232,191
Excess of expenditures over AIF Receipts (AIF receipts over expenditures)	(\$ 3,970)	\$ 366,919

Retained earnings of the Authority as at December 31 are as follows:

	2009	2008
Retained earnings provided by airport improvement fees:		
Accumulated airport improvement fees and interest on surplus funds	\$ 233,650	\$ 206,288
Less: Accumulated depreciation of AEP assets	76,761	62,668
Interest and other expenses	138,919	116,157
	17,970	27,463
Retained earnings provided by other operations	46,166	40,311
Retained earnings, end of year	\$ 64,136	\$ 67,774

9. PENSION PLAN AND POST RETIREMENT BENEFITS

(tabular amounts in thousands of dollars)

The Authority sponsors and funds a pension plan for its employees, which has defined benefit and defined contribution components. The defined benefit component includes 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 benefits payable under the defined benefit component of the plan are based on members' years of service and the average of the best six years' consecutive earnings near retirement. Benefits are indexed annually to reflect the increase in the consumer price index to a maximum of 8% in any one year. Pension plan costs are charged to operations as services are rendered based on an actuarial valuation of the obligation.

In addition to pension plan benefits, the Authority provides other post-employment and retirement benefits to its employees including health care insurance and severance pay upon retirement or termination of employment. The Authority accrues the cost of these future benefits as employees render their services based on an actuarial valuation. This plan is not funded.

At the last actuarial valuation of the pension plan as at December 31, 2008 (completed and filed in June 2009), the plan had a deficit on a funding

(going concern) basis of \$1,431,000. This amount differs from the amount reflected below primarily because the obligation is calculated using the discount rate that represents the expected long-term rate of return of assets. For accounting purposes, it is calculated using an interest rate determined with reference to market rates on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

The *Pension Benefits Standards Act, 1985* requires that a solvency analysis of the plan be performed to determine the financial position (on a solvency basis) of the plan as if it were fully terminated on the valuation date due to insolvency of the sponsor or a decision to terminate. At the last actuarial valuation as at December 31, 2008, the plan had a deficit on a solvency basis of \$4,009,000 (\$4,727,000 as at December 31, 2007) before considering the present value of additional solvency payments required under the Act. The Authority made additional solvency payments of \$789,200 in 2009 (\$761,700 in 2008) to amortize this deficiency. To allow for funding of the 2006 deficiency over a 10-year period, in accordance with Part 3 of the *Solvency Funding Relief Regulations of the Pension Benefits Standards Act, 1985*, in 2007 the Authority provided a standby letter of credit in favour of the plan which was subsequently increased in amount in accordance with the regulations. The amount of the letter of credit was increased to \$2,058,000 as at December 1, 2009.

The next required actuarial valuation of the pension plan as at December 31, 2009 is scheduled to be completed and filed by its June 2010 due date. Based on the most recent actuarial determination of pension plan benefits completed as at December 31, 2008 and extrapolated to December 31, 2009, the status of the pension plan is as follows:

	2009	2008
Fair value of pension plan assets		
– defined benefit component	\$ 27,933	\$ 24,262
– defined contribution component	4,875	3,512
	32,808	27,774
Accrued pension benefit obligation	35,904	28,079
Funded Status – plan deficit	(3,096)	(305)
Balance of unamortized amounts	7,224	3,665
Accrued benefit asset	\$ 4,128	\$ 3,360

The accrued benefit asset is included in the balance sheet with other assets.

In addition to pension benefits, the Authority provides other post-employment and retirement benefits to its employees. The status of post employment and retirement benefit plans as at December 31 is as follows:

	<u>2009</u>	2008
Accrued benefit obligation, other post-employment and retirement benefits	\$ 6,423	\$ 4,952
Balance of unamortized amounts	1,413	589
Accrued benefit liability	\$ 5,010	\$ 4,363

The accrued benefit liability is included in the balance sheet as a long-term liability.

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 as at December 31 are as follows:

	<u>2009</u>	2008
Discount rate to determine expense	7.50%	5.50%
Discount rate to determine year end obligations	6.25%	7.50%
Expected long-term rate of return on plan assets	7.0%	7.0%
Rate of average compensation increases	3.75%	3.75%
Rate of increases in health care costs	9.0%	9.0%
The trend rate for increases in health care costs decreases gradually to ultimately increase after 8 years by	5.0%	5.0%

In accordance with the investment policy for the pension plan's funds, the plan's non-current, non-cash assets are invested as at December 31 as follows:

	<u>2009</u>	2008
Fixed income funds	38%	43%
Equity funds – Canadian funds	17%	15%
Equity funds – U.S. funds	20%	18%
Equity funds – International funds	12%	11%
Emerging market funds	3%	3%
Real estate funds	10%	10%

Total cash payments for employee future benefit plans were as follows:

	<u>2009</u>	2008
Employer contributions, defined benefit pension plan	\$ 625	\$ 635
Employer contributions, special solvency payments	\$ 789	\$ 762
Employees' contributions, defined benefit pension plan	\$ 213	\$ 224
Benefits paid, defined benefit pension plan	\$ 797	\$ 611
Employer contributions, defined contribution plan	\$ 354	\$ 278
Employees' contributions, defined contribution plan	\$ 466	\$ 379

The net costs for the Authority's pension benefit plans included in salaries and benefits in the Authority's statement of operations are as follows:

	<u>2009</u>	2008
Defined benefit pension plan component	\$ 685	\$ 930
Defined contribution pension plan component	354	278
Other post retirement and employment benefits	747	922
Total	\$ 1,786	\$ 2,130

10. FINANCIAL INSTRUMENTS

(tabular amounts in thousands of dollars)

Fair values

The Authority's cash and cash equivalents and its debt service reserve fund are reflected in the financial statements at fair values. Fair values reflect quoted prices in active markets for identical assets or liabilities (level 1). As at December 31, 2009, based on year-end benchmark interest rates and credit spreads for similar instruments, the estimated fair value of the long-term Series B and Series D Revenue bonds was \$159.7 million and \$203.6 million respectively (2008 - \$141.6 million and \$183.4 million respectively). Fair values of other long-term debt are similar to their carrying values taking into account their maturity dates and current market rates for the same or similar instruments.

Risk Management

The Authority is exposed to a number of risks as a result of the financial instruments on its balance sheet that can affect its operating performance. These risks include interest rate risk, liquidity risk, credit risk, and concentration risk. The Authority's financial instruments are not subject to foreign exchange risk or other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following financial instruments are subject to interest rate risk as at December 31:

	2009		2008	
	CARRYING VALUE	EFFECTIVE YEAR-END INTEREST RATE	CARRYING VALUE	EFFECTIVE YEAR-END INTEREST RATE
Cash and cash equivalents (at floating rates)	\$ 11,742	0.22%	\$ 11,593	1.57%
Debt service reserve fund (at floating rates)	\$ 10,444	0.28%	\$ 10,384	3.10%
Long-term debt (at fixed rates)	\$ 345,664	See Note 7	\$ 347,221	See Note 7

The Authority has entered into fixed rate long-term debt, and accordingly, the impact of interest rate fluctuations has no effect on interest payments until such time as this debt is to be refinanced. However, changes in prevailing benchmark interest rates and credit spreads may impact the fair value of this debt. The Authority's most significant exposure to interest rate risk relates to its future anticipated borrowings and refinancing, which are not expected to occur in the near-term.

In addition, the Authority's cash and cash equivalents, and its debt service reserve fund are subject to floating interest rates. Management has oversight over interest rates that apply to its cash and cash equivalents, and its debt service reserve fund. These funds are invested from time to time in short term bankers' acceptances permitted by the Master Trust Indenture, while maintaining liquidity for purposes of investing in the Authority's capital programs.

If interest rates had been 50 basis points (0.50%) higher/lower and all other variables were held constant, including timing of expenditures related to the Authority's capital expenditure programs, the Authority's earnings for the year would have increased/decreased by \$120 thousand as a result of the Authority's exposure to interest rates on its floating rate assets. However, management believes that this exposure is not representative of the exposure during the year and that interest income is not essential to the Authority's operations as these assets are intended for reinvestment in airport operations and development, and not for purposes of generating interest income.

Liquidity risk

The Authority manages its liquidity risks by maintaining adequate cash and credit facilities, by updating and reviewing multi-year cash flow projections on a regular and as-needed basis, and by matching its long-term financing arrangements with its cash flow needs. In view of its excellent credit ratings, the Authority has ready access to sufficient long-term funds as well as committed lines of credit through credit facilities with two Canadian banks. The Authority's obligation under a \$2,058,000 letter of credit in favour of its pension plan is covered by these committed credit facilities (see Note 5).

The Authority is unregulated in its ability to raise its rates and charges as required to meet its obligations. Under the Master Trust Indenture entered into by the Authority in connection with its debt offerings, (see Note 7), the Authority is required to take action, such as increasing its rates, should

its projected debt service coverage ratio fall below 1.0. If this debt service covenant is not met in any year, the Authority is not in default of its obligations under the Master Trust Indenture as long as the test is met in the subsequent year. Because of the Authority's unfettered ability to increase rates and charges it expects to continue to have sufficient liquidity to cover all of its obligations as they come due, including interest payments of approximately \$20 million per year. The future annual principal payment requirements of the Authority's obligations under its long-term debt are described in Note 7(e).

Credit and concentration risks

The Authority is subject to credit risk through its accounts receivable, which consist primarily of current aeronautical fees and airport improvement fees owing from air carriers. The majority of the Authority's accounts receivable are paid within 35 days of the date that they are due. A significant portion of the Authority's revenues, and resulting receivable balances, are derived from air carriers. The Authority performs ongoing credit valuations of receivable balances and maintains an allowance for potential credit losses. The Authority's right under the *Airport Transfer (Miscellaneous Matters) Act* to seize and detain aircraft until outstanding aeronautical fees are paid mitigates the risk of credit losses.

The Authority derives approximately 53% (55% in 2008) of its landing fee and terminal fee revenue from Air Canada and its affiliates. Management believes, however, that the Authority's long-term exposure to any single airline is mitigated by the fact that approximately 92% of the passenger traffic through the airport is origin and destination traffic, and therefore other carriers are likely to absorb the traffic of any carrier that ceases operations. In addition, the Authority's unfettered ability to increase its rates and charges mitigates the impact of these risks.

11. COMMITMENTS AND CONTINGENCIES

Commitments

On January 31, 1997, the Authority signed a 60-year ground lease with the Government of Canada (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 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.

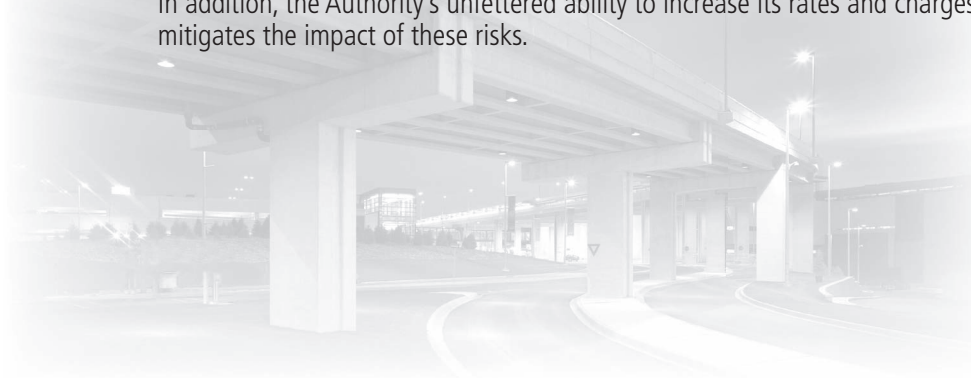
In 2005, the Government of Canada announced the adoption of a new rent policy that has resulted in reduced rent for Canadian airport authorities, including Ottawa International Airport Authority. This reduced rent has been phased in over four years which began in 2006. Under the new formula, commencing in 2010, rent will be calculated as a royalty based on a percentage of gross annual revenues on a progressive scale.

Estimated ground rent payments under this arrangement for the next five years are as follows:

2010	\$ 6.1 million
2011	\$ 6.2 million
2012	\$ 6.4 million
2013	\$ 6.6 million
2014	\$ 6.8 million

A letter of credit for \$2,058,000 was outstanding as at December 31, 2009 in connection with the Authority's pension plan (see Note 8). The letter of credit expires on December 31, 2010.

In addition to the above, the Authority has operating commitments in the ordinary course of business requiring payments of \$7.7 million in 2010 and diminishing in each year over the next 5 years as contracts expire. At



December 31, 2009, the total of these operating commitments amounted to \$17.9 million. These commitments are in addition to contracts for the purchase of property, plant, and equipment of approximately \$5.6 million.

Contingencies

The Authority is party to legal proceedings in the ordinary course of its business. Management does not expect the outcome of any of these proceedings to have a material adverse effect on the financial position or results of operations of the Authority.

12. CONTRIBUTION AGREEMENTS

In 2002, the Authority entered into a policing contribution agreement with the Canadian Air Transport Security Authority ("CATSA"), an agent of the Government of Canada, for the purposes of CATSA contributing to the costs of policing incurred by the Authority in carrying out its responsibilities. This program was transferred from CATSA to the Government of Canada (Transport Canada) during 2008 and will be discontinued effective January 1, 2010. Contributions are determined annually by Transport Canada up to a maximum amount not to exceed the actual allowable costs incurred by the Authority in providing these services. In connection with this agreement, the Authority has recorded contributions of \$999,000 (2008 - \$999,000) as a reduction of related operating costs included in the statement of operations.

13. COMPARATIVE FIGURES

Certain of the 2008 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2009.



