



Victoria Airport Authority

**Annual General Meeting
Summary of Proceedings**

**7:00 – 7:50 pm, Thursday, 6 May 2004
Held at the Mary Winspear Centre at Sanscha
2243 Beacon Avenue, Sidney, BC**

ATTENDANCE

VAA Board Members:

Chair: Linda Petch

Haji Charania, Peter Dolezal, Victoria Kuhl, Mervyn Lougher-Goodey,
Peter Parsons, Bob Skene, Wayne Tremblay, Matthew Watson and Geoff Young.

Management and Staff:

Richard Paquette (President and Chief Executive Officer),
Paul Connolly (Recording Secretary), Anita Kardos, Danita Ouellette,
Mike Booton, Ian West, Vincent Miller, Terry Stewart, Sharon Johnston,
Bruce McRae.

Others In Attendance:

External Auditor: Larry Ross, KPMG

Transport Canada: Signe Clouthier, Senior Programs Officer, Pacific Region

CIBC: John Webber, Director Commercial Banking B.C.

District of North Saanich: Mayor Ted Daly

Town of Sidney: Councillor Colin Plint, on behalf of Mayor Don Amos

Saanich-Gulf Islands: Arien Heath on behalf of Gary Lunn, MP, and federal

election candidates for Saanich-Gulf Islands: David Mulroney-Liberal, and

Jennifer Burgis-NDP

Commissionaires: Denis Pettigrew – Victoria Airport Detachment Commander,

Don Fisher, Bill Cann

Total Attendance: approximately 60

- 1) **CALL TO ORDER**
- 2) **WELCOME TO ATTENDEES**
- 3) **WELCOME TO ELECTED OFFICIALS,
TRANSPORT CANADA AND OTHERS**
- 4) **INTRODUCTION TO BOARD OF DIRECTORS, GUESTS AND
SPEAKERS**

Linda Petch, VAA Chair, welcomed everyone to the Annual General Meeting of the Victoria Airport Authority.

The Chair presented the Victoria Airport Authority Year 2004 Board of Directors and Committee Participation (Appendix A).

5) **REPORT FROM THE VAA CHAIR – LINDA PETCH**

a. **Looking Back Over 2003**

The Chair, Linda Petch, reported it was a successful and challenging year.

I **Change in Board Make Up**

In December, the final three original Board members, Alan Peterson, Andrew MacGillivray and John Nicas completed their terms. They were part of the team that negotiated the transfer of the Airport to local control, approved the construction of the new Terminal Building, negotiated Accords with the District of North Saanich and the Town of Sidney, approved improvements to the parking lots and runways, and oversaw the completion of the Master Plan. The Chair, on behalf of the Authority and the Community, thanked these Directors for their dedication and overall contribution. Carl Kuhnke (nominated by the District of North Saanich) retired after his first term on the Board as he moved out of the District of North Saanich.

I **Terminal Building Expansion**

In 2003 the Board approved the final phase of the Terminal Building Expansion Project. With the completion of this phase the VAA will meet Federal requirements for baggage screening and provide much needed improvement to the departures area. Because the Board anticipated there would be revised requirements for baggage screening after 9/11, the final phase was put on hold to avoid an expensive retrofit. VAA has a commitment from the Canadian Air Transport

Security Authority (CATSA) to contribute one-third of the total estimated project cost for new Hold Baggage Screening facilities to be located in the Departures Area.

I Land Development

In Spring 2003, the Board held a planning workshop that focused on land development. The result was strategic direction to management that will result in the further development of Airport lands. With VAA's strong working relationship with its' neighbouring Municipalities, District of North Saanich, and the Town of Sidney, VAA is able to resolve common infrastructure and transportation problems and contribute to the economic development of the Community.

I On-Going Issues

During 2003, the Board continued to participate in the Canadian Airports Council (CAC) to deal with a number of on-going issues. In 2003, VAA's Chair, Alan Peterson, played a vital role, serving as Chair of the Council of CAC Chairs.

I Canada Airports Act

One of the issues addressed by CAC was the draft Canada Airports Act (CAA) which would have been unnecessarily burdensome and changed the make-up of the VAA Board. Thanks to intense lobbying the CAA was not passed by Parliament. While there may be a legislative framework in the future, CAC will advocate for principle-based legislation rather than burdensome, prescriptive legislation.

I Insurance

Insurance continues to be a focus of the CAC. The work undertaken by the CAC taskforce which is chaired by VAA's CEO has helped rationalize insurance rates across the country.

I Rent

The Authority also continued to work through the CAC to advocate for an improved rent structure. While the Federal Government agreed to defer a portion of airport rents for several years because of the volatility in the industry, the deferral does not solve the underlying rent problem. It is important to understand that the rent paid by the VAA is recognized across the Country as being out of line with other Level 2 Airports, and the problem will be exacerbated in three years when the 10-year cap on rent ends. Then participation rent kicks in. Participation rent is

determined through a complex formula which will see the Authority even paying rent on the Airport Improvement Fee (AIF). The Board believes that it is prudent risk management to be tackling and trying to resolve this issue now rather than in three years when participation rent kicks in.

I Air Canada

Also of significant concern is the Air Canada situation. Given that Air Canada carries 50% of Victoria Airport's passengers, the VAA is monitoring the situation closely and is committed to responding in ways to maintain the financial health of the Authority.

b. Looking to the Future

I Strategic Planning

2004 sees the culmination of the Authority's Five-Year Strategic Plan. At the end of May 2004, the Board will hold a Strategic Planning Session to set broad goals for the next years. VAA will build on the existing plan with its emphasis on providing its customers with safe and secure, high quality and cost effective airport services together with facilities that enhance the social and economic well-being of the Region it serves.

I Commitment to Good Management

VAA remains committed to solid financial and operational management of the Airport, and that includes keeping the final phase of the Terminal Building Departures Phase on time and under budget. The Chair took the opportunity to recognize the outstanding work of VAA's CEO, Richard Paquette. The CEO provides leadership at both the national and international level. The Chair said much of the success is due to VAA's sound management team. The Chair also thanked the managers and staff of the Authority as they are dedicated and hard working, and the Board appreciates their contribution.

I Commitment to Good Relationships and Stakeholders

In 2003, the VAA continued to have strong working relationships with its neighbouring Municipalities, its business partners, tenants and Transport Canada. The Chair said the Board knows these relationships are fundamental to the success of the Authority and the Board is committed to maintaining them.

Under the guidance of the Art at the Airport Committee, the Authority is also reaching out to the arts community, giving local artists and organizations the opportunity to display their work on a rotating basis. The Authority is sponsoring an artist for the "Orcas in the City" project to benefit the British Columbia Lions Society for Children with Disabilities and Easter Seal Operations. A young, student artist, Jacylin Jeffries, who is a grade 10 student at Belmont, has been selected to create a piece that is called "Reflection," an interactive piece with the whale covered in reflective glass.

I Welcome to New Board Members

The Chair thanked North Saanich, Saanich and the Federal Government for the nominations of three new Board members who began their terms 1 January 2004: Wayne Tremblay, Haji Charania and Matthew Watson respectively. The Chair also thanked those Nominating Bodies to VAA's request for directors with the appropriate mix of skills and experience to complement the mix on the VAA Board. It is the Board's commitment to serve the Authority and the community well.

6) PRESENTATION OF THE FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2003 BY KPMG

Larry Ross, KPMG, External Auditor, presented the 2003 Financial Report and went through the Statements highlighting various items.

a. Statement of Operations

Revenue

Revenue increased by approximately \$600,000 over 2002 (\$8,604,057 vs \$8,039,342), primarily a reflection of the number of passengers as well as an inflationary adjustment. Most of the total revenue increase was the AIF. This was because of increased passenger activity, particularly in the last half of 2003, resulting in approximately \$1 million increase in AIF revenue.

Expenses

Expenses increased by approximately \$2 million. This was because of the expansion program, both in amortization and interest expenses.

b. Statement of Financial Position

Capital Assets – similar amount to last year; however, there was an increase in AIF expenditures with an approximate equal offset in higher amortization. Amortization is higher by approximately \$900,000 because the newly expanded Arrivals Area was opened in November 2002.

Total debt paid down over 2002 is approximately \$1,000,000.
Investment in capital assets increased by approximately \$1,000,000.

Larry Ross reported VAA's Financial Plan was well executed.

7) REPORT FROM THE PRESIDENT AND CEO

Richard Paquette highlighted the following:

- VAA received the 2003 Community Building Award
- Final Phase of the Expansion Project - the expanded Departures Area will be spacious with an abundance of natural light as well as increased queuing area. There will also be self-serve airline check-in kiosks. Moore Paterson Architects, and Durwest Construction Management remain as architects, and project / construction manager respectively. Construction started in April 2004 and project completion to meet federally regulated 100% Hold Baggage Screening is December 2005.
- Effective 1 July 2004 AIF increases from \$8 to \$10 to fund passenger service improvements and essential aviation safety related capital projects.
- Passenger activity up 7.3% from 2002 to 2003. Victoria International Airport is the 9th busiest Airport in Canada. 2003 almost saw passenger volume brought back to 1998 level. In the latter half of 2003 passenger numbers were double digit growth, the trend continues into 2004 but expected to moderate later in 2004.
- Changing Airline Industry – low cost carriers continue their growth at the expense of Air Canada. The number of 3rd tier airlines increased in 2004 – Hawk Air and Helijet join Airspeed and Pacific Coastal Airlines.
- Safety and Security – YYJ enhanced preboard screening facilities, and had favourable regulatory inspections. Victoria International Airport is the first Canadian Airport to formalize a Safety Management System (SMS).

- 2003 Capital Projects – Terminal Building, Loading Bridge and Airfield Pavement, Drainage, Lighting projects were paid for out of AIF funds.
- Environment – contaminated soil excavated from the de-commissioned, former Transport Canada Fire Training Area was successfully bio-remediated on site. Improvements to Ten Ten Creek continue. Environmental and Archaeological Site Assessments are undertaken on every Airport land altering activity. Six Environmental Tenant Inspections were undertaken and all fully complied with Federal Environmental Regulations. Transport Canada Environmental Audit was successful. Noise Management Committee met three times and a number of initiatives have been undertaken with the community.
- Land Development Initiatives – Pacific Sky purchased a significant interest in Viking Air. Construction to start soon on a new production facility in the East Camp, keeping approximately 100 people employed in the area.
- Customer Service – BC Transit commenced limited service to / from the Airport, a first step in what is expected to be improved service over time. To improve customs clearance for General Aviation a new Customs Facility has been opened at the Aerocentre. VAA Web Site has been enhanced under the direction of Anita Kardos. The Red Coat Volunteers and the Commissionaires continue to welcome visitors with friendly assistance.
- The CEO remarked it is a pleasure to serve the Community at a first class Airport.

(A pictorial summary of the President and CEO's presentation is attached to this Summary of Proceedings.)

8) GENERAL QUESTION PERIOD

Two questions from the public related to Transport Canada.

- Question: Does Transport Canada audit the operations of the Victoria Airport Authority and are the results available to the public?

Answer: The CEO, Richard Paquette, said Transport Canada ensures VAA is in compliance with the provisions of the Ground Lease. Signe Cloutier, Senior Programs Officer, Transport Canada, was invited to comment. She said it is not considered an "official" audit and as such the results are not available to the public. Transport Canada is in the process of developing an "official" audit.

The CEO said in accordance with the terms of the Ground Lease a review of the management, operations and maintenance of Victoria International Airport is undertaken every five years. The first Five-Year Performance Review covering the period 1 April 1997 to 31 March 2002 is available on the VAA Web Site

- Question: does Transport Canada contribute financially to the Airport?

Answer: The CEO said the Federal Government owns the Airport lands and leases the property to the VAA to operate and manage the Airport safely. The VAA pays rent to Transport Canada calculated under a formula specified in the Lease. The VAA paid over \$1 million in 2003. There is a debate as to the appropriate level of return the federal government reaps from their assets. Transport Canada is responsible for the oversight of the Airport so they contribute in that regard.

There were no further questions.

9) CONCLUDING REMARKS

This concluded the Annual General Meeting at which time the Financial Statements were presented.

Linda Petch thanked everyone for coming.

10) ADJOURNMENT



Victoria Airport Authority Year 2004 Board of Directors and Committee Participation

Appendix A - 6 May 2004 AGM Summary of Proceedings

NOMINATOR	NOMINEE	COMMITTEES
1. District of North Saanich	Peter Dolezal	Vice Chair, Audit and Finance Committee Governance Committee
2. District of North Saanich	Wayne Tremblay	Planning and Development Committee Airport Consultative Committee
3. Town of Sidney	Mervyn Lougher-Goodey	VAA Vice Chair Steering Committee Chair, Airport Consultative Committee Planning and Development Committee Governance Committee
4. Town of Sidney	Mel Couvellier	Vice Chair, Planning and Development Committee Governance Committee

NOMINATOR	NOMINEE	COMMITTEES
5. District of Central Saanich	Peter Parsons	Board Secretary Steering Committee Chair, Governance Committee Airport Consultative Committee Audit and Finance Committee
6. District of Saanich	Haji Charania	Planning and Development Committee Airport Consultative Committee
7. Capital Regional District	Victoria Kuhl	Chair, Art at the Airport Committee Vice Chair, Governance Committee Planning and Development Committee
8. City of Victoria	Geoff Young	Audit and Finance Committee Governance Committee
9. Victoria Chamber of Commerce	Bob Skene	Chair, Audit and Finance Committee Steering Committee Governance Committee Airport Consultative Committee
10. Government of Canada	Gordon Denford	Chair, Planning and Development Committee Steering Committee Art at the Airport Committee Airport Consultative Committee

NOMINATOR	NOMINEE	COMMITTEES
11. Government of Canada	Matthew Watson	Audit and Finance Committee Airport Consultative Committee
12. Board Nominee	Linda Petch	Board Chair Chair, Steering Committee Ex officio member of all Standing Committees