

Atlantic  
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Airports  
Association



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Atlantique

Working Together



# Atlantic Canada Airports

## 14 Airports

- Bathurst Regional Airport
- Charlottetown Airport
- Deer Lake Regional Airport
- Fredericton International Airport
- Gander International Airport
- Goose Bay Airport
- Halifax Stanfield International Airport
- Miramichi Airport
- Greater Moncton International Airport
- Saint John Airport
- Stephenville Airport
- St. John's International Airport
- Sydney Airport
- Yarmouth Airport



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ACAA is a not-for-profit association with 14 member airports. We work closely with the Canada Airports Council and work to raise awareness on the challenges airports face. Although we compete for passenger traffic, we also have a great working relationship and work together in many ways which I will share a few examples of today.

# Vital Links

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- Air transportation is vital in Atlantic Canada
  - Economy depends on the export, import and movement of product and resources
  - Rail is limited, 10 hour drive from other major Canadian cities
  - Air travel links our region domestically and internationally
  - Tourism Industry is more important to our region than it is in other Canadian Provinces



In Atlantic Canada, air transportation is even more vital to our economic agenda than other modes of transportation. This is because our region's rail system is limited and our major cities are more than a 10 hour drive from other major Canadian centres. Air travel links our region domestically and internationally.

# Airports are Economic Engines

- Significant economic generators
  - 6.5 million passengers
  - 64,000 t of cargo
  - \$2.6 billion annually
  - \$560 million in wages
  - 16,700 person years of employment



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Our region has experienced unprecedented economic growth and diversity in the past decade. That growth has been facilitated and accelerated by the expansion of air service in Atlantic Canada.

While we have a relatively modest population base of 2.3 million people, we welcome over 5 million visitors to our region annually, which makes tourism an important sector and economic generator in Atlantic Canada.

Our airports move more than 6.9 million passengers per year – that's 3 times the total population of the region - and that number has grown by an average of 5% annually since 2002.

We are not only moving a substantial number of passengers and important cargo in and out of Atlantic Canada - we are enabling the growth of our local economies. Our airports generate over 2.6 billion dollars in economic activity every year, supporting 16,700 person years of employment and over \$500 million in wages alone.

# ACAA Background – Who We Are

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- Atlantic Canada Airport Association was formed in 1998
  - 14 Airports – 7 NAS, 7 regional/local
  - 5 ACAP eligible airports
  - 5 Associate members – 4 Provinces and Transport Canada
- Mission - To provide a collective voice and forum that enables member airports to undertake, on a region-wide basis, collaborative action on policy issues, advocacy, and services of mutual interest.



The Atlantic Canada Airports Association was formed in 1998 and is made up of 14 airports, which link our region to the rest of the country and the world. Seven of the airports in this region are part of the National Airports System and the other seven are regional / local airports. Five of the regional / local airports in Atlantic Canada are ACAP eligible airports and they include: Goose Bay, Bathurst, Sydney, Stephenville and Deer Lake.

Our Association meets twice a year and our mission is to provide a collective voice and forum so the airports in the region can work together on policy issues, advocacy and services of mutual interest.

# ACAA Background – What We Do

- Raise awareness of the importance of Airports to our Atlantic Canadian Economy and issues that affect aviation competitiveness and viability which has included:
  - Lack of CBSA Services in Atl. Can. – resolved in 2009
  - Small Airport Viability
  - Regulatory Burden for Airports
  - Airport Rent



We are the only regional airport association in Canada, other Provinces have councils and associations, but because of our size, population and proximity to one another we decided to work together to the benefit of the entire region. Our Association is unique, as there are no other airport groups in Canada that work as closely together as we do. Many Provincial Associations and even States have inquired about or adopted our model of collaboration.

We have worked hard to raise the awareness of the importance of our airports to our regions economy, as well as issues that affect aviation competitiveness and viability. We have had some successes and have focused on the following areas which affect our airports and aviation:

- The expansion of CBSA services at 4 airports in Atlantic Canada in late 2009 and the development of an Air Service Policy Framework for CBSA services which enabled airports, like Deer Lake to gain Airport of Entry status.
- We continue to raise awareness of the issue of small airport viability, both for the need for more ACAP funding and the need for a program for Small NAS Airports with less than 500,000 passengers, which Doug Newson will touch more on a little later this afternoon.
- The ever increasing regulatory burden on small airports affects the financial viability of airports our size. Safety and security is the primary goal for all airport authority manager's like myself, but we must assess the impact these regulations and added management work is having on our bottom line.
- And lastly, the issue of airport rent, which we won't discuss in detail today, as it has more impact on the larger airports in the country, but it does have a detrimental impact the competitiveness our aviation system and tourism industry overall. Our airports compete for business with airports across the border, for example Fredericton Airport in NB looses traffic to Bangor, Maine because the fees, taxes and surcharges on tickets, which airport rent contributes to, is too high in comparison to our US neighbours, which are subsidized.

# Working Together Creates Efficiencies

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- We share a marketplace – we work together
- Allows us to pool and leverage resources, market internationally and promote the region to grow service
- Over the past two years our airports partnered on 10 route development and cargo development projects
  - Attending missions, promoting the region, meeting with airlines, hosting networking events
  - Conducting research and sharing market data
  - Pitching joint routes to airlines



We share a marketplace, while we do compete for service, we recognize that our population benefits from the services that are offered at other airports in proximity. Working together allows us to pool and leverage our limited resources to promote and grow air access. Our region's airports have been working together over the past 2 years on more than 10 business development projects in an effort to grow air access and cargo traffic to the region. We work together to develop relationships with airlines, promote the benefits of flying to Atlantic Canada and then we compete with each other to secure routes. This is a very unique approach, our region's airports have recognized that we are smaller and in order to compete and grow the business we need to be innovative and work together in ways which will grow the "bigger piece of pie" our region and then continue to have healthy competition in securing the flights for our respective communities.

I'd like to take a minute to share with you a few examples of some of the projects we have partnered on.



# JumpStart Forum

- US and Canada airline and airport forum for networking and air access development
- Gold sponsor of event
- Held a networking dinner with seven senior airline network planners
- Approx 35 one-on-one meetings held with airlines
- New service to our region has resulted from this forum and it was shared between St. John's and Halifax with Porter Airlines



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## Example – World Routes Forum

- World forum for networking and air access development
- Partnered to profile the region to airlines
- Held a networking evening – attracted 25 guests including 18 senior network planners
- 50 one-on-one meetings held with airlines at the forum
- New routes developed with airlines as a result



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# Working Together Creates Efficiencies

- Work together on projects of mutual interest with an aim of cost reductions
  - SMS Consulting Services – 6 airports cost shared for training and implementation of SMS at a cost savings of 40%
  - Share equipment when required ie. snowblowers
  - Collaborate on air service development where applicable ie. Southern Destination flights from region
  - Share information and best practices on Board Governance and Airport Authority management
  - Collaborate and share information on training for emergency exercises and firefighting

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In addition to marketing and promotion of our region, our airports also learn from one another and work together on projects of mutual interest. Some recent examples are:

- SMS Consulting Services – 6 airports cost shared for training and implementation of Safety Management Systems which was a cost savings of 40% per airport
- Our neighbouring airports share equipment when required for example this past winter Gander loaned snowblowers to Deer Lake Airport
- We collaborate on air service development where applicable for example Charlottetown and Saint John share flights to Cuba in the Winter. A number of other airports in the region also work together for Southern Destination flights
- We continually share information and best practices on Board Governance and Airport Authority management
- And, we also collaborate and share information on training for emergency exercises. For example, this coming week St. John's International Airport is hosting a Crisis Communication Media workshop in Newfoundland for the regions airports and six airports are attending.

These are a just a few examples of the collaborative relationship that exists within our region.

## Success Stories of ACAP in our Region

- Atlantic TC staff have been excellent to work with
- Good direction on potential project eligibility which saves time in project and proposal planning
- TC staff are knowledgeable, helpful and responsive to critical issues:
- Since 2009 the following projects have been funded in Atlantic Canada:
  - Deer Lake Regional Airport - \$718,320 for fire fighting vehicle
  - Bathurst Airport - \$1.9 million for runway rehab and snow removal equipment
  - Sydney Airport - Install runway guard lighting and threshold lighting - \$153,000
  - Stephenville Airport - Purchase snow blower attachment - \$172,000
  - Goose Bay Airport - Reactivate aircraft apron, security fencing, apron lighting and auxiliary power unit - \$327,600



We are very pleased to be able to share with you some of the successes from the ACAP program in our region. On behalf of the five airports in Atlantic Canada that receive ACAP funds, I would like to start by saying THANK YOU. The Atlantic TC staff have been excellent to work with, they give us good direction on project eligibility so that we are not wasting time and money on proposal or project planning for projects that would not be eligible. They have been quick to respond and are very knowledgeable of the issues our small airports face in terms of infrastructure rehabilitation.

There have been a number of projects funded over the past two years including:

Deer Lake Regional Airport – \$718,320 for a firefighting vehicle

Bathurst Airport – 1.9 million for a runway rehab and snow removal equipment

Sydney Airport - Install runway guard lighting and threshold lighting - \$153,000

Stephenville Airport - Purchase snow blower attachment - \$172,000

Goose Bay Airport - Reactivate aircraft apron, security fencing, apron lighting and auxiliary power unit - \$327,600

I know Jennifer would also like to say a few words on the working relationship with the TC Atlantic staff when the emergency runway rehab was required in Bathurst last year. **Jennifer to add comments here.....**

## Timing of ACAP Renewal

The delay in announcing the new five-year program and projects had an impact on the planning and construction season for airports



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I don't think it will come as a surprise to any of you facilitating the renewal of the ACAP program that the delay in announcing the program and the funds had a negative impact on the planning and construction timeline for our airports.

# Availability of Capital

- Two Main Issues
  - Lack of funds for ACAP
  - Challenge for Small NAS Airports



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Overall the ACAP program works well for the airports in our region and again I would like to thank all of you for your support and hard work. I am now going to turn it over to Doug Newson to touch on two issues regarding the availability of capital for airports.

Thank you Jennifer and thank you for having us here today. As Vice President of the ACAA I would like to raise two main issues with you today.

- One being the lack of funding for ACAP and
- Secondly the issue of availability of capital for small airports and the unique issue our small National System Airports in Atlantic Canada face that have less than 500,000 passengers annually

## Lack of Funds for ACAP

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- ACAP funds insufficient to meet demand
- Since 2000 program funding has not increased
- Cost of doing business has risen considerably
- Airports are struggling to maintain capital infrastructure



Under the existing ACAP there is insufficient funding to meet the demand of small local and regional airports. Approximately 200 airports are eligible for ACAP funding and the \$38 million on average available annually through the program is not meeting the safety requirements of these airports. Since 2000, the funding in this program has not changed, while the cost of doing business has risen considerably. Airports are currently struggling to maintain capital infrastructure as ACAP is drastically under-funded and in many cases it is the airports only source of capital.

# Access to Infrastructure Funds

- Since transfer airports have improved the bottom line, added service and improved infrastructure
  - Self financed \$368 million in capital improvements in Atlantic Canada
- Struggle to raise capital for major infrastructure projects
  - Runway rehabilitation alone is in excess of \$5 million



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In terms of NAS Airports it is now 10 years since many of these airports were transferred from the federal government to local authorities and like the federal government predicted airports have flourished under local ownership. With this growth has come a need to improve infrastructure, including terminal expansions and upgrades, new aprons and longer runways.

Over the past 10 years our airports have been relatively self sufficient, financing a total of \$368 million in capital improvements in the past 5 years alone.

Over the next few years many airports will be required to raise more capital for major infrastructure projects

For the first time since transfer many key runways are in need of full rehabilitation – this will cost in excess of \$5 million. A number of airports in our region were fortunate to have secured funding assistance through the Atlantic Gateway to expand and rehabilitate runways. Without funding assistance many of these projects would not have been possible.



## Small NAS Airport Funding Issue

- Small NAS airports with traffic of less than 500,000 passengers annually cannot self finance safety related infrastructure projects
- There are five in Canada: Charlottetown, Saint John, Gander, Fredericton and Prince George in BC.
- Flourished under local ownership:
  - Since 1999, passenger traffic grown by 20% as high as 50%
  - Combined the airports invested \$52 million in capital projects over the past five years



It is generally agreed that the transfer of airports from Transport Canada to Canadian Airport Authorities has led to many positive results for both the airports and the communities they serve. While we believe that the transfer of airports was the right decision there have been difficulties and lessons learned. One of these lessons is the high cost of capital infrastructure required to maintain an airport and the struggle smaller airports have in raising this capital. There are only five smaller NAS airports in Canada that have less than 500,000 passengers annually. These airports, like regional/local airports struggle to maintain their costly infrastructure assets. The five airports are Charlottetown, Saint John, Gander, Fredericton and Prince George in BC.

These five airports have also experienced significant growth under airport authority leadership and have greatly improved our bottom line. Since 1999, passenger traffic at our five airports has grown by 20 percent to as high as 50 percent. Combined, five airports have managed to invest over 52 million dollars in capital projects over the past five years.

## Small NAS Airport Funding Issue

- At the time of transfer, the cost of capital obligations and required revenues was not realized
- Airports have been innovative in growing non-aeronautical revenues and implementing user fees
- We are largely self-sufficient from an operational point of view
- There is a need for infrastructure support similar to ACAP for the small NAS airports with less than 500,000 passengers



It is fair to say that at the time of transfer of the airports, the cost of these obligations and the required revenues to operate and maintain airports was not fully realized. Clearly the challenges that our smaller NAS airports would face, financially, was not well understood. Over time, our airports have developed a better understanding of our business framework. In fact, a review of our annual reports will show that we are largely self-sufficient. Take for example the Fredericton Airport, the approximate \$6.5 millions dollar in revenue that they generate is sufficient to cover all of their operating costs and enough to invest approximately 1 million dollars per year in our airport infrastructure. It has become clear now however that we are not able to fully fund our capital infrastructure requirements and that we will eventually run into major capital expenditures which we will not be able to make.

We have been in discussions with Transport Canada over the past year and a half and have concentrated our discussion on the ongoing need for support for airside and safety related infrastructure, as such support is available in Canada to local regional airports of the same size through ACAP.

All other NAS airports in Canada which have volumes over 500,000 passengers do not struggle to fund their safety and security related infrastructure assets. You can look at the number of 500,000 passengers as the point in which the full long term costs and revenue curves come together. Beyond that traffic level, an airport is able to generate the amount of revenue required to be financially viable.

# Airport Impact on the Community

- Only commercial airport
- Vital link for the Island's key industries and emerging bio-science and IT industries.
- Generates \$90 million in economic impact
- Aggressive approach to business development and have grown non-aeronautical revenue by 25% in the past 10 years
- Reduced staff from 38 to 21
- Long-term the airport is not financially viable
- Charlottetown like other small NAS airports requires access to an ACAP type of funding program

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Since we are in Charlottetown, I wanted to take a few minutes and this opportunity to explain the importance of the Airport to the local community and give you an example of the success our local airport has endured, while highlighting the challenges we still face in an effort to become financially viable.

As the only commercial airport in Prince Edward Island, our airport provides an important link to many key industries in the province and is essential for the growth and development of our provincial economy. Without an airport, Prince Edward Island would lose millions of dollars in tourism revenues annually, and would not be able to sustain or grow its new emerging business sectors, such as Bioscience and Information Technology. As you know, we are also home to Federal Government offices including Veterans Affairs, which I believe is the only Federal Department that has a Head Office located outside of Ottawa. Our local economy depends on using air transportation to do business. Having to drive 2 to 3 hours to the neighboring Provinces airport would mean fewer businesses would decide to not locate in our Province. Our airport generates over \$90 million in economic activity to the City of Charlottetown. We are a significant economic engine and one that needs to be supported to further enhance the economic benefit for our community.

We operate with an aggressive approach to business growth. By growing our concession fees and creating and expanding the business park located on airport land, we have been able to grow non-aeronautical revenue by over 25% in the past 10 years. Unfortunately, we have some of the highest landing and terminal fees in Canada and as a result, have not been able to increase them since transfer. At the end of the day, the best way to increase the stream of aeronautical revenues to our airport was to grow the number of carriers and flights at the airport. There is no doubt we have been successful over the past five years I doing this, but the cost of business has risen substantially. Operating and maintenance costs in 2000 were \$2.8 million, and today they have risen to over \$5 million. Prior to transfer, when the airport was operated by Transport Canada, we had 38 full-time staff. Today, we employ a complement of 21 full-time staff.

Our airport has been very fortunate to be able to build up a very solid balance sheet. We do have dollars set aside for capital improvements and projects are our airport. However, it will not be sufficient, in the long term. Solely maintaining and rehabilitating our runways would exhaust the capital fund that we have managed to accumulate over the past 10 years. If you were to examine our projected 10-year cash flow, you would see a deficit off over 10 million dollars, assuming that no funding of any kind was received for any projects.

The reality is that all five of our National airports are now facing increasing operational costs and monetary inefficiencies that have accumulated over a number of years. These airports have been operating in an under-funded manner in terms of infrastructure and as a result, infrastructure and supporting equipment is becoming worn and aged. We simply cannot keep up with the rising capital costs while meeting new regulatory requirements; these costs are quickly outpacing our airport revenues.

In conclusion, it is imperative that our airports have access to a funding program. We are not asking to re-invent the wheel, the ACAP funding program exists, and we envision having something similar that is accessible for small NAS airports under 500,000 passengers in order to assist us in funding our safety and security related infrastructure requirements.

Thank you again for the opportunity to present our views today on behalf of Atlantic Canada's Airports. We will be happy to take any questions.

# THANK YOU

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## QUESTIONS?

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