

# Maximizing Value in Canadian Airports

## Key Issues for a Changing Model Special Report

**Government Interest in Focus:** The Canadian government is currently reviewing options to maximize value from its commercial airports. Many Canadian commercial airports currently operate under long-term leases with locally controlled, nonprofit corporations. To the extent the private sector and for-profit corporations assume a greater role in airport ownership or long-term management, business model and credit profile development could change. The benefits may vary by airport so the decision for new approaches involving the private sector should also vary accordingly.

**Alignment of Interests:** Universally, monetization of public assets needs to be carefully considered as upfront financial rewards are usually expended in the short term while the transfer of rights and responsibilities and the associated costs extend into the long term. To the extent there is a mismatch, public consternation often results at some point in the future and any reversal in public policy also has a cost. Aligned interests often involve commensurate public sector value being demonstrated and garnered over time.

**Solid Passenger Traffic Performance:** Healthy traffic growth exists at many of the airports, which could lead to more operating revenues and net cash flow opportunities. During the past five years, passenger traffic grew by over 24%, although most of the increases were realized at Canada's largest airports. Further, growth resilience is broadly evident with some airports having exposures to specific economic sectors or competition with nearby U.S. airports.

**Financial Relationships:** The current airport governance structure has proven to be a stable model from a fiscal perspective as Canadian airports are operating on a self-sufficient basis to meet their expenses and debt costs. In addition, Canadian airports remain financially connected to the government through the remittance of ground rents, at an aggregate level exceeding CAD300 million per year.

**Private Sector Participation:** Private sector involvement could have positive merits similar to experiences in other countries, such as global operational experience and efficiencies, and ability to execute on large project delivery. Risks may be shifted for capital improvements, expense controls and concession revenue activities. Further, funding sources can be expanded to include investor equity contributions as Canadian airports today rely on debt borrowings, free cash flow and the levy of its airport improvement fee (AIF).

**Value Analysis:** One of the central challenges for greater private sector involvement in Canada will be the value equation for both the government and the private sector. On the other hand, equity investors will similarly be looking for value and long-term returns, some of which may be difficult if airport assets are already highly levered.

**Public Support:** Garnering broad stakeholder support for airport public-private partnerships (PPP) and/or corporatization of Canadian airports may ultimately be a challenging proposition, particularly with the perception that airports are strategic local assets and airfares may rise following the change. Still, European and Latin American airports established histories under private airport control, though neighboring U.S. airports have proven to be a more difficult market for full privatization models to penetrate.

### Related Research

[Measuring Canadian and U.S. Airport Performance \(Growth with Influence Investments \(May 2015\)\)](#)

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**Current Lease Structure and the Potential for Change**

The Canadian airport market currently operates under a partial privatization model, which began with the Airport Transfer Act of 1992 as a means to reduce budget deficits. The federal government, through Transport Canada, owns the airport lands which are leased in most cases to nonprofit corporations and similar authorities.

Vancouver, Calgary, Edmonton and Montreal were among the first to be managed by the private sector, with the remaining nationally significant airports following shortly thereafter. Regardless of management structure, airport improvement fees and investment decisions are made by the board of directors, which are appointed by local elected officials and by local officials and stakeholders. The act allowed for the retention of government ownership via 60-year leases with 20-year extensions (many extensions already effectuated) between the Canadian government and the lessees.

**Canadian Airport Governance**

| Airport Name    | Airport Operator                           | Lease Start | Lease Expiration | Enabling Law                            | Governance                   |
|-----------------|--|-------------|------------------|---|------------------------------|
| Toronto Pearson | Greater Toronto Airports Authority         | 1996        | 2076             | Canada Not-for-Profit Corporations Act. | 15 Member Board of Directors |
| Vancouver       | Vancouver Airport Authority                | 1992        | 2072             | Canada Not-for-Profit Corporations Act. | 14 Member Board of Directors |
| Montreal        | Aeroports de Montreal                      | 1992        | 2072             | Canada Not-for-Profit Corporations Act. | 14 Member Board of Directors |
| Edmonton        | Edmonton Regional Airports Authority       | 1992        | 2072             | Regional Airports Authorities Act       | 16 Member Board of Directors |
| Calgary         | Calgary Airport Authority                  | 1992        | 2072             | Regional Airports Authorities Act       | 19 Member Board of Directors |
| Winnipeg        | Winnipeg Airports Authority Inc.           | 1996        | 2076             | Canada Not-for-Profit Corporations Act. | 11 Member Board of Directors |
| Ottawa          | Ottawa International Airport Authority     | 1997        | 2077             | Canada Not-for-Profit Corporations Act. | 14 Member Board of Directors |
| Halifax         | Halifax International Airport Authority    | 2000        | 2080             | Canada Not-for-Profit Corporations Act. | 13 Member Board of Directors |
| Victoria        | Victoria Airport Authority                 | 1997        | 2077             | Part II of the Canada Corporations Act. | 12 Member Board of Directors |
| St Johns        | St. John's International Airport Authority | 1997        | 2057             | Part II of the Canada Corporations Act. | 13 Member Board of Directors |
| Quebec          | Aeroport de Quebec Inc.                    | 2000        | 2080             | Canada Not-for-Profit Corporations Act. | 15 Member Board of Directors |

Source: Airport financial statements.

Under a typical lease, the government assesses a progressive rent to the airport authorities of up to 12% of revenues, as well as a municipal tax on profits. Most leases with major Canadian airports are currently set to expire in the 2070s, and absent any additional granted extensions, the assets are required to be returned to the government in good condition and debt free.

For the past year, the Canadian government evaluated options to further privatize its commercial airports with several studies underway to assess benefits and risks, as well as potential airport values. Being a visible government initiative, discussion of privatization has been accompanied by varying levels of criticism both in favor of a more privatized structure and against it.

On one hand, some parties argue that the current model's sizable rent payments and debt-free handback requirements provide a disincentive for needed investments, which ultimately hampers business opportunities and competitiveness. Others claim that the current structure works well as airports are self-sufficiently financed and operated, facilities have been maintained, and improvements reflect the community's needs.

**Related Criteria**

[Rating Criteria for Airports \(December 2016\)](#)

[Rating Criteria for Infrastructure and Project Finance \(July 2016\)](#)

Changes to the current structure could potentially take the form of a long-term lease, or concession agreement model between the government and for-profit corporations or a complete private equity buyout of the assets. The latter is less common for major airports. The former is more common across the globe, including a number of Latin American, European and Asian countries.

The first option would allow for continued governmental ownership and potentially continued annual cash flow via rents and taxes (depending on the terms of the agreement), while the latter would require the government to rescind ownership rights of its airports in exchange for a lump sum payment (net of current outstanding debt) and annual collection of higher corporate taxes. Many of these details are not clear at this point, but would be areas of negotiation and debate.

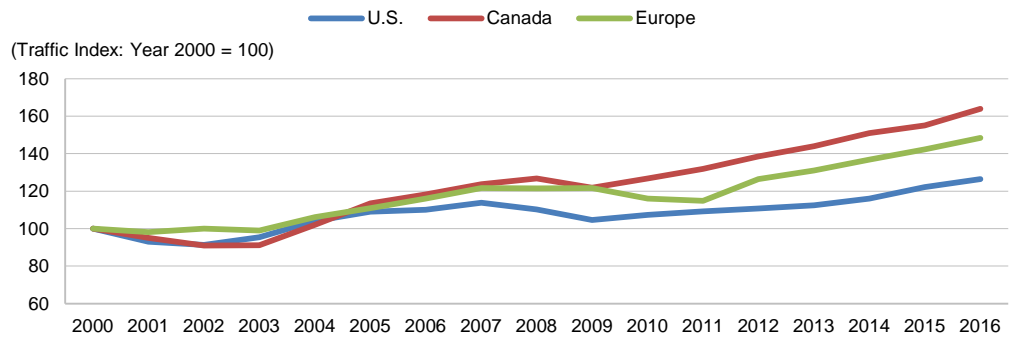
Should changes in law be effected and the private sector successfully secure a more active role in the Canadian airport system, the current airport business model could shift towards more innovative capital structures, including deployment of debt and equity capital, which aims in part to maximize return on investment. However, for-profit structures may also result in raising airport debt balances, which elevates financial risk and could potentially erode the airports' credit profiles.

### Canadian Traffic Performance Shines

Passenger volume is the lifeblood to airport O&M, and historical traffic data clearly indicates that Canadian airports are in a stage of sound growth momentum with a strong likelihood for this trend to continue absent any severe economic shocks or macro events. Further, Canada has a stable government structure in which the airports operate. This favorable operational history and its support for healthy cash flow and returns should be attractive to the private sector given the expectation it will continue.

In Fitch's view, Canada has been able to expand its passenger traffic consistently, as the economy expanded, through increased carrier competition within the Canadian market and through greater nonstop services on international routes. On a percentage basis, Canada's growth outperformed the U.S. and Europe since 2000. This time frame is informative given the economic cycles and industry shocks that transpired during this period.

#### Traffic Index: 2000–2016



Source: U.S. Bureau of Transportation Statistics, Statistics Canada, Airports Council International.

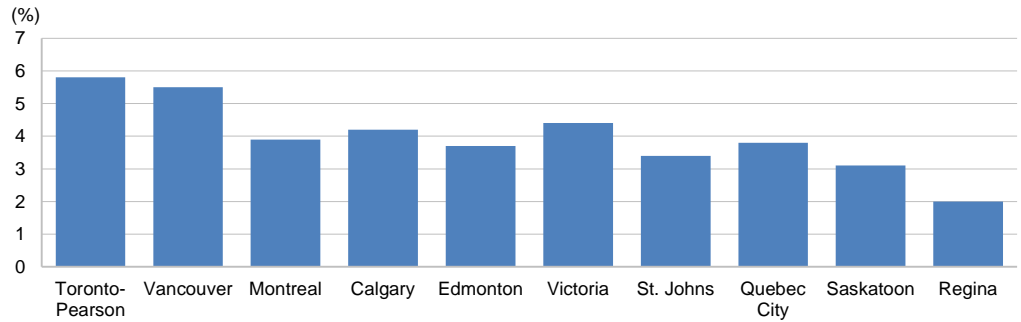
Heading into 2017, the overall Canadian traffic base reached 140 million annual passengers, and enplanements continue to perform well due to positive growth. Both the country's largest and midsize airports saw growth, which is testament to the strength and future potential for Canadian aviation. However, Canadian airports serving large trade areas outperformed most medium and smaller markets. The major hubs such as Toronto, Vancouver, Montreal and

Calgary saw increases to international markets while other regional airports are benefitting from the domestic expansion of Canadian air travel.

Since 2000, the aviation industry operating in North America experienced a full cycle of robust economic expansion followed by a deep recession, consolidations, airline bankruptcies and the expansion of low-cost carriers. Also affecting the environment for aviation travel were major macro events, such as the terrorist attacks of Sept. 11, 2001. Through all of this, Canadian traffic demonstrated the most resilience across the North American region.

From 2000 to 2016, Canada saw an increase in total traffic (enplaned and deplaned) of more than 60%, while at the same time, U.S. traffic rose by approximately 26%. These figures translate to a CAGR of about 3.1% in Canada, versus a more modest average growth rate of 1.5% in the U.S. and a 2.4% growth rate among leading European airports. This variance occurred despite no material differences in population and economic growth, in terms of national gross domestic product),between the countries.

**Canadian Airport Traffic Growth: Five-Year CAGR (2011–2016)**

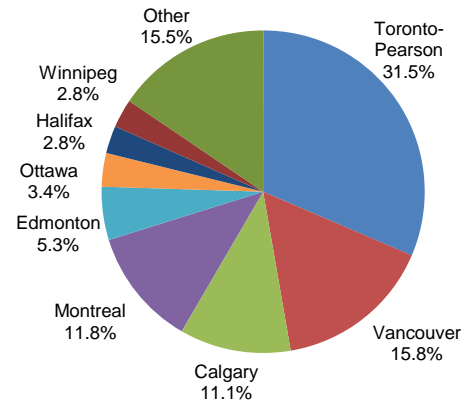


Source: Airports.

A key element to the recent ramp up in Canadian air passengers is tied to new routes and services outside of the domestic markets. These include trans-border/U.S. flights and other international destinations. According to Statistics Canada, Canada’s central statistical office, (Catalogue no. 51-203-X Report), approximately 79.5 million total passengers, or 60% of total passengers in 2015, fell within the domestic sector. The remaining 40% were almost equally divided between trans-border and other international segments.

The distribution by segment has not materially changed since 2000, and the domestic segment grew at a 2.7% CAGR since 2000. However, reported data from Canadian airports over the past 14 years indicate that “non-US international traffic” grew at the fastest rate, a 5.5% CAGR, and this segment of traffic increased to 20.5% from 14.3% during this period. Given the geographic separation of the Canadian cities; the development of low-cost/ultra-low-cost carriers in Canada; and the lack of alternative modes of transportation, such as a high-speed rail option, Fitch expects domestic passenger traffic to remain resilient for years to come.

**2016 Leading Canadian Airports Passenger Market Share**



Source: Canadian airport websites.

At the individual airport level, growth trends and traffic composition can diverge significantly. Naturally, the largest of the Canadian airports will have a much higher mix of trans-border and international passengers. At Vancouver, out of 39.6 million total passengers in 2015, nearly 40% were domestic, while trans-border and other international passengers represented 27% and 33% shares, respectively. On the positive side, all three segments are showing robust growth rates, which insulates from too much dependency on growth in one segment such as international traffic.

International traffic was the fastest growing segment at 11.9% in 2016, while domestic and trans-border grew at a still-healthy 7.6% and 7.4%, respectively. These growth rates would also be considered very strong compared with growth rates at many of the largest hub airports in the U.S. Still, the close proximity to the U.S. border allows for trans-border and international leakage risk, particularly when airfares are cheaper on the U.S side based on carrier charges or imposed taxes.

The U.S. market for aviation is clearly more mature, which is reflected in the differences in size and recent growth rates. The activity level for U.S. traffic, based on revenue passenger enplanements, is nearly 928 million, whereas Canada's traffic base is just around 7.5% of that. The population differential is similar with Canada's estimated population of 36.6 million, about 12% of the 360 million persons in the U.S. During the first 15 years following airline deregulation in 1978, U.S. enplanements grew at a respectable 4% CAGR. Subsequently, volume growth moderated and is more correlated to economic trends and shifting airline developments. Canada is now also showing signs of reaching a mature aviation stage, and therefore, the country should likely have more normalized passenger growth patterns going forward.

### **Stable Financial Performance with Varying Metrics**

In Fitch's view, Canadian airports have a demonstrated history of strong balance sheets and sound financial cash flow generation through a combination of airline charges, non-aeronautical and retail revenues, and the levy of AIFs. Collectively, operating revenues provide sufficient funding to support operating costs, pay-as-you-go capital spending and debt repayments. Airports have been able to use net cash flows and debt borrowings to undertake considerable investments for expansion and infrastructure renewal, with the largest airports funding projects to serve longer term demands.

At each airport, revenue profiles vary moderately based on airport size but are typically well-balanced. For example, Greater Toronto Airports Authority, operator of Toronto Pearson International Airport (YYZ), Canada's largest airport in terms of passengers, generated nearly CAD1.3 billion in revenues in fiscal 2016 with a favorable balance of aeronautical (38% of total) and non-aeronautical (30%) revenues and airport improvement fees (30%). Smaller airports, such as Ottawa and Victoria, with 4.7 million and 1.7 million total passengers, respectively, had fairly similar revenue profiles.

Diverse revenue generation as noted in these examples is a fundamental credit positive for airports. Less reliance on one fee source coupled with economic flexibility to increase rates and charges provides sound mechanisms for cash flow stability, regardless of volume shifts.

Canadian airports are not currently limited by federal regulations on airline rate setting as local boards governing the airports retain this control. U.S. airports similarly have flexibility for rate setting, but in most cases, it is tied to cost recovery terms, such as residual and/or compensatory airline use arrangements. Elsewhere, rate regulation is more common, some with varying forms of price caps or inflation indexing.

Clearer distinctions of financial strength between Canadian airports can be found when measuring airport leverage based on a net debt to cash flow available for debt service. Even within the peer group of the largest of Canadian airports, such as YYZ, Vancouver, Montreal, and Calgary, there appears to be stark differences in leverage. At the upper end, net leverage for Calgary and Toronto is at 12.8x and 7.7x, respectively, based on fiscal 2016 financial reports. These levels are not materially different from major U.S. airports such as Chicago or Los Angeles. Vancouver has less gross debt balances, and therefore, low to moderate net leverage of 1.2x. From a privatization perspective, those airports with lower leverage may be more attractive, as increased debt borrowings relative to cash flows could be beneficial for long-term equity returns.

Airport costs are important drivers to Canadian airport financial stability. With lease agreements, Canadian airports have ongoing financial obligations to the government in the form of ground rents. These rents are tied to revenue generation on a progressive scale and bring in a total of more than CAD300 million each year. YYZ alone paid CAD148 million in fiscal 2016.

Being a progressive payment structure as a percentage of revenues, the recent growth rates of ground rents vary significantly from airports. For example, between 2010 and 2015, payments by the Greater Toronto Airport Authority (GTAA) increased at a 6.4% CAGR. The rate of growth is similar to the overall increase in operating revenues during the same period. Edmonton and Vancouver airports saw strong gains in operating revenues and this translated to increased rents to the federal government of 71% and 48%, respectively. Some of the smaller airports, including Halifax, Ottawa and Victoria, had measurable increases to ground rents even though their passenger volumes grew at modest rates since 2010, reflecting the relationship of revenues to the lease payment methodology.

### Financial Profiles — Largest Canadian Airports

|                 | 2016             |                    |                          |              |                       |
|-----------------|------------------|--------------------|--------------------------|--------------|-----------------------|
|                 | Passengers (000) | Revenues (CAD 000) | Long-Term Debt (CAD 000) | Leverage (x) | Debt/Passengers (CAD) |
| Toronto-Pearson | 44,335.2         | 1,285,530          | 5,724,932                | 7.71         | 129.13                |
| Vancouver       | 22,288.9         | 480,458            | 544,179                  | 1.22         | 24.41                 |
| Montreal        | 16,589.1         | 527,188            | 1,773,117                | 6.67         | 106.88                |
| Calgary         | 15,680.6         | 390,024            | 2,740,901                | 12.84        | 174.80                |
| Edmonton        | 7,523.8          | 206,099            | 938,980                  | 8.48         | 124.80                |
| Ottawa          | 4,743.1          | 121,912            | 424,258                  | 7.39         | 89.45                 |
| Halifax         | 3,908.8          | 97,352             | 283,422                  | 6.09         | 72.51                 |
| Winnipeg        | 4,015.2          | 117,638            | 613,163                  | 9.49         | 152.51                |
| Victoria        | 1,856.4          | 34,455             | 0                        | —            | 0.00                  |
| Quebec          | 1,581.3          | 57,563             | 336,987                  | 11.63        | 213.11                |

Note: Leverage is net debt to cash flow available to debt service.  
Source: Airport financial statements.

From a budgetary perspective, ground rents can be one of the leading cost components. For Toronto, ground rent lease payments represented nearly 25% of net operating expenses (net of amortization) and ranked almost as high of a cost line item with salaries, wages and benefits. But other airports have different cost profiles. For example, Quebec's ground rents of CAD3.4 million constitute about 11% of net operating expenses. This indicates that a privatization of the airports can have varying influences on costs to the extent this payment is no longer part of the expense structure.

## Considerations for Value Maximization

As the Canadian federal government continues to evaluate options to maximize value for its commercial airports, much will be discussed regarding benefits and disadvantages, taking into consideration that airports are vital assets to their local communities and have broad economic influences. The many issues to be raised will include:

- The benefits for various stakeholders, including government, airlines, passengers, and supporting industries and services.
- How should such a vital infrastructure asset be valued and can strong bids justify the handover of airports?
- What will be the remaining role of government for Canadian airports in a post-privatization system?
- What options does the government retain if public policy needs change in the future?

A detailed analysis on airport privatization issued in 2012 by the Transportation Research Board, a U.S. private, nonprofit research society, titled the *Airport Cooperative Research Program Report 66*, listed a number of primary motivations and drivers for airports including:

- Access private capital for development;
- Extract upfront or ongoing payment for the airport asset;
- Stimulate air service and air competition;
- Introduce more innovation and creativity;
- Secure long-term efficiencies;
- Shift risk of debt, capital development and/or operations to the private sector;
- Accelerate project delivery and reduce construction costs;
- Reduce reliance on general tax levies (where applicable); and
- Depoliticize airport decision making.

Airport privatization through ownership and concessions was adopted in this sector by a large number of European airports, and more recently across Latin American airports. Some have long track records of operating performance while others recently transitioned to the private sector (i.e. Brazil).

Given the general attractiveness of Canada as a stable, developed economy, as well as the positive direction of air service expansion and competition, it is expected that many of leading firms would be interested to participate in the privatization process of Canadian airports including airport developers, operators and equity firms. The private sector would be expected to apply expertise and innovation that generates better and faster solutions and maximizes the utility and value of the airport.

The Canadian model for airports in its current form is unique with no other developed country operating under a similar national construct. Canada deploys a “partial privatization” approach with many of the country’s commercial airports being leased to and run by nonprofit corporations. Most leases date back to the 1990s. During this period of time, performance of this model appears mostly positive through the expansion of passenger traffic and air service, the ability of the lessee-operators to invest for infrastructure development and renewal, and the position of airport finances.

In the neighboring U.S., despite the incentives of a federal pilot program for more than two decades to stimulate full private operations at commercial airports, actual adoption has been very limited. State governments and airport authorities have more experience working with the private sector for service agreements and management contracts, with examples at Atlanta and Burbank airports, but have been more reluctant to separate the control of airport operations to the private sector with limited exceptions for specific projects such as terminal

redevelopment facilities as observed at Los Angeles and New York’s JFK and LaGuardia airports.

The need for a more complete privatization model in Canada does not appear to be driven by an urgent need either to remedy fiscal or operational stresses plaguing the commercial airports or to incentivize or accelerate capital investments. Rather, it appears to be driven by a combination of value assessments of the federal leases to the primary commercial airports as well as identifying potential benefits the private sector may offer in a space that already adopted this model elsewhere. There will be opportunities for operational improvements and more efficient capital investment. The private sector is also likely to take greater advantage of available real estate to make investments that maximize value.

Capital investments at the major hub airports have been fairly active to support current demands and future growth. Vancouver International Airport (YVR), with a record 22.3 million passengers in 2016, recently unveiled a CAD5.2 billion investment program, called Flight Plan 2037, with projects to support 35 million passengers. YYZ is the nation’s largest commercial airport and international gateway. YYZ is well underway with its 20-year strategic plan that focuses on optimizing existing facilities and new capital infrastructure, including a sixth runway that will allow for long-term growth as air travel expands in Toronto.

### Key Capital Projects — Canadian Airports

| Airport   | Project Type | Project   | Completion Status | Estimated Cost (CAD Mil.) | Magnitude of Addition | Other Improvements  |
|-----------|--------------|---|-------------------|---------------------------|-----------------------|---|
| Quebec    | Terminal     | New International Terminal                              | Expected by 2025  | 225                       | 9 Gates               | Expanded concessions, larger baggage area.  |
| Calgary   | Terminal     | New International Terminal                              | Opened in 2016    | 2,000                     | 24 Gates              | New baggage handling system and passenger shuttle.                                  |
|           | Airside      | Construction of the Longest Runway in Canada            | Opened in 2014    | 590                       | 14,000 ft.            |   |
| Toronto   | Terminal     | Reconstruction and Redevelopment of Terminals 1,2 and 3 | Expected by 2030  | Over 4,700                | 35 Gates              | Additional parking space for commuter aircraft and off-gate ground-loaded aircraft. |
|           | Airside      | Construction of Sixth and Final Runway                  | Expected by 2019  | 92                        | 6,000 ft.             |   |
| St. Johns | Terminal     | East and West Expansion                                 | Expected by 2021  | 245                       | 3 Gates               | Expansion to departures lounge, expanded customs/immigration area.                  |
| Edmonton  | Terminal     | Expansion of Existing Terminal                          | Expected by 2020  |                           | 13 Gates              | Additional passenger bridges, remote parking stands.                                |
|           | Airside      | Construction of Third Runway (Runway 11–29)             | Expected by 2033  | 1,100                     | 11,600 ft.            |   |

Source: Canadian Airport websites, financial statements.

Some of the more recent examples for the midsize airports include Aeroport de Quebec Inc., an airport with 1.6 million total passengers in 2016, investing over CAD220 million for terminal expansion with new gates, concession areas and increased baggage handling capacity. Similarly, St. John’s Airport in New Brunswick began a capital program in 2014 calling for CAD245 million in investments to meet a capacity of 2 million annual passengers (1.57 million total passengers served in 2016).

Many of the Canadian airport CEOs openly opposed the privatization initiative, and the motivations for the federal government to consider this path appear to be tied to tapping into airport monetary values to boost federal level finances. The existing framework does provide a reliable and growing upstream of revenues, set by formulas linked to airport operating revenues, and not to net cash flows after expenses and debt payments. With many of the



leases extending into the 2070s, these ground rent payments have the potential to grow significantly over the life of the lease.

For YYZ and Vancouver airports, the ground rent lease payments were CAD148 million and CAD50.6 million, respectively, in fiscal 2016. In the past five years, the lease payments rose significantly, providing an attractive revenue source for Transport Canada, the lessor agency of the federal government. From a comparative analysis, the federal leases of the two Washington, D.C. airports — Dulles and Reagan National — only generate USD5.5 million in lease payments to

the U.S. government. Should existing Canadian airport leases terminate through privatization, these rentals would be lost, and it remains to be seen if they would be sufficiently replaced by other payment mechanisms that could include upfront and/or annual payments.

Valuing an infrastructure asset such as an airport is challenging, but recent competitive biddings from the private sector provide some measure and benchmarks of values. A February 2017 report published by C.D. Howe Institute offered a view on the equity value that the federal government can potentially receive from airport sales to the private sector. The values cited in this report for the eight largest airports, net of existing debt retirement, ranged from CAD7.2 billion–CAD16.6 billion. YYZ, alone, had an estimate of CAD2 billion–CAD6 billion. These figures represent one approach and others may conclude differently with alternative approaches. Still, a competitive bidding process could be supportive to pricing the equity stakes, with the major airports likely to be more attractive to potential bidders.

Private equity can be expected to provide funding, but will need to be paid back with a return. Thus, a privatization transaction may not necessarily lead to more funding than is available today, and the risk remains that an airport acquired at a premium price may have to assume an even a higher level of debt as a result of the transition.

Canadian airports rely on an AIF to defray capital costs funded by debt or on a pay-as-you-go basis. The fee is not federally regulated and ranges from airport to airport, with some exceeding CAD30. There is heightened sensitivity in Canada regarding the airfare cost, and some is connected to the additional taxes and fees above the base airline fare. Should privatization be perceived to lead to higher AIF levels necessary to support higher leverage on airport assets or to enhance profitability and returns, this outcome would likely be an area of concern.

From the perspective of the federal government, formulating a seemingly stable financial model for privatization can still produce unexpected results. Brazil privatized several major airports a few years ago, while the economy was positive and passenger traffic was surging. Shortly after concession agreements were in place, the country suffered a severe economic downturn. In turn, passenger traffic at these privatized airports came in well short of initial forecasts, affecting revenues and making the fixed concession payments more difficult to afford. Thus, negotiations to resolve this issue are ongoing and the second round of airport privatization applied new mechanisms using both upfront and ongoing payments. Canada may not have comparable boom-bust traffic exposures across its airports, but the Brazilian situation shows

### Equity Value of Canada's Eight Largest Airports

| Airport         | Estimated Equity Value (CAD Mil.) | 2016 Debt Outstanding (CAD Mil.) |
|-----------------|-----------------------------------|----------------------------------|
| Toronto Pearson | 2,000–6,000                       | 5,720                            |
| Vancouver       | 3,200–4,500                       | 544.2                            |
| Montreal        | 1,300–2,900                       | 1,770                            |
| Calgary         | 150–1,200                         | 2,740                            |
| Edmonton        | 400–1,000                         | 939                              |
| Halifax         | 100–400                           | 283.4                            |
| Winnipeg        | 0–350                             | 613.2                            |
| Ottawa          | 0–400                             | 424.3                            |

Source: CD Howe Institute.

some of the financial risks that can revert back to issues for the government. Caution on the part of the public and private sectors usually can limit these exposures.

Lastly, public support for airport PPPs and/or corporatization of Canadian airports may ultimately be the greatest challenge. There could be considerable skepticism that producing profits for the private sector will take priority over improving airport amenities, service levels to passengers, encouraging more airline services or promoting more competitive airfares. Overcoming such concerns may be politically challenging, but given that other countries have been through this process, it is possible for Canada, through a transparent set of objectives and criteria for evaluation, to find a path that enhances airport service delivery and maximizes value to the public.

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