CONNECTING WITH THE CITY AND THE WORLD

Annual Report 2010

International Airport Authority
Administration de l'aéroport international
Ottawa

Mission

Working with its partners, the Authority will be a leader in providing quality safe, secure, sustainable and affordable transportation facilities and services to the airport's customers and communities within the National Capital Region.

Vision

To be the Transportation Hub for the National Capital Region.

Strategic Directions

- To be an industry leader in the planning, development and operation of world-class airport facilities.
- To manage securely those elements of the airport operation for which the Authority is responsible, and to proactively influence our partners to meet their responsibilities to ensure security across the entire airport campus.
- To operate the airport facilities in a safe manner and in compliance with all applicable federal regulations.
- To continue to work proactively with all levels of government, the cities of Ottawa and Gatineau, local communities and major stakeholders to better serve the region.
- To foster partnerships that contribute to the viability of the airport and the socio-economic growth of the community.
- 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 provide the diverse and dynamic customer base with industry leading customer service.
- To further develop the commercial focus of the Authority.
- To manage the business in a financially, environmentally and socially responsible manner.
- To foster sustainability in all facets of its business and throughout the campus.

Organizational Values

The Authority conducts its business with:

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

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Message from the Chairman and President and CEO

Paul Benoit, President and CEO,
Raymond Brunet, Chairman of the Board

When the Authority's founding management team established the first vision statement for the organization back in 1997, they chose "Building connections to the world". These words would guide decisions and actions for more than a decade, and they served us well. You might have noticed our new vision on the inside cover of this report. The words have changed, and are more reflective of the new possibilities for the airport and the city. The word "connect", while no longer stated, will always be woven through the fabric of the Authority and its actions and it may never be as meaningful as it was in 2010.

Setting the stage in 2010 were passenger volumes that grew by 5.7%, revenues that grew by 7%, and earnings that were 16% higher than the previous year. You'll read about the factors that contributed to the great results across the board, but in the meantime, a few acknowledgements are necessary. First, the efforts that go into our air service development are constant and of the highest caliber and they reaped rewards in the form of new flights and increased capacity during the year. In terms of the financial results, our employees must be commended for their continued fiscal responsibility and regard for our bottom line.

The Authority is required to invest excess earnings back into our operations. We may be required to do so under the terms of our ground lease with Transport Canada, but we also feel that it is our duty as the custodian of a precious public trust. In keeping with this philosophy, the Authority invested in a significant way in 2010, in the form of increased safety and efficiency on the airfield. New state of the art snow removal systems and fire trucks were purchased, at a cost of $11 million. After much training and practice, the new equipment was put into action in late October, just in time for the winter travel season.

More passengers translated into increased demands on our facilities and services. This was perhaps most evident in the need for more parking; the Parkade was consistently at more than 85% capacity during peak periods, which is considered full. To address the capacity issues, in May the Authority launched a $35 million project to expand and enhance the Parkade facility. We are pleased to say that the project is progressing on schedule and on budget and will be completed in the fall of 2011.

It was not all work for the Authority team. We also had some fun – fun which had a positive and meaningful impact on our communities. From supporting the efforts of our partners such as Air Canada and Air Transat who both operated relief flights to get supplies and resources to devastated Haiti, to organizing a tremendously successful, campus-wide fundraiser to purchase shelters, to staging a very successful Plane Pull Challenge, our employees connected with those in need in a meaningful way.

For these and many other reasons, 2010 was an exceptional year. The Authority and the airport itself were widely recognized during the year in a variety of areas including concessions, tourism, business and customer service. You will learn about the prestigious awards we won further in this report, but suffice it to say that we are extremely proud of these achievements. We are particularly thrilled with being ranked 1st in the world for Customer Satisfaction in the category of airports that serve between two and five million passengers per year, according to the Airport Service Quality (ASQ) benchmarking program administered by Airports Council International. To reach the pinnacle is so gratifying, and it validates the hard work that everyone put into addressing the areas where attention was needed.

The awards speak to the many contributions of our partners on the airport campus. Airlines, retailers, concessionaires, cleaning staff, government agencies, police and security, volunteers, parking control and construction partners all had a hand in making this airport a leader both locally and on the world stage. For this and so much more, we are grateful.

When we consider the ASQ awards specifically, we owe a debt of gratitude to the customers who completed the quarterly surveys, but also to those who have provided us with feedback over the years – feedback that has made us listen, act and improve. We say time and again that we want to hear what our passengers and visitors think about the airport and how we are serving their needs. We have, we do, and we will continue to look forward to hearing what you have to say. It's all about connecting.

This year would not have been exceptional without the dedication and professionalism of what we consider to be the best Airport Authority team in the world. Once again, they rose to the occasion and made the impossible possible. We say thank you to each and every one of them, not only for the work they do during the course of a business day, but also for being ambassadors of our airport in their respective communities and strengthening connections on our behalf.

The Authority has the good fortune to be governed by a Board of Directors that truly cares about the role our airport plays in the community. Like all boards, members complete terms and as such, 2010 brought several changes. Early in the year, we were saddened by the death of member Patrick Murray who was nominated by the Ontario Government and served since 2006. We also said goodbye to Pamela Sweet who was nominated by the City of Ottawa and served since 2001. Pam's commitment to the environment and her urban planning insights will be missed. We had the good fortune to welcome Dr. Chris Carruthers and Mr. John Boyd who were nominated at large and by the Province of Ontario respectively. As always, the time and attention and talent that each member offers the Authority are very much appreciated.

While it's difficult to duplicate a year like 2010, rest assured that we will continue to focus on customer service, on safe and efficient travel and we will ensure that the Ottawa International Airport continues to be a source of pride for Canada's Capital Region.

Raymond Brunet
Chairman of the Board

Paul Benoit
President and CEO

Airports are all about making connections – in every sense of the word. Not only do we connect one city to another, and one nation to another, we also connect people to one another. We see people making connections in the Ottawa airport every day, such as the soldier who returns to his fiancée after serving six months in Afghanistan, and the grandparents who travel to Ottawa to see their new grandchild for the first time. There's the excited student who arrives in time for his first year of university, and the recent graduate who flies in for her first business meeting. These are but a few examples – we are witness to these connections every day.

We're proud of the role we play, but they are only one of the many links that define who the Airport Authority is and what is important to us. We're also focused on being well connected to safety and security regulations, providing the general public with many means of connecting with us, and ensuring a solid connection between our financial strength and our spending decisions. This report is about these, and all of our connections.

con·nect

verb \kə-ˈnekt\

intransitive verb

1: to become joined <the two rooms *connect* by a hallway> <ideas that connect easily to form a theory>

2*a*: to meet for the transference of passengers <*connecting* flights>

b: to transfer (as from one airplane to another) as a step in traveling to a final destination <passengers *connecting* with international flights>

3: to make a successful hit, shot, or throw <*connected* for a home run>

4: to have or establish a rapport <tried to *connect* with the younger generation>

5: to establish a communications connection <*connect* to the Internet>

transitive verb

1: to join or fasten together usually by something intervening

2: to place or establish in relationship

— **con·nect·able** also con·nect·ible \-ˈnek-tə-bəl\ adjective

— **con·nec·tor** also con·nect·er \-ˈnek-tər\ noun

— **connect the dots**

3: to link together logically related elements in order to draw a conclusion <trying to *connect* the dots in the investigation>

*Merriam Webster

2010 In Review

Healthy Traffic Connected to the Health of the Local Economy

Canada's economy returned to a healthier condition in 2010. For the most part, 2009 was characterized by weak economic conditions and concerns that Air Canada's financial and labour issues could have a negative impact on the Authority. Once the issues were positively resolved, the Authority was able to return to a more regular operation, spending on projects that had been temporarily set aside, and filling vacant positions that had been put on hold.

Passenger volumes also returned to good health in 2010. In fact, the Authority celebrated record breaking traffic to the tune of nearly 4.5 million passengers across the domestic, international and transborder sectors. The increase of 5.7% more than made up for the small shortfall in 2009, and beat the previous record that was set in 2008.

Revenues in 2010 were 7% higher at \$89.7 million compared to \$83.8 million in 2009, reflecting both improved economic conditions and higher passenger volumes. As a result, the Authority finished 2010 with earnings before depreciation of $17.1 million compared to $14.8 million for the year ended December 31, 2009. As always, these earnings will be reinvested in airport operations and development.

We consider our results to be a barometer on the health of the region. Ottawa-Gatineau, for many reasons, was somewhat protected from the worst of the recession, and while some organizations and families scaled back their business and leisure travel budgets, the Ottawa Airport was not nearly as impacted as some of our friends throughout North America.

Airlines

Our airline partners continue to appreciate the strength of the local economy, adding new routes and additional capacity in 2010. Two notable additions included US Airways service to Charlotte, NC and WestJet's seasonal service to Las Vegas, NV. In the case of Charlotte, which is one of three US Airways hubs, the flight opens the door to connections across the airline's vast network. As for Las Vegas, the city was among the most requested destinations from Ottawa, and the Thursday-Sunday routing offers the perfect getaway. Air Canada also started serving the north with flights to Iqaluit, and added seasonal service to Regina.

With aircraft adjustments and additional frequencies by several airlines, came more available seats. Thank you to our airline partners who contributed to outstanding passenger volumes in 2010, including Porter whose volumes grew substantially, along with WestJet, Delta, US Airways and Bearskin.

More Efficiency Means Better Customer Service

The return to better economic health and more optimistic passenger forecasts allowed us the opportunity to get back to projects that had been put on hold during the recession. Here are a few of the projects we have undertaken:

Canada Border Services Agency (CBSA) Area Upgrade

As transborder and international passenger volumes continue to grow, so does the need for more efficient CBSA processing. To ease congestion, the Authority worked with CBSA on a project to improve processing time and decrease congestion in Canada Customs. Early work was completed in 2010, just prior

Summary of Amounts Spent in the Ottawa Region

	2006	2007	2008	2009	**2010**	TOTAL
Wage bill	$13,367	$14,191	$15,733	$15,628	**$17,294**	$76,213
Payments in lieu of municipal taxes	3,875	4,069	4,272	4,486	**4,560**	21,262
Operations costs	16,500	17,000	22,000	21,000	**25,000**	101,500
Capital costs	23,000	57,000	31,000	12,000	**21,000**	144,000
	$56,742	$92,260	$73,005	$53,114	**$67,854**	$342,975

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.

to the seasonal rush, including the addition of two booths to the primary inspection line area which increases the number from 8 to 10, improved queuing, revised access to Citizenship and Immigration Canada (CIC) through the existing secondary inspection area and improved circulation for connecting passengers.

Additional work planned for 2011 will increase the area used for CBSA's secondary customs inspections and will reconfigure the CIC area to further improve passenger flow while reducing processing time.

More Spaces, Happy Faces

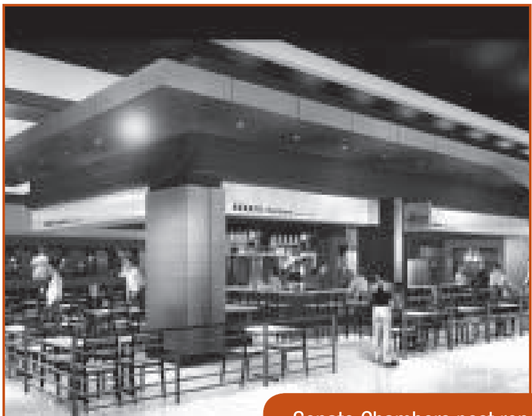
To respond to the need for more parking spaces in a facility that has been running at capacity levels during peak periods for several years, a $35 million dollar Parkade Expansion Project was launched in May. The expansion consists of a post-tensioned concrete structure added to the north side of the existing parking garage. Approximately 850 new parking spaces will be created with this extension. In addition, a new roof will be constructed over the entire structure, new wayfinding signage will be added throughout the garage and the facilities will be upgraded to meet the latest standards for life safety. The project team, working under the direction of Authority staff, includes ZW Group acting as overall project manager; Norr Ltd, including Ainley Group, Walker Parking Consultants, Envision and Corush Sunderland Wright, providing architectural and engineering services; Morrison Hershfield Ltd conducting all code reviews; and PCL Constructors Inc. as the Construction Manager.

Construction has progressed well ahead of schedule, and by year end, we were in a position to open 300 new spaces to the public to address anticipated capacity issues during the busy charter season. Construction will continue through to the fall of 2011 and is expected to be completed within the established budget, in keeping with all major capital projects that the Authority has tackled since 1997.

Our tenants were also busy with construction projects, both inside the terminal and on airport lands.

Senate Chambers

HMS Host undertook a major renovation in the fall to upgrade and expand the Senate Chambers Bar and Restaurant in the transborder holdroom. The project was a success, and the result is a sleek and contemporary space that now offers a bigger and more diverse menu, thanks to an expanded kitchen and new ventilation system. Both the new menu and the friendly staff have received great customer reviews.



Senate Chambers post renovation

Five-year Review

($ in thousands)	2006	2007	2008	2009	2010
Revenue	$75,820	$84,713	$86,430	$83,798	**$89,723**
Expenses before depreciation	64,943	66,491	72,113	69,039	**72,635**
Earnings before depreciation	10,877	18,222	14,317	14,759	**17,088**
Capital expenditures	23,445	57,058	31,306	12,085	**31,816**
AIF revenues	24,926	28,283	27,816	27,261	**28,254**

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%	$ 7,300,000	-28.0%
2010	**4,473,894**	**5.7%**	**86,009**	**6.0%**	**$ 6,100,000**	**-16.4%**
2011	4,621,500	3.3%	88,200	2.5%	$ 7,000,000	14.8%
2012	4,783,000	3.5%	90,000	2.0%	$ 7,300,000	4.3%
2013	4,945,000	3.4%	91,800	2.0%	$ 7,500,000	2.7%
2014	5,113,000	3.4%	93,600	2.0%	$ 8,000,000	6.7%
2015	5,281,000	3.3%	95,500	2.0%	$ 8,300,000	3.8%

Notes:
Federal Government Net Book Value at time of transfer: $75M
Total rent projected 1997-2015: $163M
Forecast passenger volumes are as provided by outside consultants.
For financial planning purposes, the Authority forecasts on a more conservative basis.

Hunt Club Place

Those who commute past the corner of Hunt Club and Riverside have witnessed a transformation over the last several years. First T&T Supermarket was constructed and opened, followed by other businesses in the attached strip mall. In 2010, a drive-through Second Cup and Harvey's opened, along with two dining establishments: Bambú and Moxie's Classic Grill. Development on the land continues with more establishments set to open in 2011. If the number of vehicles in the parking lot on any given day is an indication, business seems to be going very well for the tenants at Hunt Club Place.

Capital Exhibition Centre

Airport land will feature prominently in the future of trade shows and exhibitions in the region after the Authority negotiated with Shenkman Group to enter into a lease for a parcel of land at the corner of Uplands Drive and the Airport Parkway for construction of a 21,000 m^2 (225,000 ft^2) trade show and exhibition centre. Work commenced on the land in November after the lessor received the necessary approvals from the required levels of government. It should be noted that the Authority commissioned its own environmental assessment to ensure that the project would not cause any adverse environmental impacts.

Investing In Safety

On October 27th, the Authority introduced the newest members of its team, including four additions to the airport's Emergency Response Service fleet and seven new multi-function Snow Removal Systems. The new vehicles represent an investment of $11 million in airport safety and efficiency.

Renewal of the emergency response fleet began in 2009 with the purchase of a new Command Vehicle, and was completed in the fall with the arrival of three new Rosenbauer Panther 6 x 6 vehicles. Each features greater water and foam capacity, representing an increase in firefighting capacity of more than 30%. One truck is equipped with a High Reach Extendable Turret and "stinger" that will allow an aircraft fuselage to be pierced for internal firefighting.

The multi-function snow removal systems include a snow tractor, sweeper and cradling broom head. Each four-wheel drive unit includes a 24 foot plow and 22 foot sweeper that together can clean 120 to 140 foot widths in one pass, reducing the total runway cleaning time from more than 40 minutes to approximately 15 minutes. The increased efficiency will help our airline partners and our passengers maintain their schedules in inclement weather.

Both fleets have the advantage of advanced technology; they are equipped with night scan lighting, Forward Looking Infra Red camera technology and Driver Enhanced Vision systems that incorporate GPS tracking. These features will mean greater safety for our employees who operate the equipment.

Strengthening Security

World events dictate that we constantly evaluate and revaluate our security programs, and we implement any changes that are mandated by our regulator, Transport Canada, when events happen. That said, our ongoing security programs are developed with a holistic approach using valid intelligence, proven technology and specialized resources with a view to "hardening" the airport where possible. It is our responsibility to ensure that we are always compliant with civil aviation security standards and regulations and we work with our partners to ensure that this is the case. Federal government security funding

2010 was a banner year for the Ottawa International Airport with prestigious awards in customer satisfaction, concessions, tourism, marketing and overall business achievement.

cuts mean that we have to find creative ways to implement changes, but make no mistake – we do what is required to keep our passengers and employees safe and secure.

ICAO Universal Security Audit Program

The International Civil Aviation Organization (ICAO) Universal Security Audit Program is an initiative designed to ascertain the level of implementation of the ICAO security standards in contracting states at both the national and airport levels. ICAO conducted an initial audit of Canada under the Universal Security Audit Program in 2005; a follow-up visit was conducted in 2007. The results of the initial audit and follow-up visit demonstrated that Canada has the requisite national infrastructure necessary to oversee security activities at its airports. ICAO conducted a second cycle audit of Canada in October this year which focused on a review of Canada's aviation security oversight system, including regulatory provisions, policies and programs, as well as an on-site verification of Canada's aviation security program by observing operations at the Ottawa International Airport. The results of the audit were positive and confirmed that we are indeed in full compliance with all security requirements.

Airport Watch

The Airport Watch membership has been adding another layer to the safety and security at the airport since 1997. Their collective interest in plane spotting and aviation photography brings them to the airport on a regular basis. Airport Watch combines a love of airports and keen observation skills to monitor the perimeter, the condition of fencing, wildlife activity, foreign object debris (FOD) and suspicious activity. Their task is to "observe, record and report", which their 41 members did for more than 3,700 hours in 2010. More information about the program can be found at *www.ottawaairportwatch.ca.*

The Environment is Our Responsibility… and Yours

Our focus has been, and will continue to be, on reducing the footprint left by any and all of our operations. Whether it is ensuring that de-icing activities are managed according to our environmental policies, ensuring that the products and services that we use in the terminal are environmentally friendly or ensuring that all employees are equipped with the information and tools needed to properly divert waste, we are committed to ensuring that every hour is Earth Hour at the Ottawa International Airport.

Shades of Green

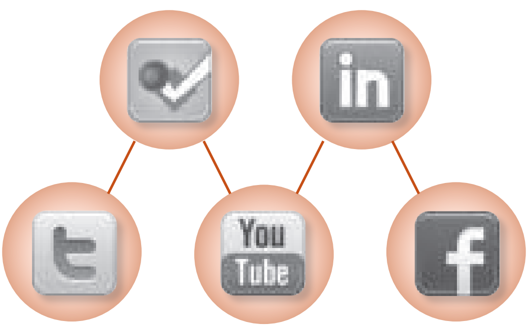
The airport's waste diversion rate was a mere 18% when we started collecting data several years ago. The rate has been gradually climbing and reached 27% in 2010. This percentage excludes the diversion of tires and other hazardous waste. Considering the mix of activities at the airport, including restaurants, retail, off-aircraft waste, and facility maintenance, the increase in diversion rate is a great achievement. The airport is, in essence, a people mover so there is a high dependence on the activities of others to achieve our diversion goals. We have therefore made it easier for the public to participate by providing waste diversion receptacles wherever possible. As a corporation, we purchase environmentally friendly products where possible and we encourage all employees to practice proper waste separation and overall reduction.

Our environmental commitment extends to the less visible aspects of the operation as well. Last year we told you about our plans to virtualize the airport's information technology infrastructure, which allows us to run multiple virtual computers on a single physical piece of hardware, while sharing resources of the single machine across multiple environments.

The primary project is complete, and aside from the physical cost savings that have been experienced, the environmental impact is significant. Our research indicates that in 2010 alone, the annual savings was 397,139 kWh of energy and more than 241,000 kg in CO_2 emissions. In more simplistic terms, it is the equivalent of planting 1,200 trees or taking 43 cars off the road.

Connecting With Passengers in Real Time

The Authority communicates with its various communities in many ways, including traditional mail and e-mail, however these methods have limitations in that they answer a question or concern, usually well after the fact. We have long sought a way to engage people in a more timely manner so that our communications with them can be a more meaningful conversation. The answer is social media.



The Authority took its first steps into the social media world in 2009, mostly watching what others were doing and saying via mediums such as Twitter. We responded when needed, but used the time to learn how to make effective use of instant communications in 140-character chunks. In 2010, we ventured into the fray a little further, using tools such as Facebook and YouTube; we declared ownership on FourSquare and LinkedIn and strengthened our presence and voice on Twitter. We also established a Social Media Policy to guide on-line activities for the Authority, and for our employees who also use the various tools on a personal basis.

After a full year, we have learned much. We have many partners whose information is important to our communities, so we share it. In turn, our followers share our messages, thereby getting relevant information into the hands of customers and others who are interested in it and who need it. The media is communicating more and more via Twitter and other tools as well, so social media is changing the way we engage with them. And, most importantly, people want to connect, and they want to do it in real time. They want to tell everyone when they have had a good experience or a bad one. And, if they have had a bad experience, they want it acknowledged and where possible, fixed. They not only appreciate a response – they expect it. Can we respond every time? Not realistically. But, when we do, people are grateful. In some instances, Twitter has become the go-to vehicle for those who are looking for airport information and through responding we have built and improved relationships – in 140-character chunks.

It's the Little Things

If you listen to what annoys people about airports, one thing in particular stands out: the lack of power outlets. More and more, people are connected via electronic devices – from cell phones, to computers, to e-readers – and these devices help passengers pass the time while waiting at the airport. If waits are extended or unexpected, batteries run out. We have equipped the terminal with many outlets and powered work surfaces so that our passengers don't have to worry about drained batteries. Based on feedback received, we know that the little things make a difference.

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

Passenger Growth By Sector

		Domestic	%	Transborder	%	International	%	Total	%
Actual	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	**3,303,170**	**5.14%**	**725,781**	**6.29%**	**444,943**	**9.00%**	**4,473,894**	**5.70%**
Forecast	2015	3,859,500	3.37%	885,400	4.40%	536,100	4.10%	5,281,000	3.40%
	2020	4,406,400	2.83%	1,044,900	3.60%	640,700	3.90%	6,092,000	3.07%
	2025	4,900,200	2.24%	1,207,000	3.10%	752,800	3.50%	6,860,000	2.52%

An award-winning year

2010 was an exceptional year for the airport and the Authority in terms of recognition and awards. There was much to celebrate:

Airport Revenue News

The airport's concession program was lauded by the publishing group Airport Revenue News at their annual conference and exhibition. Ottawa was named as the small airport with the Best Concessions Program Design, the Best Overall Concessions Program and the Best Concessions Management team.

Ottawa Tourism

Our partnership with Air Canada stood out to our friends in the tourism community, and was recognized as the Partnership of the Year at the annual Ottawa Tourism Awards Gala. The Authority and the airline were recognized for their collective efforts to promote the non-stop flight between Ottawa and Frankfurt. The route continues to have a huge economic impact in the community and it has helped bring new tourists to the region and made Ottawa-Gatineau even more accessible for leisure travellers, tour groups, meetings and conventions.

Ottawa Chamber of Commerce

The holiday season was kicked-off with tremendous recognition from Ottawa's business community in the form of the 2010 Business of the Year Award. The honour was announced at the Chamber's Ottawa Business Achievement Awards Gala in November and it validates what we have always known – that the airport is an economic engine whose very presence in the region contributes to local business success and quality of life.

Airport Service Quality
The Stanley Cup of Airport Awards

The Authority enrolled in the Airport Service Quality (ASQ) customer satisfaction benchmarking program in 2005 in an effort to gauge how our customers feel about their experience when travelling through our airport. The program surveys customers about 34 aspects of the airport experience, including areas such as check-in, security processing, service at concessions, airport cleanliness, availability of baggage carts and airport ambience, to name just a few.

We learned in early days that the overall experience was good, but needed work in some areas. The Authority, with the help of its airport partners, set about to effect the changes that we learned were needed. Changes such as the addition of clocks, water fountains and more flight information display screens throughout the terminal were made. We improved signage, and intensified cleaning programs. We also shared the results of the quarterly customer surveys with our partners so they would have an appreciation of how their particular levels of service were received.

Six years of collective efforts to make the travel experience exactly what our clients expect have paid off. The airport was named 1st in the world for customer satisfaction for airports that serve between 2 and 5 million customers per year. Further, we were named 2nd in North America among all airports, regardless of size.

We are extremely proud of these awards and all of the achievements of 2010. We extend sincere thanks to every airport partner and their employees, to our own Authority employees and volunteers, and to our customers who took the time to express their pleasure and confidence in our airport by filling out the survey.

What a year!

Thank you for making us

#1 IN THE CITY & THE WORLD

Company of the Year

#1 Airport in the World (2-5 million passengers)

Tourism Partnership of the Year

Best Concessions Program Design

Best Concessions Management Team

Best Overall Concessions Program

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
2010	**50**

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
2010	**86,009**

Daily Nonstop Flights

	Domestic	Transborder	International
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
2010	**86**	**30**	**17**

Origin and Destination

91% of Traffic (estimated)

Connecting with the Community

Giving back is woven through the fabric of the Authority. We support the community that supports us in a variety of ways that not only make us feel proud – they make us feel great.

Project Clear Skies

Once again in 2010, the Authority provided much needed funding to projects in the region, such as restroom facility upgrades at the Hospice at May Court and at the Sexual Assault Support Centre of Ottawa, and the purchase of much needed large appliances at Centre Espoir de Gatineau. *Project Clear Skies* is particularly important to the Authority because it brings employees together with the Board for the purposes of evaluating the dozens of applications that are received each year. In the 2010 funding wave, 45 applications were received from which 16 were chosen for funding for a total of $99,000.00.

The Airport Authority's Nicole Suys presents a cheque to the *Scouts de l'Est de l'Ontario* on behalf of *Project Clear Skies*

Plane Pull Challenge

The 5th Annual Plane Pull Challenge was a huge success. Aircraft availability dictated that the event happened on September 11th, which gave us the opportunity to do something worthwhile and positive on a day that is otherwise very sad and somber.

The sun was shining when 25 teams of 25 people took to the tarmac to pull the 82,500 kg FedEx A300 aircraft a total of 12 feet as quickly as they could. The winning team, Stantec's "Green Machine", completed the task in an astonishing 6.781 seconds. In hot pursuit were the West-Way Airport Taxi "Roadrunners" who finished second with a time of 7.102 seconds and PCL's "Ironmen" who came in third with a time of 7.245 seconds. Every team managed to get the plane moving, and even the team that finished last managed to move it in an amazing 10.127 seconds. While the main event happened on the tarmac, more than 1,500 people enjoyed the exhibits, inflatable slides, games and a bbq lunch.

Earlier in the year, the Authority announced an exciting new partnership with the Sens Foundation for the Plane Pull Challenge.

This organization has been doing amazing work in the community for more than two decades and is well known for its support of Roger's House, a hospice for pediatric palliative care that is located on the grounds of the Children's Hospital of Eastern Ontario. The Foundation team brought a number of tools and resources to the table, and helped us take the event to the next level. One of the biggest additions to the Plane Pull Challenge was the opportunity for individual team members to raise additional funds by soliciting pledges. Those who stepped up to the challenge were well rewarded by the Sens who provided two tickets to a pre-season game for every $250 raised. The extra $10,000 raised for our charities made the effort worthwhile and will be continued in 2011.

A total of $54,000 was raised through team registrations, sponsorships and pledges, and the funds were divided equally between *Project Clear Skies*, the Authority's charitable giving program, and the Ottawa Sens Foundation. Events like the Plane Pull Challenge can't happen without the support of planners, volunteers, sponsors and of course, the teams who compete. Everyone involved did a great job and we are very thankful!

Winning Team, Stantec's "Green Machine"

After the devastation of the January 13th earthquake, Airport Authority President and CEO, Paul Benoit (third from the bottom), accompanies Air Canada President and CEO, Calin Rovinescu (bottom), as supplies are offloaded from one of many relief flights to Port-au-Prince.

photo: Brian Losito/Air Canada

When Our Partners Take Action, We Are All Connected

When a massive 7.0 earthquake struck Haiti in January, hundreds of thousands of lives were lost and more than one million people were left with nothing. In response, Air Canada and Air Transat flew several relief flights to the ravaged country, filling every available space in their aircraft with desperately needed supplies.

In Air Canada's case, six flights over six weeks delivered more than 130 tonnes (184,000 kg) of critical supplies including rice, water, diapers, tents, blankets, baby food, hospital equipment, wheelchairs, medicine, IV fluid, generators and much more. They also transported a group of nurses, relief workers and government personnel to help the survivors, along with a group of employee volunteers who provided assistance on the ground and then made the return trip. These volunteers were particularly important given that the return flights were filled with evacuees, including seniors and orphaned children. In all, they flew 777 Haitians out of the country, including 89 children; their precious cargo ranged in age from a few months to 114 years old. The airline also established the Air Canada Clinic and Orphanage to continue their good work in the country.

> "Like many of you, I watched the horror of the earthquake in Haiti unfold on January 12 feeling helpless, but also knowing that Air Canada had a chance to fulfill our mission as first responders during a natural disaster."
>
> -Duncan Dee, Executive VicePresident and Chief Operating Officer, Air Canada

Air Transat organized two relief flights, delivering a total of 80 tonnes of supplies and essentials, including pharmaceuticals and orthopedic appliances. Much of the supplies that were transported were provided courtesy of funding from the airline itself, through donations from employees and thanks to the generosity of Air Transat's suppliers and partners. As was the case with Air Canada, Air Transat's employees rallied to volunteer, accompanying the relief flights so that they could provide assistance to evacuees who were brought to Canada. They brought several hundred evacuees to Canada, including orphaned children who would meet their adoptive parents.

In both Air Canada's and Air Transat's case, the flights returned to a very cold Ottawa, directly to the Canada Reception Centre, where paperwork was efficiently handled, and where scores of volunteers were on-hand to welcome the evacuees, provide them with some necessities, and ensure that their every need was attended to. Many emotional scenes played out when the children were delivered into the arms of their anxious adoptive parents.

These missions could not have happened without the help of employees, volunteers and many partners, including the Department of Foreign Affairs and International Trade, ONEXONE Foundation, Health Partners International Canada, the Canadian Embassy and the many suppliers who donated goods and services.

The Ottawa Airport Community Comes Together to Help Haiti

The relief flights required many factors for success. Words such as "compassion", "caring", "empathy", "love", "action" all come to mind. Another critical word was "volunteer". People from nearly every organization on the airport campus offered their help in areas such as traffic, logistics and even coffee – no task was too big or small for this amazing group.

The time spent helping had an unexpected result – the need to do more to improve the situation in Haiti. So was born the Ottawa Airport Community for Haiti. The group pulled all of their energy, ideas and contacts together to organize an auction fundraiser. The group's goal was to raise $15,000 - enough funds to purchase a HousAll shelter and some medical supplies. In the end, more than $31,500 was raised, which went towards the purchase of three HousAll shelters, and the remaining $7,000 was donated to Partners in Health to help them continue their tireless work in Haiti.

One of the HousAlls was used to house a library at Zanmi Beni, a home for abandoned and physically and/or developmentally disabled children. Located outside Port-au-Prince, the orphanage is home to 47 children who range in age from infant to 22 years. The librarian duties are filled by Carlos, a 12-year old resident of Zanmi Beni. The other two shelters are serving as clinics, one in Port-au-Prince and the other in a remote area of Haiti called Zorange.

Carlos, the librarian at Zanmi Beni

Connecting With Those In Need

Once again, Authority employees showed their generosity and desire to help those in need in the community with their continued support of United Way Ottawa. Thanks to a great effort during the fall months, the workplace campaign raised $10,500 through a combination of payroll deductions and fundraising events.

During December, the Ottawa Food Bank's "Drive Away Hunger" campaign was adopted as the Authority's Christmas charity of choice. This was the second year that employees were motivated to reach out and connect with those less fortunate in the community during the holiday season by contributing food and cash donations to the Ottawa Food Bank. Through their efforts, a total of 560 pounds of food was collected and more than $5,000 was raised. Because the Food Bank can stretch each dollar through their buying power, our collection was the equivalent of $25,000.

"Our thanks once again to our friends at the Ottawa International Airport Authority for their generous support of the Ottawa Food Bank. With less than 10% of our contributions coming from government sources, it is truly our partners in this community who determine our ability to assist those in need of our services."

- Peter Tilley, Executive Director, Ottawa Food Bank

Employees

The amazing stories we have shared regarding the philanthropic initiatives, the major construction and infrastructure projects and community relations events have been thanks in large part to the efforts of our employees. We tell you year after year how great they are at what they do, but it's how they continue to give of themselves to help others that sets them apart. From "fitting in" the extras that are needed to make the Plane Pull Challenge a success and pledging support for United Way Ottawa, to collecting funds and food for the Ottawa Food Bank and coming together with their peers across the campus to organize a fundraiser for relief in Haiti, their efforts have made a distinct difference here and abroad.

Employee Pride

Pride of workmanship is evident in everything they do, but perhaps never more so than with the completion of the Field Electrical Centre project that we told you about last year. What we didn't mention in 2009 was the degree of employee involvement in the conception, design and ultimate implementation of the $3.5 million project. With our electricians' input, changes were incorporated that have made the centre more effective and provided an even safer environment for airfield operations.

It should also be noted that our employees excelled in one more area – their attention to health and safety; collectively our employees worked 326,064 hours in 2010 with no lost time accidents. Given the varied job descriptions, many of which are physically demanding, we are extremely proud of this significant milestone.

The Authority is committed to helping our employees to be more health conscious through a variety of programs. Each year, Public Health Nurses are brought in to offer flu vaccinations and in 2010, the Authority sponsored a seminar on Heart Health, focusing on the issues faced by our employees. Finally, our health services provider, Medisys, was engaged to develop and deliver an advanced health care program for employees who wished to have a more comprehensive understanding of their health.

Connecting Face-to-Face

When visitors arrive in a strange city, a smiling face and some words of welcome make all the difference. That's just what our visitors experience when they arrive in Ottawa. The Infoguide volunteers have been helping travellers for more than 20 years. In 2010, nearly 80 volunteers spent a total of 7,250 hours providing directions, assisting with hotel and transportation services, suggesting interesting sights to see, answering thousands of questions and providing comfort to those who needed it.

Connecting with our Soldiers

The Authority maintained its commitment to not only the airport's military heritage, but to today's soldiers as well. The Military Repatriation Program, in partnership with the Department of National Defence, continued to provide a warm welcome to returning wounded soldiers. Through the program, the Authority's VIP Lounge is used as a meeting place where soldiers and their family members can be reunited in private, but also with any resources that may be needed such as medical, spiritual or emotional support personnel. Signatures and messages of thanks continue to be added to our Welcome Home banner, which the soldiers have told us they truly appreciate.

Connecting With History

1929 Taperwing from the Vintage Wings collection

In late summer, the airport played host to a piece of aviation history. A fully restored 1929 Taperwing WACO (for Weaver Aircraft Company), part of the Vintage Wings collection, was put on display in the arrivals area. The unique aircraft is one of only two fully operational WACOs left in the world, and this one enjoys the distinction of being a movie star – it appeared in the 2009 movie, *Amelia*, a biography of the famous female aviator Amelia Earhart. As well as providing something interesting to look at and learn about, the aircraft was here to help create awareness of Vintage Wings, a charitable organization that celebrates Canada's aviation heritage.

Linked to the Monarchy
A Royal Visit

On June 30th, Royal Watchers and other invited guests were delighted to greet Her Majesty The Queen and His Royal Highness The Duke of Edinburgh upon their arrival for a whirlwind three-day visit to Ottawa during the 22nd official royal visit to Canada. While here, they visited the newly renovated Canadian Museum of Nature, the official unveiling of a statue commemorating the late Oscar Peterson at the National Arts Centre and they joined more than 100,000 people who gathered on Parliament Hill to celebrate Canada's 143rd birthday on July 1st. This was The Queen's first visit to the National Capital Region since 2002 when her Golden Jubilee celebrations included a cross-Canada tour.

Source: Department of Canadian Heritage, 2010. Reproduced with the permission of the Minister of Public Works and Government Services Canada, 2011. © **Her Majesty The Queen in Right of Canada, (2010)**

Fire Trucks

The new Rosenbauer Panther 6 x 6 fire trucks are equipped with state-of-the-art night scan, Forward Looking Infra Red and GPS tracking technologies. Their addition to the fleet has increased the airport's firefighting capacity by 33%, and mean increased safety for our firefighters, our passengers and our employees.

Snow Removal Systems

The Oshkosh HT Series snow removal units are equipped with GPs tracking and Forward Looking Infra Red technology for safer operation, particularly during heavy snow storms. Each unit includes a 24 foot plow and 22 foot sweeper, and when used together, can clean 120 to 140 foot widths in one pass. This reduces the total runway cleaning time from more than 40 minutes to just 15.

Corporate Governance, Accountability and Transparency

The Ottawa International Airport Authority's mission is to work with its partners to be a leader in providing quality safe, secure, sustainable and affordable transportation facilities and services to the airport's customers and communities within the National Capital Region.

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 2010, 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 by-laws, first amended in 2003, specified the composition of the Board of Directors and the process for nominating members to the Board. The selecting bodies that provided nominees to the 14-member Board under 2003 by-laws were 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 (ATAC) (see note below)	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**

The Authority's by-laws were again revised in 2010 with no impact to the Board composition at that time. Under the by-laws revised in 2010, ATAC has ceased to be a selecting body and, at the end of the term of ATAC's current nominee, the number of Board members selected "at large" will increase to 4.

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. Amendments to the by-laws in 2010 permit one director to extend his maximum term by one year.

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.

Director's Compensation in 2010

Annual Retainer	
Chair	$45,000
Vice-Chair	$15,000
Committee Chairs	$20,000
All Other Directors	$12,000
Per Meeting Fee	$550 per meeting
	$200 per teleconference

Board Member	Board Meetings Attended	Committee Meetings Attended While Member of a Committee
Raymond Brunet	9 out of 9	16 out of 17
John Boyd (note 1)	5 out of 5	2 out of 2
Geneviève Brown	9 out of 9	7 out of 8
Chris Carruthers (note 2)	4 out of 6	3 out of 3
Ron Clifton	7 out of 9	5 out of 7
Barbara Farber	8 out of 9	3 out of 4
Pat Kelly	6 out of 9	6 out of 7
Gilles Lalonde	8 out of 9	7 out of 7
Charlie Logue	8 out of 9	11 out of 12
Eric McSweeney	9 out of 9	4 out of 5
Michael Skrobica	8 out of 9	5 out of 7
Joan Sun McGarry	9 out of 9	3 out of 4
Pamela Sweet (note 3)	3 out of 3	3 out of 3
J. Peter Vice	9 out of 9	19 out of 19
James Wright	8 out of 9	15 out of 16

Note 1- new board member effective on July 7, 2010
Note 2- new board member effective on April 28, 2010
Note 3- term ended on April 28, 2010

The following represents the composition of the Board of Directors as at December 31, 2010.

Director	Name and Position	Occupation	Selecting Body and Year Appointed
	**Raymond Brunet** (2) (3) (4) Chairman of the Board Chair, Executive Committee Chair, Major Infrastructure and Environment Committee	President, Ed Brunet & Associés Inc.	Chambre de commerce Gatineau 2006 Ville de Gatineau 2003-2006
	**Michael Skrobica** (2) (3) Vice-Chair	Vice-President, Industry Monetary Affairs, Air Transport Association of Canada	Air Transport Association of Canada 2004
	**Charlie Logue** (1) (2) Secretary	Partner, Welch LLP	Minister of Transport (Governement of Canada) 2006
	**Geneviève Brown** (2)	Owner, Club de golf Mont-Cascades	Minister of Transport (Government of Canada) 2006
	**John Boyd** (1)	Partner, Professionals for Independent Planning	Province of Ontario 2010
	**Chris Carruthers** (4)	Retired MD, Health Care Consultant	At Large 2010
	**Ron Clifton** (1)	President, Clifton Group International Limited	Ottawa Centre for Research and Innovation 2007
	**Barbara Farber** (1)	President, Leikin Group Inc.	City of Ottawa 2010 At Large 2007
	**Patrick Kelly** (3) (4)	President, Ottawa Convention Centre	Ottawa Tourism 2007

	**Gilles Lalonde** (3) (4)	President and CEO, Provance Technologies Inc.	Ville de Gatineau 2008
	**Eric McSweeney** (4)	President, McSweeney & Associates Consulting	Ottawa Chamber of Commerce 2004
	**Joan Sun McGarry** (1)	Principal Consultant Canada China Business	City of Ottawa 2006
	**J. Peter Vice** (1) (2) (3) (4) Past-Chair, Chair, Governance Human Resources & Compensation Committee	Partner, Vice Hunter Labrosse LLP	At Large 2003
	**James Wright** (1) (2) (4) Chair, Audit Committee	Chartered Accountant	At Large 2003

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

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

- 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 & 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 communications 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 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 2010.

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:
  - Airport 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 $101,000 ($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 $101,000 that were not awarded on the basis of a public competitive process during 2010:

Contractor	Contract Description	Reason for Sole Source
RW Tomlinson	$206,044 Repairs to civil infrastructure $126,370 Repairs to civil infrastructure	See A below
ZW Project Management Inc	$498,520 Project Management Services– Parkade expansion	See A below
Commissionaires, Ottawa Division	$8,810,523 over 3 years commencing 2010 Security guard services	Continuity of service – See A below
AR INC International of Canada	$1,107,168 over 5 years commencing 2010 Provide support for common use terminal equipment	See B below
Bellai Brothers Construction Ltd.	$6,030,000 Concrete forms, placement, finishing, Parkade expansion	See A below

A – Prior experience, knowledge of the facility, capacity and resources, or experience 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 2010 was between $220,000 and $260,000. The base salary range for each of the Vice Presidents in 2010 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 announced it had increased its fee to $20 effective on February 1, 2011. 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 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 auditor's 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;
- fax questions, comments or concerns to 613-248-2068;
- twitter.com/flyyow; and
- facebook.com/flyyow.

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 (standing, left to right) James Wright, Patrick Kelly, Eric McSweeney, Charlie Logue, Joan Sun McGarry, Ron Clifton, Michael Skrobica, J. Peter Vice, Christopher Carruthers, John Boyd (seated, left to right) Raymond Brunet, Paul Benoit (absent) Geneviève Brown, Barbara Farber, Gilles Lalonde

2010 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, 2010. 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.

photo: John Davies, Airport Watch

Overall Performance

Earnings before depreciation for the year ended December 31, 2010 were $17.1 million compared to $14.8 million for the year ended December 31, 2009.

The first half of 2009 had been characterized by weak economic conditions and concerns that Air Canada's financial difficulties and labour issues would impact operations. Air Canada resolved its difficulties and issues mid-way through 2009. In response to these threats, in 2009 management undertook various cost containment measures such as deferring non-critical maintenance costs and delaying filling vacated employee positions. By comparison, 2010 reflected a return to more robust economic conditions in Canada. Passenger volumes in Ottawa increased by 5.7% over 2009 and the Authority returned to its normal schedule of terminal repairs, building cleaning and other activities.

The Authority recorded depreciation of $18.7 million in 2010 compared to $18.4 million in 2009, reflecting depreciation of the terminal building and facilities over their estimated economic lives. After subtracting depreciation, the excess of expenses over revenues in 2010 amounted to $1.6 million as compared to $3.6 million in 2009.

Selected Annual Information

The Authority's net operating results for the three years ended December 31, 2010 are summarized as follows:

(in millions)	**2010**	2009	2008
Revenues	**$ 89.7**	$ 83.8	$ 86.4
Expenses before depreciation	**72.6**	69.0	72.1
Earnings before depreciation	**17.1**	14.8	14.3
Depreciation	**18.7**	18.4	17.2
Net of expenses over revenues	**$ (1.6)**	$ (3.6)	$ (2.9)
Total assets	**$431.1**	$426.6	$432.2
Total long-term debt	**$347.1**	$349.2	$350.9

Results of Operations

Operating Activities

During 2010, the Ottawa Airport saw passenger volumes increase by 5.7% over 2009. A total of 4,473,894 enplaned and deplaned passengers moved through the airport in 2010 as compared to 4,232,830 passengers in 2009. Some of this increase has come from an increase in the number of passengers connecting through Ottawa en route to other destinations. Increases to transborder destinations exceeded expectations, and domestic traffic also increased significantly to exceed pre-recession levels as follows:

International passenger volumes continued to grow beyond expectations. Robust seasonal charter traffic continued in 2010 with international travel volumes higher than 2009 by 9%. Despite being impacted by record snow falls in the United Kingdom and Western Europe at the end of December, international volumes also increased on Air Canada's direct nonstop 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.

(in millions)

				% Change 2010 versus	
	2010	2009	2008	2009	2008
Domestic	**3,303,170**	3,141,812	3,255,541	5.1%	1.5%
Transborder	**725,781**	682,822	740,369	6.3%	(2.0%)
International	**444,943**	408,196	343,315	9.0%	29.6%
Total	**4,473,894**	4,232,830	4,339,225	5.7%	3.1%

Passenger volumes between Ottawa and domestic locations were 5.1% higher in 2010 than in 2009 and reflect the return to economic growth that is being reported in Canada. Transborder volumes increased as well coincident with rebounding economic conditions being reported in the US. In addition, the strength of the Canadian dollar versus the US dollar is believed to be making US sunshine destinations more attractive to Canadians living in Ottawa.

Both of Canada's largest carriers, Air Canada and WestJet, saw Ottawa passenger volumes to domestic destinations increase in 2010 with WestJet's volumes increasing more significantly of the two. Porter's 2010 domestic volumes for Ottawa increased very strongly, augmenting strong growth in 2009. More significantly, Porter's service to Billy Bishop Airport in downtown Toronto continues to be an exceptionally popular option for accessing Toronto, particularly for business travellers.

By sector, for each quarter of 2010 passenger volumes compared to comparable quarters in 2009 were as follows:

	Domestic	Transborder	International
Q1	Higher by 5.3%	Lower by 0.1%	Higher by 17.1%
Q2	Higher by 4.3%	Higher by 11.9%	Higher by 8.1%
Q3	Higher by 5.6%	Higher by 10.0%	Higher by 2.3%
Q4	Higher by 5.4%	Higher by 5.0%	Lower by 0.5%

By quarter, total passenger volumes were as follows:

	2010	2009	% change
Q1	**1,135,323**	1,069,190	6.2%
Q2	**1,120,432**	1,059,923	5.7%
Q3	**1,114,664**	1,051,410	6.0%
Q4	**1,103,475**	1,052,307	4.9%
Total	**4,473,894**	4,232,830	5.7%

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 2010, the number of landed seats increased by 5.6% from 2009.

The largest increase in seat volumes came from Porter Airlines. Porter, which has operated daily scheduled service between Ottawa and Toronto City Centre Airport since late October 2006, has continued to increase its available seat capacity with increased flight frequencies to Toronto, Halifax and St. John's. Other scheduled carriers have adjusted flight frequencies more modestly to accommodate growth.

Revenues

Total revenues increased by 7% to $89.7 million in 2010 compared to $83.8 million in 2009. All revenue lines (except for land and space rentals and other) increased in response to higher passenger volumes.

Revenues by Category

($ in thousands)	2010	2009	Change	%
Airport improvement fees	**$28,254**	$27,261	$ 993	4%
Terminal fees and loading bridge charges	**22,028**	19,380	2,648	14%
Landing fees	**10,642**	9,888	754	8%
Concessions	**9,773**	9,350	423	5%
Car parking	**11,337**	10,592	745	7%
Land and space rentals	**5,036**	4,879	157	3%
Interest	**77**	56	21	37%
Other revenue	**2,576**	2,392	184	8%
	$89,723	$83,798	$5,925	7%

Airport improvement fees at $28.3 million in 2010 increased from $27.3 million in 2009 by 3.6%. This increase was commensurate with the increase in passenger volumes in the period and a decrease in the percentage of departing passengers originating in Ottawa (versus connecting through Ottawa). Passengers connecting through Ottawa are exempt from the airport improvement fee (AIF) charged by the Authority. An average of approximately 91% of departing passengers originated in Ottawa (versus connected through Ottawa) in 2010, as compared to 94% in 2009. 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, net of airline collection fees of 6%, 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.

In November 2010, the Authority announced an increase in the AIF from $15 to $20 per enplaned passenger effective for travel after February 1, 2011.

Aeronautical revenues represent the largest source of revenues for the Authority. At $32.7 million in 2010, total aeronautical revenues, which include terminal fees, loading bridge charges and landing fees charged to air carriers, were 11.6% higher than revenues of $29.3 million in 2009. The increase reflects 5.6% higher seat volumes provided by airlines, plus a 2% increase in landing fee and general terminal fee rates and minor changes in the fleet mix of aircraft sizes serving Ottawa impacting fees. In addition, as a result of the Government of Canada's decision to discontinue its Airport Policing Contribution Program effective January 1, 2010, the Authority increased the policing and security fees that it charges to airlines (included in terminal fees) by 27% effective January 1, 2010. Airport policing and security had been partially funded by this program at a rate of approximately $1 million per year. Removing the impact of the increased policing and security fees, the increase in aeronautical revenues would have been 8.0%.

As the growth in airline volumes has not kept pace with inflation over the years since transfer, the Authority increased its aeronautical fee rates by 2% effective January 1, 2011. Despite this increase, the Authority's average aeronautical fee rates remain among the lowest in Canada. Because of a decrease in fees passed along to the airlines in 2008, despite subsequent increases, the Authority's general terminal fee and landing fee rates remain at or below the rates charged in 2006.

Concession revenues increased to $9.8 million in 2010 from $9.4 million in 2009 primarily as a result of adjustments to minimum annual guarantees provided under these concession agreements, but also commensurate with the increase in passenger volumes.

Car parking revenues increased to $11.3 million from $10.6 million in 2009, an increase of 7.0% that is also commensurate with increased passenger volumes. 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 terminal building, but also as a result of scheduled rent increases on excess Authority lands.

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 increased as a result of higher short term interest rates, although average cash balances were lower as funds were disbursed on the Authority's capital expenditure program.

Expenses

Expenses by Category

($ in thousands)	2010	2009	Change	%
Interest	**$19,715**	$19,907	$ (192)	(1%)
Ground rent	**6,118**	7,310	(1,192)	(16%)
Materials, supplies and services	**24,948**	21,708	3,240	15%
Salaries and benefits	**17,294**	15,628	1,666	11%
Payments in lieu of municipal taxes	**4,560**	4,486	74	2%
	$72,635	$69,039	$3,596	5%

Expenses before depreciation increased to $72.6 million in 2010 from $69.0 million in 2009. Depreciation increased to $18.7 million in 2010 from $18.4 million in 2009. The increase in depreciation reflects depreciation on continuing investment in property, plant and equipment during 2010.

Interest expense reflected in the statement of operations has decreased as a result of principle payments on debt and interest capitalized in connection with construction of the addition to the Parkade. The Authority capitalizes interest costs during construction of major construction projects until the project becomes operational, but only to the extent that cash has been invested in the project.

Ground rent payable to the Government of Canada decreased by 16% to $6.1 million in 2010 as a result of changes in the rent formula announced in 2005. The amount reflected as ground rent expense is estimated based on the rent formula. The Authority operates the airport under the terms of a ground lease with the Government of Canada that sets out the calculation of the annual ground rent. Starting in 2010, ground rent is being 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 revenue	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:

2011	$ 7.0 million
2012	$ 7.3 million
2013	$ 7.5 million
2014	$ 8.0 million
2015	$ 8.3 million

The cost of materials, supplies and services increased from $21.7 million in 2009 to $24.9 million in 2010. Approximately $1.0 million of the increase is due to the discontinuation by the Government of Canada of the Airport Policing Contribution Program effective January 1, 2010. Airport policing and security were partially funded by this program. The Authority received $1.0 million in connection with this program during 2009 and recorded this as a reduction of the related cost of this service. Adjusting for the effect of this contribution, the cost of materials supplies and services in 2010 has increased by 10% over 2009.

In early 2009, to brace the Authority for weaker economic conditions, and with concerns that Air Canada's financial difficulties would impact operations, management implemented cost containment and cost deferral measures by deferring non-critical maintenance costs and delaying filling vacated employee positions. As these issues were resolved, in 2010 the Authority returned to its normal schedule of terminal repairs including items deferred from 2009, building cleaning and other activities. In addition, total costs increased as costs for contracted services increased. Operating savings resulting from the very favourable weather conditions experienced in the first and last quarters of 2010 were more than offset due to temperatures in the second and third quarters, which were hotter than usual, leading to increased costs for terminal building air-conditioning.

The cost of salaries and benefits increased 10.7% from $15.6 million in 2009 to $17.3 million in 2010. The increase occurred largely as a result of contracted rate and benefit increases (primarily pensions and other post-employment benefits), estimated contract rate increases for the Authority's collective agreement with its emergency response personnel which expired on June 30, 2007, and an increase in the number of employees.

Payments in lieu of municipal taxes increased by 2% 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 $4.6 million paid for 2010 reflects this prescribed calculation. Payments in lieu of taxes will increase in 2011 by 5% over the 2010 amount based on this legislation reflecting the 5% limit in the increase included in the legislation versus the large increase in passenger volumes that occurred in 2010.

Summary of Quarterly Results

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

($ in millions)	2009				**2010**			
Quarter ended	Mar	June	Sept	Dec	**Mar**	**June**	**Sept**	**Dec**
Revenue	$ 21.5	$ 20.9	$ 20.5	$ 20.9	**$ 23.2**	**$ 22.1**	**$ 21.8**	**$22.6**
Expense	18.0	16.1	16.5	18.4	**18.7**	**17.2**	**17.2**	**19.5**
Earnings before depreciation	3.5	4.8	4.0	2.5	**4.5**	**4.9**	**4.6**	**3.1**
Depreciation	4.6	4.4	4.7	4.7	**4.8**	**4.6**	**4.6**	**4.7**
Excess revenue over expense (expense over revenue)	$ (1.1)	$ 0.4	$ (0.7)	$ (2.2)	**$ (0.3)**	**$ 0.3**	**$ 0.0**	**$ (1.6)**

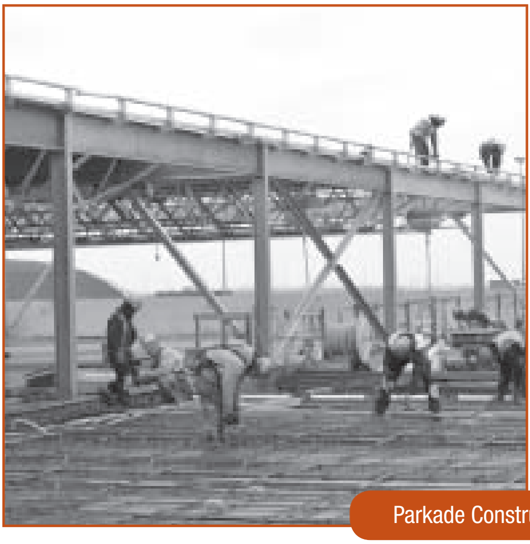
The Authority's quarterly results are influenced by passenger activity, aircraft movements, maintenance project decisions, and other factors such as weather conditions and economic conditions and do not necessarily fluctuate consistently over time based on the season. Due to these external factors, the 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 2010, the Authority made cash payments of $25.7 million related to its capital expenditure program, including $11.6 million in construction costs related to expanding the Parkade. Demand for parking and the availability of convenient parking options continues to impact management's investment decisions. After completing the construction of the original parking garage in 2003, the first addition to the garage was completed in 2005. To respond to increasing demand, the Authority proceeded with the planning and design of another addition to these facilities in 2009 and in early 2010 the Board of Directors approved the start of construction at a budgeted cost of $35 million (excluding capitalized interest). Construction commenced in the spring of 2010 and is expected to be completed by late 2011.

By December 31, 2010, the Authority had entered into substantially all of the necessary contracts for the construction of the addition to the Parkade and had accumulated and accrued total costs of $18 million. Based on the value of these contracts, the Authority is on budget and on schedule for this project.



Parkade Construction

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	2011	2012	2013	2014	2015	Thereafter
Long-term debt (note 1)	$347,132	$ 2,339	$2,097	$2,409	$2,747	$3,111	$334,429
Operating commitments	21,068	8,799	7,030	5,032	174	33	
Capital commitments	13,505	13,505					
Total contractual obligations	$381,705	$24,643	$9,127	$7,441	$2,921	$3,144	$334,429

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 Authority's major infrastructure construction programs, including the Airport Expansion Program (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 20, 2011. 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, 2010, the balance in the Debt Service Reserve Fund was just over $10.5 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, 2010, $9.6 million of the Authority's credit facilities had been allocated exclusively to the Operating and Maintenance Reserve Fund. At December 31, 2010 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 expects to access its existing bank credit facilities to fund the ongoing construction costs related to expanding its Parkade facility. The Authority's maximum borrowing requirements under these facilities is not expected to exceed $20 million. The Authority completed 2010 with cash and cash equivalents of $0.5 million as a result of investing in its capital programs. From time to time, cash is invested in short-term investments permitted by the MTI, while maintaining liquidity for purposes of investing in these Authority's capital programs.

As at December 31, 2010, the Authority's accounts receivable had increased from December 31, 2009 by $1.5 million to $7.1 million. Approximately $0.8 million of the increase is due to HST now included in billings to customers and HST throughput credits receivable resulting from construction costs incurred. In addition, airport improvement fees are normally received just after the end of the month from various air carriers, but are sometimes received just prior to the end of the month. This timing of receipt of airport improvement fees has impacted the amount reflected as accounts receivable.

As at December 31, 2010, the Authority's accounts payable had increased by $7.2 million to $18.9 million. The increase is primarily attributable to increased accounts payable, holdbacks, and accruals related to construction of the addition to the parking garage.

During 2010, 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 airfares, 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 91% 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 travelers, whose travel decisions are less discretionary than those of leisure travelers.

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 US $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.

Construction Risk

Delays and cost overruns are always a risk with construction projects. In May 2010, construction commenced to expand the Authority's Parkade facility. Construction is currently on schedule and on budget. All of the projected $35 million cost of this project has been committed within budget and construction is well underway. As a result, construction risk is not as high as it was in early 2010 when this project was approved by the Board.

Financial Statements of OTTAWA MACDONALD-CARTIER INTERNATIONAL AIRPORT AUTHORITY

December 31, 2010

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, CA
Vice-President and Chief Financial Officer

Independent Auditor's Report

To the Directors of Ottawa Macdonald-Cartier International Airport Authority

We have audited the accompanying financial statements of the Ottawa Macdonald-Cartier International Airport Authority, which comprise the balance sheet as at December 31, 2010 and the statements of operations and retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Ottawa Macdonald-Cartier International Airport Authority as at December 31, 2010 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.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
Ottawa Ontario
February 23, 2011

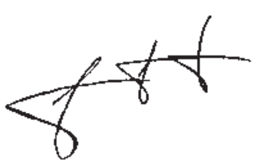
BALANCE SHEET

as at December 31, 2010 (in thousands of dollars)

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 480**	$ 11,742
Accounts receivable	**7,070**	5,553
Consumable supplies	**1,572**	1,568
Prepaid expenses and advances	**890**	749
	10,012	19,612
DEBT SERVICE RESERVE FUND (Note 7(a))	**10,510**	10,444
PROPERTY, PLANT and EQUIPMENT (Note 3)	**402,434**	389,442
ACCRUED BENEFIT ASSET (Note 9)	**5,234**	4,128
OTHER ASSET (Note 4)	**2,930**	2,930
	$ 431,120	$426,556
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 18,945**	$ 11,746
Current portion of long-term debt (Note 7)	**2,339**	2,041
	21,284	13,787
ACCRUED BENEFIT LIABILITY (Note 9)	**5,781**	5,010
LONG-TERM DEBT (Note 7)	**341,502**	343,623
	368,567	362,420
Commitments and Contingencies (Note 11)		
RETAINED EARNINGS (Note 8)	**62,553**	64,136
	$ 431,120	$426,556

(See accompanying notes to the financial statements)

ON BEHALF OF THE BOARD



, Director

, Director

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

year ended December 31, 2010 (in thousands of dollars)

	2010	2009
REVENUES		
Airport improvement fees (Note 8)	**$ 28,254**	$27,261
Terminal fees and loading bridge charges	**22,028**	19,380
Landing fees	**10,642**	9,888
Concessions	**9,773**	9,350
Car parking	**11,337**	10,592
Land and space rentals	**5,036**	4,879
Interest	**77**	56
Other revenue	**2,576**	2,392
	89,723	83,798
EXPENSES		
Interest (Note 7(d))	**19,715**	19,907
Ground rent (Note 11)	**6,118**	7,310
Materials, supplies and services (Note 12)	**24,948**	21,708
Salaries and benefits	**17,294**	15,628
Payments in lieu of municipal taxes	**4,560**	4,486
	72,635	69,039
EARNINGS BEFORE DEPRECIATION	**17,088**	14,759
DEPRECIATION	**18,671**	18,397
EXCESS OF EXPENSES OVER REVENUES AND COMPREHENSIVE INCOME FOR THE YEAR	**(1,583)**	(3,638)
RETAINED EARNINGS, BEGINNING OF YEAR	**64,136**	67,774
RETAINED EARNINGS, END OF YEAR	**$ 62,553**	$64,136

(See accompanying notes to the financial statements)

STATEMENT OF CASH FLOWS

year ended December 31, 2010 (in thousands of dollars)

	2010	2009
Cash provided by (used in)		
Operations:		
Excess of expenses over revenues	**$ (1,583)**	$ (3,638)
Add non-cash items:		
Depreciation	**18,671**	18,397
Amortization of deferred financing costs	**219**	208
Increase in accrued benefit liability	**771**	647
Increase in accrued benefit asset	**(1,106)**	(768)
Changes in non-cash working capital related to operations:		
Accounts receivable	**(1,517)**	405
Prepaids and consumable supplies	**(145)**	(140)
Accounts payable and accrued liabilities	**1,109**	1,890
Other	**152**	52
Total operations	**16,571**	17,053
Financing activities:		
Increase in debt service reserve fund (Note 7(a))	**(66)**	(60)
Repayment of long-term debt	**(2,041)**	(1,765)
Total financing activities	**(2,107)**	(1,825)
Investing activities:		
Purchase of property, plant and equipment	**(31,816)**	(12,085)
Change in accounts payable and accrued liabilities related to investing activities	**6,090**	(2,994)
Total investing activities	**(25,726)**	(15,079)
Increase (decrease) in cash and cash equivalents	**(11,262)**	149
Cash and cash equivalents, beginning of year	**11,742**	11,593
Cash and cash equivalents, end of year	**$ 480**	$ 11,742

(See accompanying notes to the financial statements)

Notes to the Financial Statements

for the year ended December 31, 2010

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 seven 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

All financial instruments measured at fair value are 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 ended 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 is in the advanced phase of 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.

photo: James Dow

3. Property, Plant and Equipment

(in thousands of dollars)

	2010	2009
Cost:		
Buildings and support facilities		
Buildings and building improvements	$337,938	$ 337,422
De-icing facility	7,527	7,189
Pedestrian bridges	13,383	13,361
Utilities infrastructure	6,807	6,077
	365,655	364,049
Runways, roadways and other paved surfaces	50,934	50,614
Land improvements	22,355	22,176
Furniture and equipment	22,624	22,426
Computer equipment and systems	19,328	18,081
Vehicles	20,142	10,701
Construction in progress	18,237	598
	519,275	488,645
Less accumulated depreciation:		
Buildings and support facilities		
Buildings and building improvements	58,711	48,141
De-icing facility	2,672	2,358
Pedestrian bridges	3,294	2,599
Utilities infrastructure	1,709	1,563
	66,386	54,661
Runways, roadways and other paved surfaces	11,907	10,624
Land improvements	6,189	5,525
Furniture and equipment	12,422	10,916
Computer equipment and systems	14,288	12,009
Vehicles	5,649	5,468
	116,841	99,203
	$ 402,434	$ 389,442

Interest costs of $187,000 (2009–Nil) were capitalized and included in construction in progress in 2010.

4. Other Asset

(in thousands of dollars)	2010	2009
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 infrastructure construction programs. These facilities are secured under the Master Trust Indenture (see Note 7) and are due on October 20, 2011. They are available by way of overdraft, Prime Rate Loans, or Banker's Acceptances. As at December 31, 2010, $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, 2010, 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 Authority's major infrastructure construction programs.

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)

	2010	2009
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	**$ 145,438**	$ 146,746
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	**532**	1,034
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	**1,162**	1,394
	347,132	349,174
Less: deferred financing costs	**3,291**	3,510
	343,841	345,664
Less: current portion	**2,339**	2,041
	$ 341,502	$ 343,623

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 Authority's infrastructure construction programs, and for general corporate purposes. These purposes included refinancing existing bank indebtedness incurred by the Authority in connection with these construction programs 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, 2010, the Debt Service Reserve Fund included $10.5 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 2010 based on 2009 expenses). The Operating and Maintenance Reserve Fund has been satisfied by the undrawn availability under a committed credit facility described above.

At December 31, 2010 the Authority was in full compliance with the provisions of its debt facilities, including the Master Trust Indenture's provisions related to reserve funds, the flow of funds and the rate covenant.

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

	2010	2009
Bond interest	**$ 19,720**	$ 19,697
Interest expense - Other	**248**	270
	19,968	19,967
Less:		
Interest earned on Debt Service Reserve Fund	**66**	60
Capitalized interest	**187**	-
Total Interest Expense	**$ 19,715**	$ 19,907
Interest paid during the year	**$ 19,680**	$ 19,763

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

2011	$ 2,339
2012	2,097
2013	2,409
2014	2,747
2015	3,111
Beyond 2015	$ 334,429

(f) Deferred financing costs

	2010	2009
Deferred financing costs	**$ 4,398**	$ 4,398
Less: Accumulated amortization	**(1,107)**	(888)
	$ 3,291	$ 3,510

8. Airport Improvement Fees (AIF)

(tabular amounts in thousands of dollars)

On September 1, 1999, the Authority implemented an AIF of $10 per local boarded passenger to fund the cost of major capital expenditures under the Authority's infrastructure construction programs (including the Airport Expansion Program). This fee was increased to $15 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 $1,824 thousand (2009 - $1,729 thousand).

	2010	Cumulative To Date
Major infrastructure construction Program expenditures:		
Passenger terminal building, parking garage, airside and landside infrastructure and other expenditures	**$ 17,938**	$ 464,984
Interest capitalized	**187**	17,156
Interest expensed including internal interest on funds provided by operations)	**22,466**	157,561
	40,591	639,701
AIF cash receipts:		
AIF revenue – net of collection fees	**28,254**	252,149
Interest on surplus funds	**104**	9,859
	28,358	262,008
(Increase) decrease in accounts receivable	**(518)**	(1,977)
AIF revenue – net cash received	**27,840**	260,031
Excess of expenditures over AIF Receipts	**$12,751**	$ 379,670

The AIF will continue to be collected until the cumulative excess of expenditures over AIF receipts is reduced to zero.

In November 2010, the Authority announced an increase in the AIF from $15 to $20 per enplaned passenger effective for travel after February 1, 2011.

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

	2010	2009
Retained earnings provided by airport improvement fees:		
Accumulated airport improvement fees and interest on surplus funds	**$ 262,008**	$ 233,650
Less:		
Accumulated depreciation of infrastructure program assets	**91,074**	76,761
Interest and other expenses	**162,063**	138,919
	8,871	17,970
Retained earnings provided by other operations	**53,682**	46,166
Retained earnings, end of year	**$ 62,553**	$ 64,136

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, 2009 (completed and filed in September 2010 as required by law), the plan had a deficit on a funding (going concern) basis of $1,883,000. 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, 2009, the plan had a deficit on a solvency basis of $9,588,000 ($4,009,000 as at December 31, 2008) before considering the present value of additional solvency payments required under the *Act.* The Authority made additional solvency payments of $1,389,500 in 2010 ($789,200 in 2009) 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 $2,058,000 as at December 31, 2010.

The next required actuarial valuation of the pension plan as at December 31, 2010 is scheduled to be completed and filed by its June 2011 due date. Based on the most recent actuarial determination of pension plan benefits completed as at December 31, 2009 and extrapolated to December 31, 2010, the status of the pension plan is as follows:

	2010	2009
Fair value of pension plan assets		
– defined benefit component	**$ 31,918**	$ 27,933
– defined contribution component	**5,947**	4,875
	37,865	32,808
Accrued pension benefit obligation	**41,288**	35,904
Funded Status – plan deficit	**(3,423)**	(3,096)
Balance of unamortized amounts	**8,657**	7,224
Accrued benefit asset	**$ 5,234**	$ 4,128

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:

	2010	2009
Accrued benefit obligation, other post-employment and retirement benefits	**$ 7,763**	$ 6,423
Balance of unamortized amounts	**1,982**	1,413
Accrued benefit liability	**$ 5,781**	$ 5,010

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:

	2010	2009
Discount rate to determine expense	**6.25%**	7.50%
Discount rate to determine year end obligations	**5.50%**	6.25%
Expected long-term rate of return on plan assets	**6.5%**	7.0%
Rate of average compensation increases	**3.75%**	3.75%
Rate of increases in health care costs	**8.0%**	9.0%
The trend rate for increases in health care costs decreases gradually to ultimately increase after 7 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:

	2010	2009
Fixed income funds	**41%**	38%
Equity funds – Canadian funds	**16%**	17%
Equity funds – U.S. funds	**19%**	20%
Equity funds – International funds	**11%**	12%
Emerging market funds	**3%**	3%
Real estate funds	**10%**	10%

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

	2010	2009
Employer contributions, defined benefit pension plan	**$ 678**	$ 625
Employer contributions, special solvency payments	**$ 1,390**	$ 789
Employees' contributions, defined benefit pension plan	**$ 217**	$ 213
Benefits paid, defined benefit pension plan	**$ 853**	$ 797
Employer contributions, defined contribution plan	**$ 439**	$ 354
Employees' contributions, defined contribution plan	**$ 563**	$ 466

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:

	2010	2009
Defined benefit pension plan component	**$ 979**	$ 685
Defined contribution pension plan component	**439**	354
Other post retirement and employment benefits	**925**	747
Total	**$ 2,343**	$ 1,786

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, 2010, 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 $173.4 million and $212.3 million respectively (2009 - $159.7 million and $203.6 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:

	2010		2009	
	Carrying Value	**Effective Year-End Interest Rate**	Carrying Value	Effective Year-End Interest Rate
Cash and cash equivalents (at floating rates)	**$ 480**	**0.95%**	$ 11,742	0.22%
Debt service reserve fund (at floating rates)	**$ 10,510**	**1.13%**	$ 10,444	0.28%
Long-term debt (at fixed rates)	**$ 343,841**	**See Note 7**	$ 345,664	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 $129 thousand as a result of the Authority's exposure to interest rates on its floating rate assets. Management believes, however, 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 52% (53% in 2009) 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 91% 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 which commenced in 2010, rent is 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:

2011	$ 7.0 million
2012	$ 7.3 million
2013	$ 7.5 million
2014	$ 8.0 million
2015	$ 8.3 million

A letter of credit for $2,058,000 was outstanding as at December 31, 2010 in connection with the Authority's pension plan (see Note 9). The letter of credit expires on December 31, 2011.

In addition to the above, the Authority has operating commitments in the ordinary course of business requiring payments of $ 8.8 million in 2011 and diminishing in each year over the next 5 years as contracts expire. At December 31, 2010, the total of these operating commitments amounted to $ 21.1 million. These commitments are in addition to contracts for the purchase of property, plant, and equipment of approximately $ 13.5 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 was discontinued effective January 1, 2010. The Authority recorded contributions of $999,000 in 2009 in connection with this agreement. These contributions were recorded as a reduction of related operating costs included in the statement of operations.

13. Comparative Figures

Certain of the 2009 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2010.