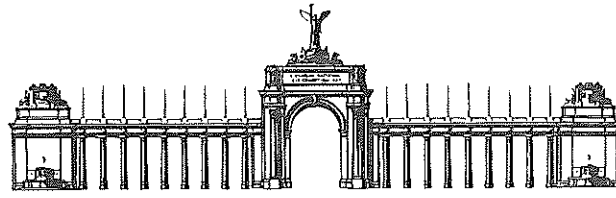


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EXHIBITION PLACE

April 26, 2004

To: The Board of Governors of Exhibition Place

From: Dianne Young
General Manager & CEO

Subject: Canadian Military Support for Air Shows

Recommendation:

It is recommended that:

- (1) The Board endorse the motion adopted by the Canadian National Exhibition Association Board at its meeting of April 22, 2004 respecting continued support from the Canadian government of the Snowbirds and Canadian Air Shows; and
- (2) The attached motion be forwarded to City Council for its endorsement.

Background:

At its meeting of April 22, 2004, the CNEA Board of Directors considered and endorsed a report entitled "Canadian Military Support for Air Shows" and adopted a motion wherein subject report be recommended to the Board of Governors and City Council for endorsement.

Discussion:

The following is an extract of the Background and Discussion portion of the above-noted report dated April 12, 2004 from Mr. Bob MacWilliam, CNEA President.

"Background:

The Canadian Forces have been supporting Air Shows in Canada since the 1920's and the Canadian International Air Show for 53 years. This support is specifically tasked to the Canadian Air Force and is provided in two ways.

- (1) Providing aircraft to participate in shows, either flying displays, static (ground only) displays or most often both. At many shows this includes the Snowbirds. The value of the Snowbirds to the industry is highlighted by the fact that the decision whether or not to hold a show at many communities is contingent on a commitment by the Snowbirds to participate.

- (2) Ground support in the form of equipment and personnel which would be difficult if not impossible, for local shows to provide. This is true especially for the CIAS where the CAF base at Trenton has always been more than generous in providing such support.

Discussion:

You can see by the article from the National Post, attached as Appendix "B", that the military have been asked to identify programs in the bottom 10% of their priorities. You will note that the CAF has included the disbanding of the Snowbirds and canceling all other support for Air Shows in that bottom 10%. This list consists of non-core mission programs which could be (or perhaps will be) scrapped if additional funding is not provided.

Should the Government not fund, or the CAF discontinue, all support for Air Shows (including the Snowbirds) the air show industry in Canada would not survive. International Military such as the United States Air Force would have no rationale to provide support if Canada did not. Sponsorship would dry up for Civilian performers as well as Canadian shows so an all civilian show would not be possible even if anyone wanted to try.

The importance of the CIAS to the CNE cannot be accurately quantified but its loss would have a serious economic impact on the CNE and would be the end of well over half a century of "Tradition" at the Ex.

The report recommends the adoption of the resolution passed by the Board of Directors of the Canadian Exhibition Air Shows Inc."

Conclusion:

This report requests endorsement by the Board with respect to the Canadian Military Support for Air Shows.

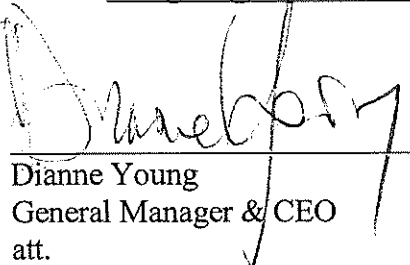
Contact:

Fatima Scagnol, Corporate Secretary

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Dianne Young
General Manager & CEO
att.

APPENDIX "A"

RESOLUTION OF THE BOARD OF DIRECTORS OF CANADIAN EXHIBITION AIR SHOWS INC. OPERATING THE CANADIAN INTERNATIONAL AIR SHOW

WHEREAS the recent federal budget has left the Canadian Armed Forces with a shortfall exceeding \$600 million.

AND WHEREAS there is a possibility that such shortfall may have a grounding impact on the Canadian Forces 431 Air Demonstration Squadron, *The Snowbirds*, and a total withdrawal of support for air shows in Canada.

AND WHEREAS the *Snowbirds* are a Canadian Heritage icon, having entertained over 100 million spectators at air shows throughout North America, including Mexico.

AND WHEREAS the *Snowbirds* are recognized by their peers in numerous allied air forces as being one of the world's foremost flight demonstration squadrons.

NOW THEREFORE the following resolution is unanimously passed, namely:

THAT the Canadian government recognize the *Snowbirds* as a national and international symbol representing Canada.

AND THAT the Canadian government recognize the *Snowbirds* as a national icon which needs to be protected, preserved, promoted, and enhanced.

AND THAT the Canadian government recognize that the *Snowbirds*, while at air shows, promote and support national and community charities, visit hospitals and seniors homes as a gesture of goodwill for both the team and the Canadian Armed Forces. Participation by the *Snowbirds* and Canadian Armed Forces aircraft at air shows provides a countrywide focus for Canadian pride, and a visual affirmation of national unity.

AND THAT the Canadian government recognize the *Snowbirds*, with their demonstration of precision flying at air shows, have proven to be an important source of recruitment, providing inspiration for young men and women to consider the Canadian Forces as a career.

AND THAT the Canadian government recognize the *Snowbirds* as "Canadian goodwill ambassadors" whose role and overall value to Canada transcends the traditional military roles of the Canadian Armed Forces.

AND THAT the Canadian government recognize the *Snowbirds*, while transcending the traditional military roles, carry on a proud tradition of excellence in Canadian military

flying formation teams beginning in 1928 with the Siskins, and continuing with the Golden Hawks and the Golden Centennaires.

AND THAT the Canadian government recognize the *Snowbirds*, now in their 34th season, have demonstrated to over 100 million spectators at air shows throughout North America, including Mexico, the skill, professionalism and teamwork of men and women in the Canadian Forces.

AND THAT the Canadian government recognize that the *Snowbirds* form an integral part of national and international air shows. Without the reciprocity of the *Snowbirds*, attracting international military participation at Canadian air shows will become an impossibility.

AND THAT the Canadian government recognize that Canadian air shows have a major positive economic impact on Canadian cities, such as Toronto, ON, Abbotsford, BC, Calgary and Edmonton, AB, Saskatoon, SK, Quebec City, QC, Winnipeg, MN, Halifax, NS, and London, ON.

AND THAT government recognize the appearance of the *Snowbirds* has a major positive impact at air shows in smaller communities such as Barrie, ON, Mont Laurier, QC, Sydney, NS, Fort St. John, BC, Kelowna, BC, St. Catharines, ON, St. Georges, QC, Hamilton, ON, Yellowknife, NWT, and Brantford, ON.

Funding shortfall of \$635-million could lead to major chopping, including fewer bullets and coastal patrols

Operation cutback

National Post
Thursday, April 1, 2004
Page: A8
Section: Canada
Byline: Chris Wattie
Source: National Post

Canada's military is facing some hard choices -- including possibly cutting purchases of ammunition, reducing coastal patrols and keeping fewer aircraft in the air -- after last week's federal budget left it as much as \$635-million short, according to internal documents obtained by the National Post.

Three "command impact assessments" prepared by the heads of the navy, army and air force lay out a vast gap between what the three services are supposed to do and what they get from the government to fund it.

In uncharacteristically blunt language, the generals and admiral say that to make ends meet, they may have to cut back in areas that could have far-reaching consequences, from buying bullets for soldiers to getting enough fuel for aircraft and warships.

The documents, obtained under the federal Access to Information Act, were ordered by General Ray Henault, the chief of defence staff, in the months leading up to last week's federal budget.

The budget gave the Canadian Forces more money for operations in Afghanistan and Haiti, along with \$300-million for new search-and-rescue aircraft, but those funds will not be added to the air force, army or navy's budgets.

Major-General Doug Dempster, the Canadian Forces' director-general of strategic planning, acknowledged the budget pressures but said the funding shortfall will not affect the military's core missions.

"We know there are pressures in the organization," he said. "And they are tough. It's tough to decide what we're going to do and what priorities we're going to set.

"We can deliver on the core mission, but it isn't easy."

Maj.-Gen. Dempster said the three services are not the only ones short of money -- the entire Department of National Defence has a shortfall of more than \$1.2-billion.

He said the department has freed between \$150-million and \$200-million internally to deal with the funding shortfalls, but added: "We obviously can't meet all of the requirements."

The department has not yet decided how much of that money will go to the army, navy or air force, but Maj.-Gen. Dempster said the shortfall is not necessarily disastrous for the three services.

However, the assessments lay out what each service must cut to make ends meet and the resulting problems in their creaky infrastructure, in looming shortages of troops and in taking on missions such as last month's deployment to Haiti.

Each service was asked to identify its "bottom 10%" of activities, those that may be axed.

The navy says it may be forced to leave coastal patrol vessels tied up at dock and reduce the number of days its capital ships go to sea this year, "which will impact on [Maritime Command's] ability to respond to nation/international emergency tasks."

The navy says the shortage leaves the service with "the dilemma of only having enough people to meet minimum requirements, yet not enough resources to provide them with the necessary tools to do their jobs fully."

The army, which will be unable to commit promised troops to a United Nations standby force, will continue to struggle to bring its units up to full strength and faces further shortages of equipment, supplies and ammunition.

"While our soldiers will continue to perform their assigned tasks magnificently," the army assessment says, "they will be required to compensate for shortfalls in infrastructure, ammunition and training opportunities, insufficient spare parts for vehicles, and a continual high [personnel] tempo."

To close its funding gap, the air force could be forced to call off its participation in air shows across the country and even sideline its Snowbirds aerobatics team, which would save \$19-million.

The air force suggests it must reduce flying time for the CF-18 Hornet, CC-130 Hercules and CC-144 Challenger fleets by almost 6,500 hours a year to save \$9-million.

The funding shortfalls could affect the army, navy and air force's ability to carry out missions, the assessment says.

Without more money, the navy says it will be hard-pressed to defend itself against potential terrorist attacks.

"I remain concerned for the protection and security of the navy," Vice-Admiral Ron Buck, the chief of maritime staff, writes in his report. "With only two concentrations of naval assets in both Halifax and Esquimalt, the consequences of an act of terrorism in either location would stand Canada's maritime capital assets at risk."

Without another \$5.6-million in funding, the admiral says: "I will have no choice but to reduce the level of protective measures commensurately to my budget and assume greater risk."

The navy will find it difficult to maintain a squadron of frigates and destroyers at high readiness and will have to scrap plans for a national task group in the Atlantic. It would also delay bringing its new Victoria-class submarines into operation.

The navy will not be able to commit any warships to international operations until at least November, by which time it hopes to have trained and supplied its High Readiness Task Force -- four vessels ready to sail anywhere in the world within 10 days.

Long-overdue maintenance to the fleet's largest warships, the 12 patrol frigates and four destroyers, will have to be put off for at least another year, a delay the navy says "may result in catastrophic failures."

More money is also needed for fuel to run the navy's ships after rising oil prices set the fleet back last year. The navy needs another \$5.5-million to cover higher fuel costs this year, the document says.

Despite reduced flying time, the air force is also struggling to pay its fuel bills. The cost of aviation fuel has skyrocketed to the point where the air force requires an extra \$4.6-million to keep its planes flying, writes Lieutenant-General Ken Pennie, the chief of air staff.

Lt.-Gen. Pennie wrote that pressures on his force have increased to the point of a crisis "all culminating to a critical point."

The air force will be unable to meet some key defence obligations, including having a full squadron of CF-18 fighter jets for overseas combat missions and keeping watch over Canada's coastline with patrol aircraft.

A vanguard force of 12 CF-18s will be cut in half and, with many of its front-line fighters and CP-140 Aurora patrol planes grounded for upgrades, the air force has fewer aircraft available to patrol Canadian airspace.

"The severity of the CC-130 Hercules [transport] aircraft availability problem is such that the air force will see a negative impact in its overall air transport capability," Lt.-Gen. Pennie writes.

The army assessment is slightly less pessimistic, but Lieutenant-General Rick Hillier, chief of land staff, says he "continues to face significant resource shortfalls."

Lt.-Gen. Hillier said he needs another \$100-million for equipment and spare parts and \$50-million to address a "continued shortage in ammunition allocations."

The regular army is also short 677 troops, about the equivalent of a full infantry battalion, and 2,944 reservists, a shortage of soldiers that Lt.-Gen. Hillier calls "a critical limitation to army force generation."

He says that is one reason why only 4,000 soldiers will be deployed abroad this coming year, down from 6,400 last year.

"By August, 2004, the army will enter into a high-risk period where only approximately 500 personnel are available for operational deployment," Lt.-Gen Hillier writes.

The army has been forced to use part-time soldiers and more civilian employees to fill the gap.

The air force is also facing a personnel problem, with increasing demands being placed on fewer pilots, air and ground crew, Lt.-Gen. Pennie writes.

"The air force has not bottomed out yet and will be unable ... to recruit or train its way out of the personnel challenges until at least 2006."

There is a "critical" shortage of new aircraft mechanics, many of whom are now approaching retirement. Despite layoffs in civilian airlines, Lt.-Gen. Pennie writes: "The pilot occupation continues to be under significant stress ... [and] recovery is unlikely until well into the long term."

The air force is also short of flight engineers, search-and-rescue technicians and weather observers, Lt.-Gen. Pennie writes. "We will ... require nearly \$10-million over the next three years to bring our establishment back to sustainable levels."

The navy is short-handed by nearly 1,000 sailors and has overloaded its training system to recruit replacements.

However, the largest shortfall for the three branches was in infrastructure -- their network of buildings and bases across Canada.

Lt.-Gen. Pennie said the air force has been putting off repairs and maintenance to its buildings for several years in response to shrinking budgets.

"If we don't reduce our infrastructure footprint or if additional resources are not forthcoming, capabilities will have to be eliminated."

The air force's bases, hangars and other buildings require an estimated \$800-million in repairs, maintenance or construction, but Lt.-Gen. Pennie says he can afford less than half of those fix-up costs.

The navy will also be reduced to only making emergency repairs on its buildings and facilities across the country.

The army has been working to reduce the number of barracks, garrisons and armouries for which it is responsible, but has been unable to knock down old structures quickly enough. "While demolition of buildings in excess to requirements is proceeding apace, it is unlikely that the army will achieve an overall 10% realty reduction by 2005."

CANADA'S MILITARY: ON THE BUBBLE:

Canada's navy, army and air force did not get the money they needed in the last federal budget. Now the three arms of the Armed Forces are weighing difficult choices to make up the shortfall.

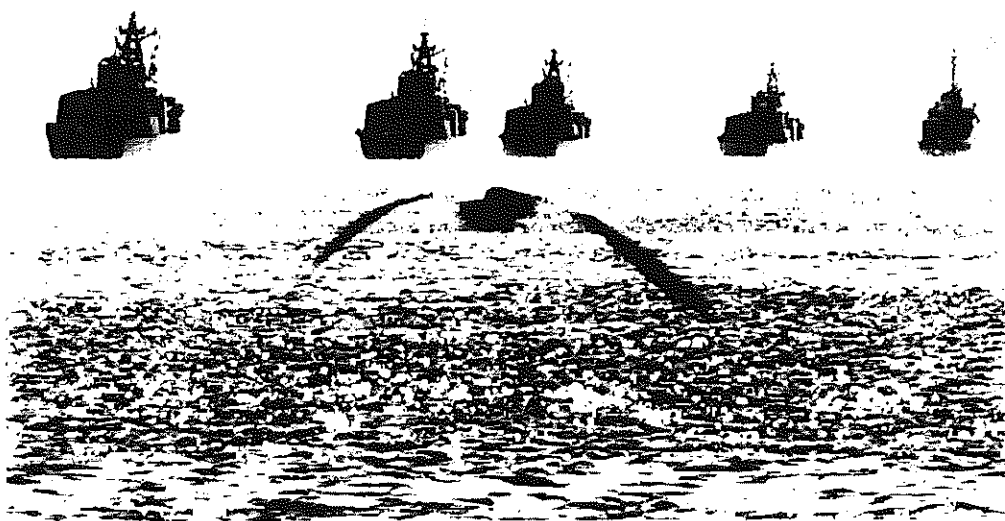
WHAT THEY GOT (FOR FISCAL YEAR 2004-05 ESTIMATED)

Navy: \$570-million operating budget
Army: \$920-million operating budget
Air Force: \$620-million operating budget

HOW MUCH MORE THEY NEED

Navy: \$143-million
Army: \$355-million
Air Force: \$137-million

POTENTIAL CUTS (BOTTOM 10% OF BUDGET):



NAVY

\$13.8-million: Governance (various command and communication programs).

\$5.2-million: Realty assets (maintenance and repair of naval bases and naval reserve armouries).

\$15.6-million: Operational capacity (readiness of warships and task forces "which will impact on [Maritime Command's] ability to respond to national/international emergency tasks").

\$1.6-million: Personnel training, career development, summer jobs for reserves.

\$6.3-million: Training (if cut, "there will be a significant reduction in [coastal patrol vessels] crew availability to contribute to maritime security and surveillance").

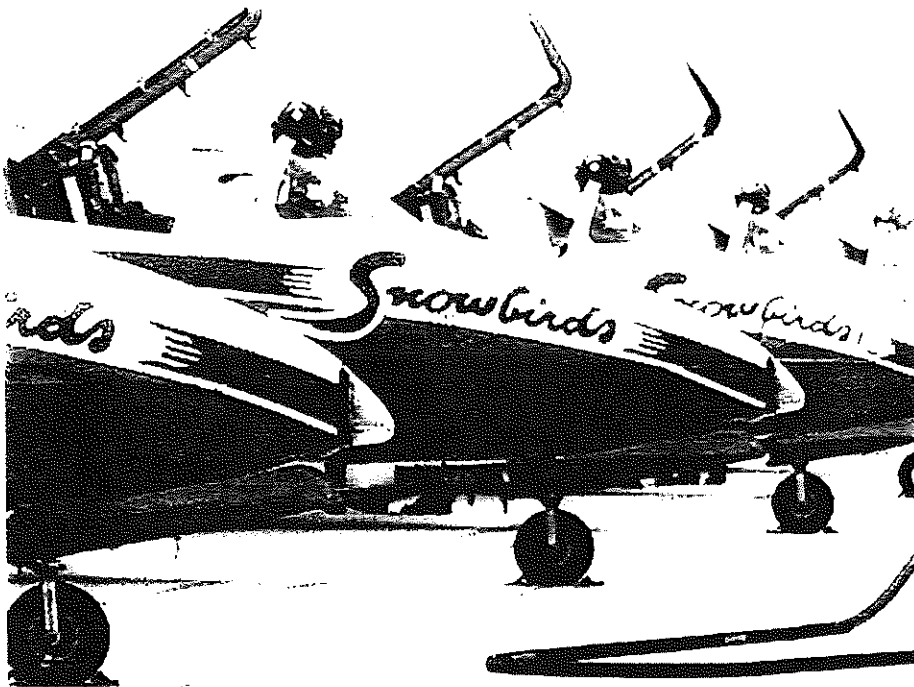
\$10.5-million: Engineering and maintenance (maintaining, upgrading and running the navy's warships, which, if cut, "would have a direct and immediate impact on operational readiness of the fleet").

\$1.8-million: Equipment ("Halifax-class frigates' capability and performance would be significantly degraded").

\$2-million: Supply of goods and equipment.

\$1.5-million: Protection.

\$2.9-million: Vehicles and miscellaneous equipment (purchase and maintenance).



AIR FORCE

\$9-million: Flying activities (reduced flying hours for CC-130 Hercules, CF-18-Hornet and CC-144 Challenger).

\$15-million: Miscellaneous requirements.

\$4-million: Infrastructure projects (repairs, renovations to air force buildings and construction of new buildings).

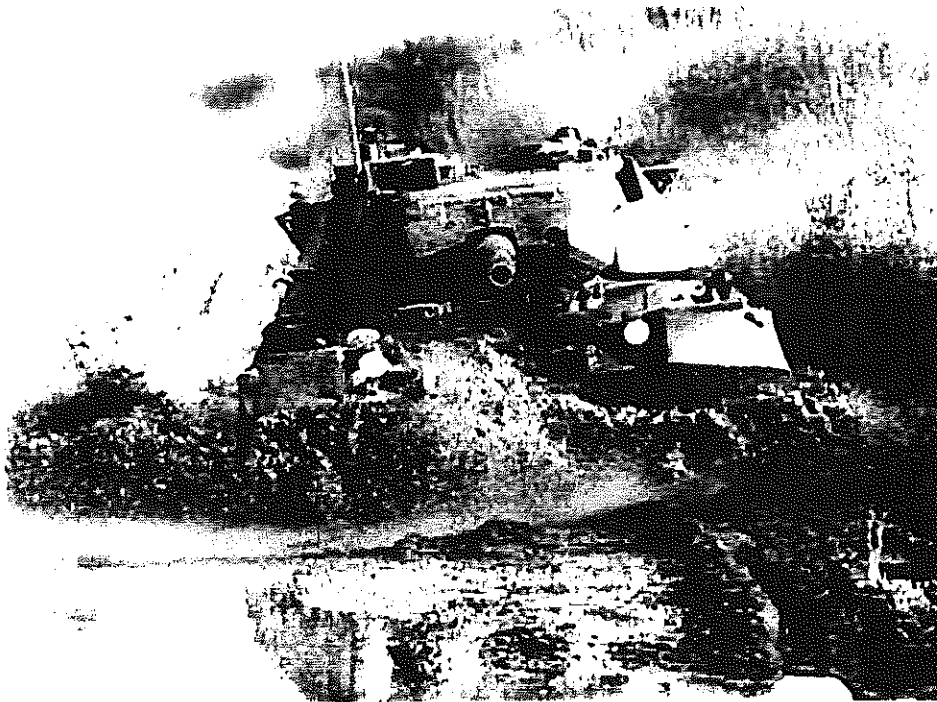
\$3.5-million: Temporary duty (for sending air force officers on "discretionary activities" such as attending conferences or lower priority exercises).

\$2-million: Air shows (sending air force planes to air shows).

\$17-million: Snowbirds (would cost approximately \$7.5-million to close down; "Although these activities help to showcase the [Canadian Forces], they do not add to the air force combat capability").

\$12-million: Reserve pay (cutting air force reserve).

\$2-million: Overtime and casual hiring (10% of total expenditures).



ARMY

\$29-million: Army transformation (a multi-year program to modernize the army; "Without this funding army transformation will fail").

\$29-million: Army reserves (Money for Land Force Reserve Restructure program to boost size and relevance of militia).

\$24-million: High-risk infrastructure (for maintenance and renovation of army buildings and bases).

\$8-million: Operational readiness (for maintaining troops at training and equipment levels to be ready to deploy at short notice).

\$8-million: Army contingency account ("will restrict [Land Force Command's] ability to react to unforeseen tasks or situations").

Source: Compiled by Chris Wattie, National Post

