

Five Year Performance Review

Victoria Airport Authority



Final Report

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ACRONYMS USED IN THE REPORT

AIF	Airport Improvement Fee
ATAC	Air Transport Association of Canada
ATB	Air Terminal Building
CAC	Canadian Airports Council
CAA	Canada Airports Act
EDS	Explosive Detection Systems
ERP	Emergency Response Plan
NAS	National Airports System
VAA	Victoria Airport Authority
TC	Transport Canada
WCB	Workman's Compensation Board
YYJ	Victoria Airport

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ANNEX A – BACKGROUND DOCUMENTS

ANNEX B – APPLICABLE LEGISLATION

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ISSUED BY TRANSPORT CANADA 14 FEBRUARY 2004**

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1 Executive Summary

During the period April 2002 to March 2007, the Victoria Airport Authority has exceeded the terms of its Ground Lease with Transport Canada. Not only has it operated a safe and secure aerodrome and contributed as an economic engine to the surrounding communities, it has done so with vigour, direction, purpose and vision.

During the past five years the VAA has implemented enhanced safety and security measures, it has built and opened new facilities for the travelling public, it has continued to actively promote an environmental program which reflects the desires of the community, it has solicited public discussion and responded appropriately, it has created and uses both strategic and tactical business plans, and it has managed its fiscal affairs in a way which assures its continued success.

The following report lays out in detail the accomplishments of the VAA over the past five years.

2 Mandate

This report is based on a review of the performance of the Victoria Airport Authority (the VAA) from 1 April 2002 to 31 March 2007. This five-year period saw continuous improvements at the VAA marked by a number of events and developments:

- Continued development of the VAA as a locally-governed, stand-alone organization to manage the business affairs of an international and domestic gateway, independent of the federal government;
- Introduction of enhanced airport security measures;
- Completion of a new terminal facility;
- Significant growth in passenger/cargo volume from 2002 to 2007;
- Continued development of an Environment Management Program; and
- Resolution of the rent paid to Transport Canada.

Section 9.2 of the VAA Ground Lease with Transport Canada requires the VAA to commission an independent study on its management, operational and financial performance at least once every five years. The Board may also request a performance review any time before that.



The assignment as described in the VAA terms of reference was to perform a high level review to express a view on the management, operation and financial performance of the VAA from 1 April 2002 to 31 March 2007. The detailed terms provided for a review of:

- The extent to which the VAA is operated safely and efficiently;
- The adherence to and realization of internal business plan objectives;
- The rent paid to Transport Canada;
- The environmental management processes in place; and,
- The extent to which the aerodrome has acted as an economic engine for the community.

2.1 Approach and Methodology

After discussions with senior management of the VAA, and upon review of the extent of the engagement, it was agreed that we would address the objectives of the review by relying upon available materials and published reports, supplemented by interviews with various executives, Board members, employees and selected stakeholders (airlines, concessionaires and tenants) to corroborate initial findings and conclusions. Input and feedback received by the VAA from Nominators to the Board of Directors was also taken into consideration. This review should be considered as a high level “desk review”, which would not initiate exhaustive new, independent research. The materials identified as source materials upon which we conducted our review are listed in Annex A – Background Documents.

The review as conducted relied heavily upon these documents which were provided to us by management, and who cooperated fully in providing additional materials and information in response to our requests. We were thus able to make numerous direct enquiries of management concerning financial, operating, contractual and other issues.

We considered management responses to our questions, which took the form of detailed explanations, listings and schedules, and other additional documentation. We applied analytical procedures such as comparing current and prior information and considered the reasonableness of financial and other interrelationships. We discussed the information received with appropriate officials of the VAA and determined the overall plausibility of such information taken as a whole.

Some of the documents we reviewed were audited and/or were produced by professionally independent third parties. Our mandate did not include



verifying such information with these third parties or conducting any other review or evaluation procedures, hence, none were undertaken.

The VAA facilitated interviews with external parties and permitted us to contact major stakeholders. We were not restricted or limited in making these contacts in any way, other than by normal considerations of time and budget.

3 Victoria and its location

Located on the southern tip of Vancouver Island, the City of Victoria is one of thirteen municipalities and three electoral areas that make up the Capital Regional District (CRD). Just 20 minutes by air from Vancouver and 40 minutes from Seattle, the region is within convenient reach of approximately four million consumers.

The region has the mildest climate in Canada and records the most hours of sunshine in British Columbia. Victoria is the oldest municipality in B.C., and the area's colourful history and scenic location have

contributed to its current status as a world class tourism destination. As the Province's capital, Victoria is also a busy centre for both government and business.

An aerodrome has operated on the site since 1939, with the VAA assuming operational responsibility on 1 April 1997.



4 VAA - Adherence to Corporate Objectives

4.1 Compliance with the Ground Lease

We believe that the VAA has over the period of the review met its original objectives, as set out in its incorporating documents. It has received substantial support from local interests and stakeholders in a manner that is consistent with the original intention of the transfer of responsibility to a local airport authority. With the renovation, construction and opening of



the new departures and arrivals facilities, as well as the pre-board screening and hold baggage screening areas, the VAA has demonstrated a commitment to continued high quality passenger and cargo service in a safe and secure environment for the Victoria and Saanich Peninsula area.

Over the period under review, the VAA has developed and implemented a clear vision for successful operations. It has laid a solid foundation and continues to pursue the long-term strategic objectives of the airport. It has responded to external events consistent with its original mandate and developed an approach to service delivery consistent with the needs of the Victoria and Saanich Peninsula area.

The VAA during the period under review:

- Has operated safely and securely;
- Contributed to regional economic development;
- Enhanced customer service;
- Developed/maintained Air Services;
- Maintained its financial viability (to an extent which, in the opinion of this writer, should be the model for all other airports in the NAS)
- Contributed to being a part of the community through its “Red Coat” volunteer program and through its active involvement in promoting the arts.

This review concludes that the VAA has managed and operated the airport safely, efficiently and for the general benefit of the public. We believe the VAA during the period under review has shown a solid record of achievement, as illustrated by the following examples (which are more fully discussed in the body of this report). Over the review period the VAA:

- Maintained continuous certification as an aerodrome under the Federal Aeronautics Act, thereby satisfying international and federal regulatory requirements for safety and security of the travelling public;
- Successfully completed, substantially on time and under budget, capital investment programs which have enhanced the capacity of the airport, and improved services to travelers;
- Undertook capital improvements to the extent of \$55 million, with only a debt of \$18 million left to repay;



- Undertook, in conjunction with the Canadian Air Transport Security Authority, the implementation of new security measures designed to increased the safety of the traveling public, including pre-board screening and screening of all hold baggage;
- Undertaken initiatives to establish an internal system of performance measurement designed to continuously improve business processes and outcomes;
- Introduced service innovations which enhance the attractiveness of the airport, and constantly monitored its primary users for feedback, to which it responded with concrete actions;
- Implemented an active development of airport lands to diversify and attract tenants outside the traditional aviation business; and
- Worked with its immediate communities, the City of Victoria and the Province of British Columbia to manage effectively major issues relating to its operations (such as the building of a major traffic overpass on the nearby highway to ensure safe access to the airport).

We believe that the VAA has over the review period posted an excellent record in managing and operating the airport. We attribute this to the vision and direction provided by the leadership team of Board members and senior management that presided over the VAA during this period. The use of the Carver Governance model by the Board, and its insistence that all Board members follow this model, has been instrumental in creating an effective, action-oriented and results-oriented corporate culture.

A - Major Finding: We conclude that the VAA is in compliance with the terms of the Ground Lease and the Corporate Objects expressed in the Letters Patent.

4.2 Safety/Security

The VAA maintains the following operations plans reviewed on an annual basis:

- Snow Plan;
- Various Environmental Management and Response Plans;
- Wildlife Management Plan;
- Emergency Response Plan;



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- Crisis Communications Plan; and,
 - Airport Operations Manual.

Aside from minor potential improvements that are remedied on an “as requested” basis by Transport Canada, the VAA has received recognition that their facility is considered safe and secure. The Victoria International Airport continues to meet the ongoing requirements of Aerodrome Certification Program pursuant to the Canadian Aviation Regulations, CAR30.

4.2.1 Operations - Safety and Security

Since September 11th, 2001, airport security has taken a larger role in the management of airports. Although the Canadian Airport Transportation Security Agency (CATSA) has been in existence since 2002, the regulatory environment is still quite fluid. A number of interviewees expressed concern that, even as the responsibility for airport security is shared between Transport Canada, CATSA, local police service delivery organizations, national police agencies and private security companies, the public will continue to hold airport operators accountable for any failures in security. As Transport Canada continues to develop the rules with respect to air cargo, there may be some concern about the levels of security that may be enforced. VAA benefits from the familiarity that all airport stakeholders have developed over time with the systems, the personnel and the practices, to maintain a common commitment to security. That this remains a significant advantage is demonstrated by the fact that the VAA has been selected as a pilot project to develop an air cargo inspection system.

Emergency Response Plans (ERP) and other plans and security procedures and documents have been updated to remain current with Transport Canada requirements and the VAA’s operational realities.

Emergency support continues to be provided from local enforcement agencies. The VAA is an active participant in local emergency planning exercises on a reciprocal basis. Transport Canada regulations require the performance of “Full Scale” emergency exercises at least once every two years. VAA meets this requirement.

Mutual support between the fire fighting services exists between the VAA and the Town of Sidney. Discussions are underway to renew the formal agreement for mutual firefighting support between the VAA and the District of North Saanich. A mutual aid support agreement is expected to be in place between the VAA and the District of North Saanich by 2008.



The fire services have received substantial additions since the last Performance Review in 2002. A new 6x6 fire truck was added in 2006 giving the fire fighting services Cat 9 capability (although the largest aircraft which routinely lands at the airport is a Boeing 737-800 which is Cat 7). Training has allowed three personnel to meet the 1001 Certification, which now means that six of the 10 firefighters now meet the 1001 Certification. The VAA installed crash roads at the ends of all runways which now allow access in inclement weather. Firefighters do regular inspections of fuel bowzers, but do not have the appropriate training or responsibility to inspect the fuel farms.

4.2.2 Safety Management System

VAA embarked upon a practice of specifically identifying performance metrics for each of its objectives. It has explicitly identified how it will measure its performance in relation to safety as set out below:

Safety of operations is a very important objective of the Victoria Airport. Airport certification requirements shall be met or exceeded, and all activities at the airport shall be conducted with safety of all persons, equipment, and facilities being given highest priority.

This priority has been carried into practice since the last Performance Review in 2002 through the actions of the VAA in beginning the design, development and implementation of a Safety Management System (SMS). The SMS has several safety performance indicators, each of which has associated with it specific performance measures, targets and reporting frequencies. These safety performance indicators are given below in no specific order or importance:

- Emergency response times;
- Runway incursions;
- Bird strikes;
- Workdays lost through accidents at work;
- Airport related aircraft accidents and incidents per year/operating hours;
- Ramp safety incidents per year;
- Financial costs of airport accidents, incidents and human related errors:
 - Loss of business income;
 - Compensation paid;



- Increases in insurance premiums;
- Legal fees;
- Claims for damages;
- Medical costs;
- Clean up of fuel/oil/chemical spills;
- Time lost through injuries;
- Fines;
- Flight delays.

These SMS metrics in turn are used in the following goals:

Goal 1: Ensure airport operates safely

Performance metrics here include:

- Transport Canada Aerodrome Certification Audit;
- The number of Safety incidents.

Goal 2: Ensure airport operates securely

Performance metrics here include:

- Transport Canada Security Audits;
- The number of security violations;
- Restricted areas pass control implementation and monitoring.

Goal 3: Ensure safe working environment

Performance metrics here include:

- The number of days lost due to accidents;

B - Major Finding: The VAA has demonstrated during the period of review its willingness to support the necessary enhanced safety and security requirements and responsibilities that come with local airport authority management. This commitment is subject however to external factors (such as CATSA) to which in the past the VAA has responded effectively.



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- The number of WCB claims;
 - Meeting acceptable Glycol measurement targets.

4.2.3 Crisis Communications Plan

The VAA has created a Crisis Communications Plan designed to help prepare for and manage the VAA's communications response in a crisis. The development and execution of an effective crisis communications/response reinforces the VAA's public image as a competent, caring and responsible member of the community.

The Crisis Communications Plan is organized to identify the key contacts and communication tools to support the VAA's public response to emergencies.

4.2.4 Regulatory Compliance

The statutory obligations which may apply to the VAA in its operation of the YYJ aerodrome arise from the terms of the laws of Canada. A list of applicable legislation is given in Annex B (although this list is not exclusive as other Federal legislation may also apply to the operation of the airport, or to the VAA as an employer).

A comprehensive analysis of the implications arising from these Federal statutes and supporting regulations was not within the scope of this review. However, we are of the opinion that because the VAA has maintained itself as the YYJ operator as a certified aerodrome under the Aeronautics Act, and remained free of any orders, penalties or unresolved complaints under any of the above legislation for the period under review, that this demonstrates a positive assessment of the VAA's compliance with its regulatory obligations under the applicable Acts.

4.3 Regional Economic Contribution: Victoria and Vancouver Island

Economic impacts measure the importance of airports in the aviation industry in terms of the employment they provide and the goods and services they utilize. Transportation benefits are the services that a community hopes to obtain by developing and maintaining an airport. Airports are a necessary means of connecting communities to world markets.

4.3.1 Transportation Benefits

The VAA provides a variety of public benefits to not only Victoria and the Saanich Peninsula, but also its entire catchment area of Vancouver Island.



The most substantial benefits are the time and cost savings associated with air transportation compared to other modes. Other benefits include:

- High levels of safety - meeting and exceeding national standards;
- Comfort and convenience - well maintained user-friendly facility and services;
- Access to national and international destinations - economic reach;
- Enhancements to community well being - enhance infrastructure;
- Inbound tourists - access to Vancouver Island.

The City of Victoria and the Saanich Peninsula have directly benefited from the presence of a well-run and well-managed transportation asset such as the YYJ aerodrome. It facilitates service to a significant catchment area even including some foreign passengers, as well as that population living on Vancouver Island.

VAA's success in attracting "low cost" air carriers to YYJ has created new business and tourism opportunities for the community and region. Indeed the potential for further regional service opportunities cannot be underestimated. The VAA has a significant competitive advantage from the combination of its location and its ability to utilize its excess air-side capacity to leverage even greater growth in the near to mid term future. In recent years, the VAA has secured an increasing share of non-scheduled charter business.

4.3.2 Economic Benefits

Airport economic impacts are assessed by looking at the full extent of the airport's impact on the local, regional and national economy, from the actual movement of passengers and freight, to the stimulation of economic growth that the airport's presence can cause in a local situation. Total economic impacts are made up of three components: direct, indirect and induced impacts. Direct impacts are consequences of economic activities carried out at the airport by airlines, airport management, fixed base operators, and other tenants with a direct involvement in aviation. Employing labour, purchasing locally produced goods and services, and contracting for airport construction and capital improvements are examples of airport activities that generate direct impacts. The distinguishing feature of a direct impact is that it is an immediate consequence of airport economic activity.

Indirect/induced impacts result from activities associated with the use of airport services which are typically generated away from the airport facility (i.e., hotels, restaurants and travel agencies) and the successive



rounds of spending in the local community that result from all of the above.

The VAA has recognized that its important role in fostering increased use of the facility has just such a multiplier effect in the region. During the period under review, the VAA continued as a busy airport serving scheduled and charter passenger air carriers and cargo air carriers. With the opening of the new Arrivals and Departures Lounge in 2004, the opening of the new Departures check-in area in 2005, and additional parking for more than 575 vehicles in 2006, the VAA will continue to be more attractive to both the business and recreational traveler.

The VAA's development of its restaurant and "fast food" services in the ATB is a direct reflection of the VAA's intent to provide first class service to its traveling public. The enthusiastic reception by the traveling public of the Tim Horton's and Starbucks fast food and coffee bars exceeded all expectations. The new White Spot restaurant will provide family style eating not only to the traveling public but also to the residents of Sidney and North Saanich.

The last review of the economic impact which the aerodrome had on the local community¹ was that the VAA itself directly provided 37 jobs, and that the operations of the VAA through the aerodrome and its tenants on the surrounding airport land provided a further 2,900 direct, indirect and imputed jobs for a total economic impact estimated at \$440 million annually.

Even with the events of September 11, 2001, air service development efforts by the VAA have resulted in more and better air service to more destinations at lower prices. During the period of review there has been a shift, consistent with that seen in the overall air carrier market from "high yield" air service to a mix of high yield and low cost service. This has positioned the VAA and the community well in the current environment.

C - Major Finding: The VAA has demonstrated during the period of review a commitment to regional economic development through its adoption of an active strategy to directly invest in the local economy.

¹ The latest economic impact study dates from 2004 and uses data from 2003. It was performed for the VAA by Jocelyn Purcell of *Inside Canadian Airports* and is dated 5 January 2005.



4.4 Environmental Awareness

The VAA is committed to minimizing environmental risk and continues to regard its environmental responsibilities, and also those responsibilities of its tenants, as key to its future success.²

As the VAA states in its Environmental Management Plan, “in order ... to be considered a leader in environmental stewardship, environmental excellence must be the primary goal”. The Environmental Management Plan was designed to meet that goal in a transparent and easy to use manner. The Environmental Strategy and its resultant Plan are designed to ensure that the VAA is in compliance with all applicable environmental laws and regulations.

To this end, the VAA undertakes Environmental and Archeological Assessments in advance of all land altering airport projects.

The VAA and its tenants’ activities were audited to ensure compliance with government standards and best industry practices. Additionally, in 2006, VAA engaged a consultant to follow up on earlier work and complete an environmental re-assessment of six Airport Tenants. The result was that the VAA and its tenants are acting in an environmentally responsible manner.



4.4.1 Wildlife Management

The VAA has an active program to deter birds and other wildlife. Grass in the proximity of runways, taxiways and aprons is managed to minimize insects and the birds which feed in it. Ponds and low-lying areas near

² Section 4.4 is based largely upon the Environmental Management Program and its report *The Greening of the Airport* prepared by Phil Jensen in 2007.



runways are modified to reduce waterfowl. Nests are removed as they are found. Noise cannons are located along the runway thresholds.

The VAA honours the Canadian Species at Risk Act and supports the goals of the Committee on the Status of Endangered Wildlife in Canada.

4.4.2 Environmental Farm Program

A portion of the airport lands is leased for hay production and the pasturing of cattle. An Environmental Farm Program is in place to ensure that farming operations on VAA lands do not cause harm to the environment. This monitoring includes spills of hazardous materials, pesticide use, excess nutrients, and fecal coliform counts in runoffs from the fields. In addition, the VAA maintains logs of all manure spreading and pesticide applications to ensure farming practices on airport lands comply with all applicable environmental legislation.

4.4.3 Water Courses and Wetlands

In 2006, VAA continued its regular monitoring of water quality in Reay and Ten Ten Creeks.

An Environmental Advisory Committee was formed in 2004 and includes all levels of government, local environmental groups, airport land leaseholders and businesses, and other stakeholders.

A Coho salmon run was successfully re-established in Reay Creek, and the VAA has implemented pollution prevention measures to improve the quality of storm waters entering the creek from airport lands.

The primary goal for Ten Ten Creek is to re-establish the fresh-water ecosystem and clean up contaminated soil. To date the VAA has established velocity reduction riffles and reservoir spillway modifications to reduce erosion; removed debris from the creek bed and cleaned up contaminated soil from the fuel depot and the fire training area; removed debris from the East and West dumpsites; installed exclusion fencing for cattle, and riparian plantings for shade and insect food sources, constructed a wetland pond complex to treat farm storm-water run-off; and reconstructed a channel to provide pool habitat.

4.4.4 Water Quality

An environmentally friendly rainwater management system was incorporated into the newly expanded airport public parking lot. Rainwater is retained within the planted areas of the parking lot, and treated before it is released.

DND built a rinse bay to contain liquids used when washing down equipment after flights over the sea. As the aircraft fly over the ocean,



much salt accumulates on it. This salt mixes with particulates from oil and fuel which are also emitted during flight and accumulate on the outside surface of the aircraft. The separator process in the rinse bay allows for the salt, oil and fuel to be retained, while the clean water which remains is flushed into a creek.

The VAA has a Drinking Water Monitoring Program to ensure all drinking water distributed throughout the airport meets Federal, Provincial and regional water quality regulations.

4.4.5 Hazardous Materials and Storage Tank Management

A new glycol aircraft de-icing and fluid storage blending and dispensing facility was installed at the airport in December 2006. This new equipment uses temperature-based blending of glycol and water, which allows a significantly reduced glycol concentration. With this technology, 50 percent less glycol is dispensed during de-icing operations, resulting in a proportionate reduction in environmental impact. This is achieved without impacting aircraft safety.

The two fuelling operators comply with CSA International Standards for storage, handling and dispensing of aviation fuels at aerodromes.

The VAA has a Storage Tank Management Program and keeps a current inventory of all above and below-ground tanks. Tanks are inspected annually and a tank removal inventory is kept.

4.4.6 Waste Management

The VAA recycles and composts as part of its regular waste management practices.

Community Living Victoria provides paper and bottle recycling services. This community group's Satellite Day Program collects paper waste from the administration area, Juan Air, Air Canada and FedEx. Members collect bottles from designated bins in the terminal building.

4.4.7 Sanitary Source Control

The VAA provides training in pollution prevention and spill control. All tenants must comply with discharge regulations, and participate in regular and random inspections of their facilities.

4.4.8 Spill Response

The VAA has a Spill Response Program which comprises spill management procedures; tabletop training and exercises; processes for dealing with all potential spills, contamination of surface and ground water, soils and sediments, and the safety of the public and workers. Areas



of the aerodrome are equipped with spill sheds stocked with containment and clean-up materials.

4.4.9 Contaminated Site Program

The VAA Contaminated Site Program assesses and remediates historically contaminated sites on airport lands. The program objectives are to identify these sites and their potential to contaminate ground and surface waters, and fresh water ecosystems. Significant clean-ups to date include lead contaminated soil at the old Rifle Range (remediated by Transport Canada), fuel contaminated soil at the Fuel Depot (remediated by National Defence), and fuel contaminated soil at the Fire Training Area (remediated by VAA).

D - Major Finding: The VAA has demonstrated during the period of review an exemplary commitment to its management of the airport environment. It consistently demonstrates its awareness and concern about its environmental responsibilities, and is open in conducting its environmental program.

Viking Air has removed and dismantled the concrete floor slab in its old hangar. Soil samples taken in and around the building have identified a limited amount of heavy metal and hydrocarbon contamination. Removal and remediation was completed in November 2006.

4.4.10 Environmental Monitoring Program

In 2006, the VAA implemented the Environmental Monitoring program. The program encompasses construction monitoring and airport surveillance. It is designed to avoid potential threats, such as spills at construction sites or degradation of the environment due to airport activities. There are regular inspections of all airport facilities and operations. Annual audits of tenants are conducted to ensure due diligence and compliance with environmental regulations.

4.4.11 Environmental Assessment Program

The VAA received a “totally satisfactory” result from Transport Canada’s 2006 Annual Environmental Inspection.

4.4.12 Noise Control

WestJet has now retired their fleet of 737-200 series aircraft. All of the older, noisier aircraft are now phased out. The average age of their current aircraft is under two years.



4.5 Contribution to the Advancement of Air Transportation

The VAA plays an important role in the advancement of air transportation, particularly as it relates to Vancouver Island and the Province of British Columbia. Through its consistent determination to facilitate air transportation activities, it operates in two principal areas: as an originating point for travelers to the rest of Canada, and as a local terminus connecting Victoria with other locations.

The VAA continues to be active in a number of national forums, notably the Canadian Airports Council (CAC) where, along with other similar sized airports, it demonstrates considerable leadership. This provides the VAA in return with vital communications, operational, technical, regulatory and political links.

E - Major Finding: VAA has demonstrated through its public statements about customer service and its placement of customer service at the top of its priorities, an exemplary commitment to high quality customer service.

4.6 Customer Service

The VAA maintains a focus on satisfying its various stakeholders including passengers, air carriers, service partners, and the region within which it operates. Indeed the VAA Business Plan highlights the VAA view of customer service.

Interviews were conducted with primary stakeholders who lease space from the VAA³. The interviews focused on the commercial relationship of the leaseholder with the VAA. The consistent message was one of substantial customer satisfaction with the services provided by the VAA.

4.7 Relations with Service Partners

Because of the very large number of service partners that interact regularly with the VAA and the scope of the review, we were not able to undertake a comprehensive survey of all the service partners of the VAA; however, we interviewed a significant sample of commercial undertakings and general aviation companies to review their perspectives on the VAA as a business partner. Their overall comments were that the VAA was open in

³ No interviews were conducted with the travelling public as the VAA engages Intervistas of Vancouver to perform an annual *Customer Satisfaction and Benchmarking* survey. In 2006 passengers were “very satisfied” with the services and facilities at the Victoria Airport.



its dealings with them and that they were generally satisfied with the VAA's operation.

The general view of the air carrier representatives with whom we spoke was that the VAA, since the transfer from Transport Canada, had steadily improved its relationship with them. Indeed the majority of air carrier representatives, with a single exception noted below, indicated their strong approval for the overall direction that the VAA had taken, showing leadership in continuing with the renovations and additions to the air terminal building (ATB) notwithstanding the impacts of the events of September 11, 2001 and the subsequent dramatic drop in passengers.

One major airline had negative comments about their relationship with the management staff of the VAA, believing that the VAA sometimes operated in an arbitrary way in its allocation of podiums and other leased space, and without prior consultation with the airline's station manager, however the other major airline had very positive comments on the VAA's track record of consultation and openness on major developments over the five-year review period. They both noted the need to maintain the consultative committee for the years ahead, albeit with substantially different degrees of enthusiasm.

The concession operators are pleased with the operation of the ATB as it is undertaken by the VAA. They appreciated the consultative approach taken by the VAA when considering improvements to facilities. They expressed satisfaction with the discussions they were able to have with the VAA concerning the impact of change on them.

It was not possible to conduct a survey with all the land tenants of the VAA bearing in mind the time frame and budget available for this review. Those land tenants we did speak with were very favourable in their description of the VAA and its relationships with them. Several characterized the service received from the VAA as "outstanding" and "exemplary" and specifically wished that mention be made of this in our report.

A number of subjects specifically contrasted the responsiveness of YYJ since the departure of Transport Canada as the operator. A number commented with a sense of pride in the accomplishment of the transition to the enhanced terminal facility.

Current airlines serving the VAA are: Air Canada Jazz, Airspeed Aviation, Harbour Air, Helijet, Horizon Air, North Vancouver Air, Pacific Coastal Airlines, Skywest Airlines, and WestJet.

Four car rental agencies (Budget, Hertz, Avis and National) service the airport.



Purolator and FedEx both offer daily air freight service to and from the airport.

4.8 Relations with the Community

The VAA conducts an Airport Consultative Committee to which the general public is invited. Notices of meetings of this Committee are placed in local newspapers.

The VAA actively supports the local arts community. As a result of a competition, local artists provided stained glass for the main entrance hall and an art piece (Bouquet of Memories) representative of the Victoria area to decorate the entrance driveway.

- Contributions to the local community have included the provision of land for nominal consideration:
- Sidney and North Saanich Memorial Park Society (land adjacent to Mary Winspear Centre);
- 676 Kittyhawk Air Cadets Squadron;
- Admiral Budge Sea Cadet Corps;
- Rotary Park baseball field;
- North Saanich Pat Bay Park; and,
- Road right-of-way for Sterling Avenue and the McDonald Park Connector.



Moreover, the VAA also supports the local communities by:

- Employee contributions to the United Way are matched by the VAA;
- Community access is allowed to the Airport Woods; and
- Support has been provided to local events such as the Sidney Fine Arts Show and the Tseycum Band campaign to return their ancestral remains from American museums.



- Bicycle paths are supported:
 - a bike path was created along Willingdon Road to the Air Terminal Building; and
 - An offer has been extended to North Saanich to work in partnership with the VAA to extend the bike paths along Mills and West Saanich Roads.

4.9 Retention and Development of Airside Services and Properties

4.9.1 Master Plan

The VAA produced a twenty-year (2000 - 2019) Master Plan consisting of a development vision and land use plan for airport lands. This Master Plan was updated in early 2007 and is currently in draft form awaiting approval. The assessment of available lands for development shows significant lands available both to continue to support existing and any anticipated airfield requirements during the development period.



The Master Plan in our view is based upon conservative revenue estimates and acknowledges the risks associated with adding additional infrastructure. It describes a responsible and appropriate plan for the longer term development of the VAA lands.

4.9.2 Runway Development

The VAA has determined that a 1,500 foot extension to Runway 09-27 will allow it to accept larger aircraft and offer direct service from Victoria to international destinations in Europe and Asia. Plans for this extension are being developed for consultation with stakeholders and all levels of government.

4.9.3 Department of National Defence

The Department of National Defence, the original builder of the airport in 1939, is a major tenant. It maintains a helicopter squadron and



occasionally conducts military training exercises. DND is planning a new hangar and administration building to be ready in 2010 for the new S-92 helicopters due to arrive in 2011.

4.9.4 Tenant Services

For the car rental agencies, the VAA built a four-bay service centre. The car rental companies believe this development is a good idea, and after some “excellent” negotiations with the VAA, is a sound business decision both for them and for the VAA.

4.10 Adherence to Corporate Objectives – Financial Viability

On 1 April 1997, the Victoria Airport Authority Inc. signed a ground lease agreement with the Government of Canada to transfer control of the Victoria Airport to the Authority for an initial term of 60 years with a 20-year renewal option. The lease provides for the payment of rent during this entire period.⁴

4.10.1 Capital Expenditure

Since 1997, the VAA has spent \$55 million on improvements to the infrastructure of the aerodrome. Of this amount, only \$18 million remains to be repaid. Repayment of the outstanding principal began in 2007 and, at the current rate of repayment of \$450,000 quarterly and all accrued interest annually, the current debt outstanding will be retired in its entirety over the next 10 years. In our opinion, this reflects well on the fiscal probity and responsibility of the Board and the VAA management.

To fund this expense, in 1999 the VAA implemented an Airport Improvement Fee of \$5 per departing passenger. This fee is now \$10 per departing passenger. After the setback caused by 9/11, the Victoria Airport now exceeds previous levels in the number of passengers it serves and each year sets new records.

4.10.2 Passenger Volumes

An analysis of the passenger volumes over the past 12 years reveals trends attributable to:

- a. the economic boom of the 90’s gave the aerodrome double digit increases year over year, but then the economic downturn in 1999 shows as a dramatic decline in passenger volumes for the next two years;

⁴ The issue of Rent is addressed more fully in section 6.2 of this report.



- b. although passenger traffic regained slightly in 2001, the impact of 9/11 caused a drop in passenger traffic of almost 5%;
- c. from 2003 onwards YYJ has shown a modest but steady growth of 5% or more each year.

Fiscal Year	Number of Passengers	Percent Change
1995	828,185	
1996	978,985	18.2%
1997	1,103,013	12.7%
1998	1,214,299	10.1%
1999	1,191,474	-1.9%
2000	1,139,262	-4.4%
2001	1,158,113	1.7%
2002	1,102,247	-4.8%
2003	1,182,281	7.3%
2004	1,249,976	5.7%
2005	1,318,385	5.5%
2006	1,390,128	5.4%

A record 1.39 million passengers used the airport in 2006.

4.10.3 Financial Operations

The Consumer Price Index over the period of the review increased from 116.4 in 2001 to 129.9 in 2006⁵. This represents a 13.5% increase in cost of living over the past five years. Over the same period, revenues increased 47.7% and expenses increased 27.1%.

In 2006, revenues from operating the aerodrome were almost \$11.9 million with an operating income of just over \$2 million. On a “per passenger” basis, the VAA generates an income of \$13.16 per passenger, and expenses of \$8.63 per passenger. Compared to the rest of the airports in the NAS, the VAA is the lowest cost provider⁶.

In the year 2006, the AIF fund produced revenue of a little less than \$6.4 million. Costs attributable to the AIF fund were just over \$9.2 million for the year. The financial position of the capital improvement fund at the end of 2006 was a total debt of \$17.1 million. This debt is expected to be retired within 10 years.

⁵ Source: Statistics Canada

⁶ VAA Financial analysis 2007



The VAA implemented a simplified Landing and Terminal Fee structure since the time of the last Review in 2002. After extensive consultation with airlines, the VAA created a simple and defensible fee structure which is tested annually to ensure that it is still meeting the needs of the airlines.

The financial statements available referred to the periods including all of calendar 2002 through to calendar 2006. We spoke with management regarding their expectations for the financial picture in year 2007 and they expressed the view that it is consistent with their projections and in line with previous year's trends.

F - Major Finding: Throughout the period under review the VAA has effectively utilized its assets, (capital and operating) and maintained a financially viable operation. On a "per passenger" basis, VAA is the lowest cost airport in Canada.

4.11 Airport Improvement Fee

The VAA allocates projects to be paid through two avenues of funding:

- The Airport Improvement Fee (the AIF); and
- General capital and operating budgets

The VAA is party to an agreement with the Air Transport Association of Canada and air carriers serving the Victoria International Airport. The AIF Agreement provides for a consultation process with air carriers on airport improvements as well as the collection of AIF by air carriers. AIF revenue is collected by the airlines on behalf of the VAA. The airlines are entitled to withhold 7% of the fees they collect as a handling fee. AIF revenues are used solely to fund capital expenses related to the construction or improvement of airport infrastructure which benefits passengers and air carriers.

4.12 Airport Lands Development Plan

Development of Airport land has been in compliance with the Ground Lease with the Federal Government as well as with the Land Use Agreements with the Town of Sidney and the District of North Saanich.

5 Accountability and Governance

This section reviews the extent to which the VAA has operated in a manner which is accountable and responsive to its community, and the



effectiveness of its governance mechanisms in managing the many issues faced by a modern airport.

5.1 Board Structure

The Board is the primary instrument of corporate governance. It is tasked with setting policy for management, and with ensuring that management is accountable to airport stakeholders. In fulfilling this role, the VAA's Board must be demonstrably representative of and responsive to its community. The VAA is a not-for-profit corporation incorporated under the Canada Corporations Act, and members of the Board of Directors are nominated by both non-governmental organizations and governments as shown in the table below.

In our opinion, the Board and its structure are one of the best, if not the best, of its kind in the Airport Authorities as they are currently formed in Canada. The Board has well-developed governance policies which are published and are available for public scrutiny and which it uses in a most effective and efficient manner to guide and direct the management of the VAA.

5.2 Board Composition and Activities

The VAA's Board is comprised of fourteen members. The Letters Patent establishing the VAA and its consolidated general operating by-law, as amended, provides for no fewer than seven and no more than fifteen members. The current Board Composition is given below. Nominators for Board members are: federal government (2 positions); Provincial Government (1); City of Victoria (1); Greater Victoria Chamber of Commerce (1); District of North Saanich (2); Capital Regional District (1); Town of Sidney (2); Central Saanich (1); Corporation of the District of Saanich (1); by the Board in its own right (3). The Board currently has one vacancy of its nominees.

The Federal Government reserves the right to nominate an additional director during the period the VAA receives a federal subsidy. In this circumstance the permitted number of directors is sixteen.

We believe the current Board nominees reflect fairly the federal/provincial/municipal governmental, business, and other socio-economic ideals of the policies and procedures adopted by the VAA.



Name	Title	Nominator
Gordon Denford	Chair	VAA Board
Matthew Watson	Vice-Chair Chair, Airport Consultative Committee	VAA Board
Christine Stoneman	Board Secretary Chair, Governance Committee	Province of British Columbia
Peter Dolezal	Chair, Audit and Finance Committee	District of North Saanich
Mervyn Lougher-Goodey	Chair, Planning and Development Committee	Town of Sidney
Victoria Kuhl	Chair, Art at the Airport Advisory Committee	Capital Regional District
Mel Couvelier	Director	Town of Sidney
Peter Parsons	Director	Central Saanich
Peter Bray	Director	City of Victoria
Glen Crawford	Director	The Corporation of the District of Saanich
Lindalee Brougham	Director	Greater Victoria Chamber of Commerce
Robert Chad Rintoul	Director	District of North Saanich
Bruce Knott	Director	Federal Government
Bob Coulter	Director	Federal Government

These appointments overlap and thus allow for continuity in the exercise of overall governance of the VAA. The broad cross-section from the community aligns with the intent of the Ground Lease to assure that as many stakeholder interests are considered as is practicably possible. It is hoped that the policies of Transport Canada and the National Airports System will continue in assuring this broad cross-representation.

5.3 Bylaws

The Bylaws of the VAA are kept current and are updated as required. The last set of Bylaws were made 6 June 2005 and confirmed by the Board that same day.

5.4 Preparation and Quality of Strategic and Business Plans

The VAA Board of Directors has evolved policies that articulate the Board's vision, governance process, Board to President & CEO relationship, and functional leadership. The Board has established the following Vision and Mission statements as the primary long-term strategic guidance for the VAA.



Vision

To be the premier transportation link between Vancouver Island and the World

Mission

Provide our community with safe and secure, high quality and cost-effective airport services and facilities that enhance the social and economic well-being of the region we serve.

The Board and the VAA operate under the following guiding principles:

<i>Safety:</i>	Safety and security of our customers and staff is the primary concern in everything we do.
<i>Environment:</i>	Environmental impacts are considered and managed in compliance with legal requirements and best industry practice.
<i>Value:</i>	Delivering high levels of service and value to our customers in a cost effective manner.
<i>Exemplary Employer:</i>	Treating all employees with fairness, dignity and respect.
<i>Partnerships and Accountability:</i>	Working openly and constructively with our stakeholders and our community
<i>Responsible Stewardship Of Assets:</i>	Prudent financial management.
<i>Economic Development:</i>	Supporting the economic development of the region.

The Board has established the following goals for the VAA:

1. To provide and operate a safe, secure and environmentally responsible airport.
2. To provide excellent modern and efficient airport facilities and services.
3. To be the best value mid-sized airport in Canada.



4. To expand and integrate improved linkages with other modes of transportation.
5. To ensure existence of a talented and motivated team of employees.

Annual Business Plans are developed consistent with the overall strategic directions of the VAA. Each strategic direction contains specific action plans and guidance responding to these directions. This has resulted in the development of focused operational planning documents setting performance measurement targets linked to initiatives which all relate to the strategic direction for the VAA.

G - Major Finding: VAA has demonstrated during the period of review its commitment to consistent, high quality, strategic and business planning. It has evolved a structure that is well understood, well documented and effective in guiding the VAA as an effective not for profit corporation, run with due regard for its stakeholder communities.

We believe that the VAA has taken a conservative and well grounded approach in the development of its Master Plan, which is consistent with the strategic directions expressed by the Board in its Mission Statement. These fundamental strategic expressions are applied consistently through Business Plans, both past and present, and are demonstrably achievable by the VAA.

A number of interview subjects commented that there was a marked and positive difference in the overall strategic approach undertaken by the VAA since the transfer of the airport from Transport Canada to the local authority. Indeed some who indicated an initial resistance to the transfer now expressed satisfaction with the effectiveness the VAA had shown in achieving what it had undertaken to accomplish.

In our view the high degree of alignment that exists between the Vision, Mission, Master Plan and Business Plans and their communication to primary stakeholders has served the VAA well. The focus that senior management has been able to place on the longer-term directions of the VAA has served it very well. We propose that this approach not be varied.



5.5 Planning

The Board established the following targets for the period 2005-2009:

1. Zero preventable accidents, security violations and breaches of environmental regulations.
2. Rent reduced.
3. Passenger movements increase by an average of 3% per annum, or 1,450,000 enplaned and deplaned passengers by 2009.
4. Introduce scheduled non-stop service to one additional USA destination.
5. First class Terminal Building expansion completed by May 31, 2006.
6. Debt reduced to less than \$14 million by December 31, 2009.
7. Non-aeronautical revenue to account for 65% of total by December 31, 2009.
8. Intersection improvements providing direct access to the Terminal Building from the Pat Bay Highway to be constructed by December 31, 2009.
9. New land development will generate an average of \$75,000 per annum for each of 5 years.

Of these nine items, two (numbers 2 and 5) are already met, and the remaining seven are well in-hand.

6 Future Challenges

As of the end of the year 2006, more than 240 airports offered scheduled passenger service in Canada, but 90% of all commercial traffic was handled by the largest 26 of the country's 89 airports, which make up the National Airports System (NAS). The Airport Authority approach was developed by Transport Canada in the 1980's and 1990's to replace an ill-defined and ad-hoc system of airport management. The government had exercised its responsibilities for more than 60 years with no statutory, regulatory or policy framework to define the role for the Federal Government in the operation of airports.



Airport performance had historically been undermined by several factors, including a large centralized administration and restrictive public-sector labour agreements that increased airports' labour requirements. With local control, the expectation of the Federal Government was that airports would operate in a commercial and cost-effective manner and be more responsive to local needs. The transfer was also aimed at facilitating investment and relieving the airports of government financial constraints.

In the case of the VAA, this has been very effective. Our review has confirmed that YYJ is a safe, secure, responsible, not-for-profit, financially viable operation that contributes directly to regional economic activity in the lower part of Vancouver Island, and meaningfully to the rest of Vancouver Island and the Province of British Columbia. Moreover, we believe it is a model of governance, fiscal probity and constraint, and responsibility which other airports in the NAS would do well to imitate.

6.1 Board Composition

The Canada Airports Act (introduced in 2004) was strongly opposed by the VAA, which believed it to be an unnecessary and costly regulation aimed at addressing problems that did not exist in the Victoria area.

The Act, as originally proposed, has since died in Committee. However, during 2005, discussions continued with the Minister of Transport and his officials on the subject of a new and less onerous Act. This was introduced as Bill C-20, and received first reading on 15 June, 2006.

The VAA already exceeds the accountability and transparency requirements of the proposed Act.

The most profound effect of this new Act will be a reduction of the number of municipal appointments to the VAA Board from the current eight to five. Parliament is not expected to deal with this Act until sometime in 2007. However, the VAA will continue to pester and nag⁷ to ensure that the composition of Board Members is reflective of the surrounding communities as a whole.

⁷ Winston Churchill, in a telegram to Ronald Campbell, senior British diplomat in Belgrade, Yugoslavia, who in 1941 was advising and supporting the Yugoslav government. The complete text of the telegram reads: "Continue to pester, nag and bite. Demand audiences. Don't take NO for an answer."



6.2 Ground rents

Airport projects present special challenges as they are by nature very large, long term, expensive, highly-visible, (sometimes) remote, single-purpose structures designed to house a specific economic activity of vital interest to the community. They are also especially prone to significant political interventions (e.g. Mirabel).

With respect to ground rents the airports should have two concerns:

- how the land rent due to the federal government ranks relative to the long term lenders' security; and
- how the risks of inflation are allocated between the players over the life cycle of the project.

At the end of 2005, the Victoria Airport Authority signed an amendment to its lease, addressing the long-standing complaint that airport rent paid in Victoria was not equitable and fair, compared to other airports of similar size. Under the new rent formula, since introduced, the Victoria Airport Authority will achieve equity with other airports in the NAS by 2010. Transport Canada estimates the rent payable by the VAA in 2010 will be \$400,000 instead of the \$1,800,000, which would have been payable that year if the old rent provisions had continued to apply.

In spite of the important change in the Federal rent formula, airlines and airports across Canada continue to question the billions of dollars being taken from the aviation industry in this way. This hidden tax will continue to grow at an alarming rate year after year. The VAA will continue adding its voice to the industry's call for an even more fair and equitable rent structure in the future.

A detailed discussion of these rent issues is not within the mandate of our review. However, the VAA may wish to investigate the following in more detail:

- a. By indexing the land rent, the Federal Government is seeking a reward for a risk it is not taking, by building in an inflexible share of the airport revenues, which themselves are subject to fluctuation. Is the government entitled to do this? And, if so, is it entitled to be the only player who gets this rigid protection?
- b. Repackage all the airport loans as one debenture over the whole NAS Class 2 portfolio. If all the airport authorities were to borrow as a group there would be some benefits, including lower interest rates and the ability to finance the inevitable expansions and, most of all, to tap into a much larger group of lenders. Lenders are legally restricted to certain investments and so more lenders may



be allowed to buy the new type of debenture when they could not participate in the very large individual mortgages. This would require a major restructuring of the system.

6.3 Environment

Victoria International Airport has been selected by Transport Canada as the site for the study of the effects of airport operations on air quality in 2007.

6.4 Operating Agreement with NavCanada

A draft Airside Operational Agreement between the VAA and NavCanada was submitted for discussion in 2000. It is still under discussion, as the VAA and NavCanada have not been able to work out the issue of indemnity. Although the Agreement has remained unsigned for the past seven years, VAA is abiding by all terms of the Agreement and considers that the Agreement as it stands is a true reflection of what is done at YYJ.

6.5 Provincial Government

With the completion of the Terminal Building expansion and renewal, the VAA has a first-class airport which brings a sense of pride to the community. A vital link to the airport is the McTavish Road / Pat Bay Highway 17 Intersection. The access road from the Terminal Building flows smoothly past the new roundabout, where it enters Canora Road and provincial jurisdiction. This road terminates at a stop sign, prior to entering McTavish Road, a dangerous and congested intersection. The Ministry of Transportation has done excellent work identifying and developing conceptual options for this location. There is growing public opinion supporting completion of the interchange in time to welcome the world to British Columbia in 2010.

6.6 Increased Impacts of Security Requirements on VAA

The Federal Government continues to be responsible for regulating all aspects of aviation safety and security. In addition, the National Airports Policy acknowledges the Government's continued responsibility for the integrity and viability of the NAS as a whole.

Public confidence in safety and security is essential to maintaining an effective airport operation, and while Transport Canada is addressing security concerns through regulation and the creation of separate agencies like CATSA, it is sometimes apparent that their focus is on the larger airports. Indeed some of the Government's regulatory changes appear not to have taken sufficiently into account the operational and financial burdens that this imposes on airport operators.



These issues most certainly include:

- Capital investment to respond to changing security commitments; and
- Gap between rising infrastructure costs and declining prices charged by carriers.

7 Summary of Major Findings

A - Major Finding: We conclude that the VAA is in compliance with the terms of the Ground Lease and the Corporate Objects expressed in the Letters Patent.

B - Major Finding: The VAA has demonstrated during the period of review its willingness to support the necessary enhanced safety and security requirements and responsibilities that come with local airport authority management.

C - Major Finding: The VAA has demonstrated during the period of review a commitment to regional economic development through its adoption of an active strategy to directly invest in the local economy.

D - Major Finding: The VAA has demonstrated during the period of review an exemplary commitment to its management of the airport environment. It consistently demonstrates its awareness and concern about its environmental responsibilities, and is open in conducting its environmental program.

E - Major Finding: VAA has demonstrated through its public statements about customer service and its placement of customer service at the top of its priorities, an exemplary commitment to high quality customer service.

F - Major Finding: Throughout the period under review the VAA has effectively utilized its assets, (capital and operating) and maintained a financially viable operation. On a “per passenger” basis, VAA is the lowest cost airport in Canada.

G - Major Finding: VAA has demonstrated during the period of review its commitment to consistent, high quality, strategic and business planning. It has evolved a structure that is well understood, well documented and effective in guiding the VAA as an effective not-for-profit corporation, run with due regard for its stakeholder communities.



ANNEX A – BACKGROUND DOCUMENTS REFERENCED IN THIS REVIEW

Accident / Incident Investigation Procedures
Accident / Incident Reporting System
Aerodrome Safety Circulars
Aerodrome Security Measures
Aerodrome Standards and Recommended Practices
Air Carrier Security Measures
Airport Emergency Response Plan
Airport Maintenance Management System
Airport Master Plan
Airport Operations Manual
Airport Restricted Area Access Clearance Security Measures
Airport Safety Manual
Airport Traffic Directives
Airside Operations Handbook
Airside Vehicles Operator's Permit Program
Annual Reports – 2002 to 2007
Apron Safety Management Plan
ATB Evacuation Plan
ATB Fire Safety Plan
Bird and Wildlife Management Plan
Board of Directors' Governance and/or Policies
Business Plans
Canada Air Pilot
Capital Plan
Conflict of Interest Statements
Confined Space Procedures
Corps of Commissionaires SOPs
CSA Standards B 836-00 Aviation Fuels (storage, handling & dispensing)
Emergency Procedures Manual
Environmental Management Plan
Financial Statements – 2002 to 2007
Input and feedback received by the VAA from third parties
Insurance Premiums – 2002 to 2007
Internal documents including bylaws, policies and procedures
Letters Patent
Policies and Procedures Manual
Public Accountability Principles
Runway Condition Reporting
Security Operational Guidelines
Sharing the Skies (TP 13549 E)
VAA/NAV Canada Consultative Committee Terms of Reference
VAA/NAV Canada MOU
VAA Tenants and Stakeholders Directives
Victoria International Airport Zoning Regulations
Winter Operations Manual
Crisis Communications Plan
Customer Satisfaction and Benchmarking Report - 2006



ANNEX B – APPLICABLE LEGISLATION

Aeronautics Act;
Airport Transfer Act;
Canada Corporations Act;
Canada Environmental Assessment Act;
Canada Environmental Protection Act;
Canada Labour Code;
Canadian Air Regulations;
Canadian Air Transport Security Authority Act;
Canadian Aviation Security Regulations;
Canadian Environmental Assessment Act;
Canadian Environmental Protection Act;
Canadian Flight Supplement;
Canadian Labour Code;
Commercial Arbitration Act;
Customs Act;
Health of Animals Act;
Immigration Act;
Orders under Fire Prevention Act;
Quarantine Act;
Transportation Act; and,
Transportation of Dangerous Goods Act.



ANNEX C – AIRPORT CERTIFICATE



CIVIL AVIATION AIRPORT CERTIFICATE

AVIATION CIVILE CERTIFICAT D'AÉROPORT

TAMB 5151 - P170
CERTIFICATE NO. / N° DU CERTIFICAT

VICTORIA INTERNATIONAL AIRPORT
NAME OF AIRPORT / NOM DE L'AÉROPORT

N48°38'50" W123°25'33"
LATITUDE / LONGITUDE

This airport certificate is issued by the Minister pursuant to Part III of the *Canadian Aviation Regulations* under authority of the *Aeronautics Act* and authorizes the operator named in the approved Airport Operations Manual to operate this airport.

Ce certificat d'aéroport est délivré par le ministre en vertu de la Partie III du *Règlement de l'aviation canadien* sous l'autorité de la *Loi sur l'aéronautique* et il autorise l'exploitant, tel que l'établit le manuel d'exploitation d'aéroport approuvé, à exploiter ledit aéroport.

The Minister may suspend or cancel this airport certificate at any time where the airport operator fails to comply with the provisions set forth in the Act, the Regulations or for other grounds as set out in the Act.

Le ministre peut suspendre ou annuler ce certificat d'aéroport en tout temps si l'exploitant de l'aéroport ne se conforme pas aux dispositions établies dans la *Loi*, le *Règlement* ou pour toutes autres raisons tel que l'énonce la *Loi*.

This certificate is subject to any conditions established by the Minister pursuant to Section 302.03(3) of the Regulations and set out in the approved Airport Operations Manual.

Ce certificat est sujet à toutes les conditions fixées par le ministre en vertu du paragraphe 302.03(3) du *Règlement* et tel que l'établit le manuel d'exploitation d'aéroport approuvé.

This airport certificate is not transferable and shall remain in effect until transferred, suspended or cancelled.

Ce certificat d'aéroport doit demeurer en vigueur jusqu'à son transfert, sa suspension ou son annulation.


MINISTER OF TRANSPORT – MINISTRE DES TRANSPORTS

24 February 2004
CERTIFICATE DATE OF ISSUE
DATE DE DÉLIVRANCE DU CERTIFICAT

Canada

C 0 0 0



ANNEX D - COMPLIANCE GRID

Requirement	Source	Comply
Acquire Airport Properties from the Crown	Article 3.1 Letters Patent	Comply
Manage, develop and operate properties for general benefit of public	Article 3.2 Letters Patent	Comply
Develop airport properties	Article 3.3 Letters Patent	Comply
Confer with governments	Article 3.4 Letters Patent	Comply
Expand facilities and generate economic activity	Article 3.5 Letters Patent	Comply
Confer with nominators	Article 3.6 Letters Patent	Comply
Act as regional spokesperson	Article 3.7 Letters Patent	Comply
Contribute to advancement of air transportation	Article 3.8 Letters Patent	Comply
Support air facility infrastructure	Article 3.9 Letters Patent	Comply
Specific board composition	NAS	Comply
Notice for price increases	NAS	Comply
Community involvement	NAS	Comply
Competitive tendering for contracts over \$75,000 (1994 dollars - equal to \$97,425 in 2007)	NAS	Comply



ANNEX E - QUESTIONNAIRE - COMPLIANCE

Public Accountability		
1.	For the general benefit of the public in your region, do you:	
	a. manage, operate and develop the airport in a safe, secure, efficient, cost effective and financially viable manner with reasonable airport user charges and equitable access to all air carriers?	Compliant
	b. undertake and promote the development of the airport lands for which you are responsible for uses compatible with air transportation activities?	Compliant
	c. expand transportation facilities and generate economic activity in ways which are compatible with air transportation activities?	Compliant
2.	Does the Authority confer regularly with governments and community entities on matters affecting the operation and development of the airport and engage in only those activities that are consistent with its purposes?	Compliant
Composition of the Board of Directors and Qualifications of Directors		
3.	Are the directors Canadian citizens?	Compliant
4.	Are they nominated and appointed through a process acceptable to the local/regional municipal governments?	Compliant
5.	Is the board of directors representative of the community?	Compliant
6.	Does it consist of individuals who collectively have experience and have shown capacity in such disciplines as: air transportation industry, aviation, business, commerce, finance, administration, law, government, engineering, the organization of workers, or the representation of the interests of consumers, and who have the business acumen and experience to assist in the management of the affairs of the Authority as an ongoing, viable, commercial enterprise?	Compliant
7.	Does the board of directors include at least one representative of the business community, one representative of organized labour and one representative of consumer interests?	Compliant
8.	Are each identified as such?	Compliant
9.	Are any directors elected officials or government employees?	Compliant
10.	Was the Chair of the board of directors an elected official or government employee at any time during the two years prior to his election as Chair of the board of the Authority?	Compliant
Acceptance of the Process for Nominating, Appointing and Revoking the Appointments to the Board of Directors		
11.	Was the process of nominating, appointing and revoking the appointments to the board of directors expressed by resolution of the councils of the local and regional governments?	Compliant
12.	Was the process approved in writing by the Minister of Transport prior to the submission of an application for incorporation of the Authority?	Compliant
Number of Directors		



13.	How many directors are there?	15 allowed 14 Nominated
14.	Names, Title, Nominator?	See report
15.	Does the board consult with the nominators prior to the appointment of directors?	Compliant
Conflict of Interest		
16.	Do nominees notify the board of directors and his nominator in writing of any business activity by the nominee or his associate (as defined in the Canada Business Corporations Act) which would pose an actual or perceived conflict of interest in his capacity as a director of the Authority?	Compliant
17.	If a change or anticipated change in circumstances creates for a director a continuing conflict of interest does he inform the board of directors and his nominator in writing?	Compliant
18.	Is there a Code of Conduct for directors, officers and employees?	Compliant
19.	Do any situations exist where use or occupancy of airport premises are at non arm's length from the VAA?	No
20.	If yes, was prior acceptance given by the Minister of Transport to the VAA that the financial terms and conditions of each intended use and occupancy of airport premises would produce gross revenue equivalent to that from an arm's length use and occupancy of the premises?	N/a
21.	Does the annual report provide information concerning the parties, the financial particulars and circumstances of each non arm's length transaction entered into in the preceding year.	Compliant
Public Tenders		
22.	Does the VAA optimize Canadian content and industrial benefits in the procurement of goods, services and construction contracts, particularly in the area of high technology services and equipment and construction contracting, in line with good private sector commercial practices where there is sufficient competition for such procurement in the Canadian market?	Compliant
23.	Are goods, service and construction contracts in excess of a total value of \$75,000 (1994 dollars subject to annual adjustment for inflation = \$97,425 @ 31 March 2007) awarded following a competitive public tendering process?	Compliant
24.	Does the Authority report at its annual general meeting and in its annual report, information concerning the contractor, the amounts and the circumstances of each such contract in excess of \$75,000 (\$97,425 at 31 March 2007) which was not awarded on the basis of a public tendering process in the preceding year and the reasons for doing so?	Compliant
Audits		
25.	Are financial audits conducted in accordance with generally accepted auditing practices?	Compliant
Annual General Meetings and Reporting to the Public		
26.	Is an AGM held within 135 days of the end of the fiscal year relating to the management, operation and maintenance of the airport, at a location on or near the airport and in premises that are adequate for the size of audience that may reasonably be anticipated?	Compliant



27.	Are annual general meetings open to the public?	Yes
28.	Does the VAA:	
	- give at least 30 days' prior notice of each annual general meeting by using appropriate media to ensure public awareness of the meeting?	Yes
	- afford a reasonable opportunity to the public for the asking of questions and the expressing of views?	Yes
	- ensure that at least a majority of the members of the board including the Chair or Vice Chair and the Chief Executive Officer are present at each annual general meeting?	Yes
	- present to the annual general meeting copies of its audited annual financial statements approved by the board, together with the auditor's report and the Authority's annual report for the previous year?	Yes
29.	In advance of each AGM, does the VAA publish an annual report which includes the financial statements of the Authority, the annual auditor's report and a summary of its affairs during the previous fiscal year?	Yes
30.	At the AGM, does the VAA:	
	a. report on performance relating to the business plan and objectives established by the Authority for the previous year, and, as applicable, the past five year period?	Yes
	b. explain variances and corrective actions taken by the Authority?	Yes
	c. present for the up-coming year and for the forecast five-year period a summary of its business plan including specific objectives (measurable where feasible) relating to the purposes of the Authority?	Yes
	d. report on the remuneration provided to each of the members of the board of directors and either the salary or salary ranges of each of the senior officers of the Authority?	Yes
	e. report on the Authority's compliance and/or non-compliance with the Conflict of interest principles?	Yes
31.	Is the annual report provided to each nominator and the Minister of Transport in advance of the annual general meeting as well as to the public on request?	Yes
	Public Notice of Changes in User Charges	
32.	Does the Authority give 60 days advance notice through appropriate local media of planned increases in airport: user charges (excluding rent)?	Yes
33.	Does the notice include an explanation of the justification for such increases?	Yes
	Community Consultative Committee	
34.	Is there a Community Consultative Committee?	Yes
35.	If yes, how often does it meet?	Twice a year
36.	If yes, who comprises its members?	Nominators & various stakeholders
37.	If no, how do members of the community express their concerns to the VAA?	



Lessor's Consultative Committee		
38.	Is there a Consultative Committee for leaseholders of the VAA?	Yes. Victoria Airport Land Tenants Association
39.	If yes, how often does it meet?	No formal meetings, but VAA maintains an "open door" policy.
40.	If yes, who comprises its members?	All tenants.
41.	If no, how do lessors express their concerns to the VAA?	
Airline Consultative Committee		
42.	Is there a Consultative Committee for airline operators?	Yes
43.	If yes, how often does it meet?	Monthly
44.	If yes, who comprises its members?	All Air Carrier local managers
45.	If no, how do airline operators express their concerns to the VAA?	
Reporting to Nominators (Appointers)		
46.	Do directors report to their nominator no less than once a year?	Yes
Performance Review		
47.	At least once every five years, does the VAA commission a review of the Authority's management, operation and financial performance?	Yes
48.	Is there an airport master plan?	Yes
49.	Is there an airport business plan?	Yes
Amendments to Articles of Incorporation & By-laws		
50.	Are changes to the articles of incorporation or by-laws made without the prior written approval of the Minister of Transport?	No



ANNEX F: BUSINESSES AND ORGANIZATIONS AT YYJ

In 2005 there were 77 businesses and organizations at Victoria International Airport. These directly employed a total of approximately 1,460 people⁸. The largest employers, the DND 443 Maritime Helicopter Squadron, Jazz Air, Nicholson Manufacturing, Scott Plastics Ltd., VIH Group and Viking Air Limited, account for more than 60% of all employment at the airport.

A list of the 77 VAA tenants and licencees currently conducting business at Victoria International Airport is provided below (sub-tenants are not listed):

443 Maritime Helicopter Squadron	507797 BC Ltd.
676 Kittyhawk Sponsoring Committee	Air Canada
Air Transat A.T. Inc.	Airspeed Aviation Inc.
AKAL Airport Express Bus-Link Ltd.	Aviscar Inc.
British Columbia Aviation Museum	Budget Rent A Car
Canadian Inspection Services Agencies	Canwest Flight Services Ltd.
Compass Group Canada Ltd.	Discount Car & Truck Rentals of Victoria Ltd.
Dyson Investments	Eagle Hangars Inc.
Empress Transportation Company (1996) Ltd.	Enterprise Rent-A-Car Ltd.
Fibermax	GARDA of Canada Security Corp.
GO Prepaid Inc.	Harbour Air Ltd
Harvard Hangars Ltd.	Hattrick Enterprises Ltd.
HDS Retail North America	Hertz Canada Limited
High View Properties Ltd.	Horizon Air Industries Inc.
Hurricane Hangars Ltd.	ICE Currency Services
Imperial Oil Ltd.	In-ter-space Services Inc.
Jazz Air Inc.	Juan Air (1979) Ltd.

⁸ Ibid. Purcell, *Inside Canadian Airports*



L & C Canada Coastal Aviation Inc.	Mary's Blue Moon Café Ltd.
Milou Holdings Ltd.	Milwest Holdings Ltd.
National Car Rental (Canada) Ltd.	Nav Canada
Nicholson Manufacturing Ltd.	Nickel Bros. House Moving Ltd.
Northside Hangar Ltd.	OHC International Consulting Inc.
Pacific Coastal Airlines Ltd.	Pacific Sky Adventures Inc.
Pat Bay Hangers Ltd.	Pendray Farms Ltd.
Purolator Courier	Phoenix Hangars Inc.
Province of BC, Ministry of Forests	Ramsay Machine Works Ltd.
RND Vending Ltd.	Scott Plastics Ltd.
Seastar Chemicals Inc.	Sidney & North Saanich Little League
SEB Aviation Corp.	Sidney & North Saanich Memorial Park Society
SITA	Skywest Airlines Inc.
Telus Communications (BC) Inc.	Terasen Gas (Vancouver Island) Inc.
Navy League of Canada	Threshold Financial Technologies Inc.
Town Aviation Inc.	Ultimate Marine Products Ltd.
VFC Corporate Wings Aviation Ltd.	Victoria Flying Club
Victoria T-Hangars Inc.	VIH Aviation Group
VIH Helicopters Ltd.	Wendon Manufacturing Ltd.
West Sidney Business Park Ltd.	WestJet Airlines



ANNEX G – EMERGENCY PROCEDURES

Aircraft Emergency Standby
Airport Security Program
Bomb Threat – Aircraft
Bomb Threat – Building / Facilities
Crash – Off Airport
Crash – On Airport
Earthquake
Fire – Structural Facilities
Hazardous Material
Hijacking
Inventory of Resources
Letters of Understanding (Mutual Aid)
Medical Emergency
Military Crash – Off Airport
Military Crash – On Airport
Natural Disaster
Security Breach



ANNEX H – AIRSIDE SAFETY PROGRAM

Airside Inspections :
 Airport fire Service
 Airport Security
 Electrical Staff
 Maintenance Staff
Airside Maintenance Work Program
Airside Vehicle Operators Program
Apron IV Safety Plan
Bird and Wildlife Control Plan
Construction Safety Plans
FOD Plan
Risk Assessment Manual
Safety Management System Manual
VAA Policies and Procedures
VAA Tenant and Stakeholders Directives
Winter Operations Plan