ACKNOWLEDGMENTS

Rideau Consultants Inc. would like to thank those individuals who contributed to this review and, in particular, to those who agreed to be interviewed and who provided insights and comments crucial to this review.

REVIEW COMPLETION STEPS

- Planning phase completed 24 February 2017
- Documentation review completed 9 April 2017
- Site Visit 10-11 April 2017
- Data Gathering – Interviews 24 February – 21 April 2017
- Consultation draft provided 27 April 2017
- Final report provided 25 May 2017
- Revised final report 5 June 2017
- Revised with Board input 4 July 2017

All photographs in this report were taken by Alessandro Roethel.
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1 Executive Summary

This report provides the results of an evaluation on the extent to which the Victoria Airport Authority (the Authority) has complied with the terms and conditions of its Ground Lease with Transport Canada concerning the provisions to provide a safe and efficient Aerodrome facility while maintaining adherence to, and realization of internal business plan objectives.

The review focus of this evaluation is for the five-year period 01 April 2012 to 31 March 2017. Under the Terms of the Ground Lease, the time period is the maximum allowed to elapse between performance evaluations. This timeframe also permits sufficient data to be analyzed to assess the effectiveness and efficiency of the Authority, in order to provide accurate performance information to Transport Canada.

For the duration of the review period the Authority has met the terms and conditions of its Ground Lease with Transport Canada. The Authority has operated a safe and secure aerodrome, has contributed to creating a vibrant economic base in the Capital Regional District and the surrounding area, and has acted as an economic catalyst to drive both economic growth within the surrounding communities it serves while operating as an effective, efficient, and viable enterprise.

During the past five years the Authority has not strayed from its original thoughts of engaging its stakeholder communities to ensure its vision, values and mandate reflect those of the community; and has actively and assiduously solicited public input and created opportunities for ongoing discussion and debate with its stakeholders and responded appropriately.

The Authority has created and uses both strategic and tactical business plans to grow and manage its operations; while managing its fiscal affairs with prudence, probity, responsibility and accountability – all of which ensures the continued success of the Authority in both its short and long-term mandates.

Within the Capital Region there is limited opportunity for land development with much of the vacant land constrained by the Agricultural Land Reserve (ALR) legislation. Consequently the airport lands are a catalyst for development within the Capital Region. Airport land development is addressed directly in the Authority’s 20 Year Master Plan and reflects the importance which land and its development will have on the aerodrome. The aerodrome’s land is a major asset to be developed in an environmentally, socially, and fiscally aware manner.

Historically the airport has been seen solely as a runway and the aircraft as the economic driver. However since the Authority assumed control there has been a subtle shift and a majority of the community now realizes that the green and sustainable development taking place on airport lands benefits all stakeholders.

Prior to the creation of the Airport Authorities in 1992 the airports were cost centres to the federal government. Today the federal government collects land rent from almost all the airports in the National Airports System, and has collected a total of more than $4 billion since 1994.
The $1,527,802 paid to the federal government by the Authority for land rent in 2016 represents approximately $1.65 for each enplaned passenger from the Victoria Airport.

The Authority spent $61.8 million over the past five years (and $157.2 million since 1997) on capital improvements to the aerodrome infrastructure. The vast majority of that was spent in the Capital Region and lower Vancouver Island. As such it is an economic engine to the whole region.

1.1 The Past Five Years
Over the review period in question a number of events and developments occurred:

- Continued development of the Authority as a locally-governed, stand-alone organization managing the business affairs of an international and domestic gateway, independent of the federal government;
- Continued changes in airport security measures;
- Annual audits from Transport Canada from 2012 to 2016 which had no formal findings for remediation;
- Expansion of Apron IV to allow more overnight and remote parking;
- Development of a de-icing facility at apron IV;
- Expansion of passenger pre-board screening to allow for four screening lines with additional floor space to add a fifth screening line when required;
- Addition of new escalators and elevator to consolidate the circulation to the upper holdroom and bridged gates;
- Expansion and improvement of the airside retail and food and beverage;
- Additional seating capacity in the upper holdroom;
- Completed two major creek restoration projects; and,
- Expansion of taxi, employee, short term and long term parking areas.
2 Approach and Methodology

After discussions with senior management of the Authority, 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 (aircraft operators, concessionaires and tenants) to corroborate initial findings and conclusions. Input and feedback received by the Authority from Nominators to the Board of Directors was also taken into consideration. This review should be considered as a high-level “desk review”, which aimed to avoid initiation of exhaustive new, independent research. The materials identified as source materials upon which we conducted our review are listed in Annex A.

The review, as conducted, relied heavily upon those documents which were provided to us by management, who it should be pointed out, cooperated fully in providing additional materials and information in response to our requests. We were thus able to conduct numerous direct enquiries of management concerning the Authority’s financial status, operating environment, contractual processes and other pertinent issues.

We considered data gleaned from management responses to our questions, in the form of detailed explanations, listings, schedules, and other additional documentation. We applied analytical procedures, for example, such as comparing current and prior information and also considered the rationality of financial decisions and other inter-relationships. We discussed the information received with both management and Board members of the Authority, and determined the overall plausibility of such information when taken as a whole.

Some of the documents we reviewed were audited and/or were produced by 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 Authority facilitated interviews with external parties and permitted us to contact major stakeholders. We were neither restricted nor limited in making these contacts in any way, other than by normal considerations of time and budget.

2.1 Logic Model

One tool that assists in the evaluation of a program is the Logic Model, which describes the results expected from a program of action or an intervention. The results chains embedded in logic models are key building blocks for developing the results intended by a program (i.e., the boxes in a typical visual logic model). This is in alignment with the expectations described in the Ground Lease.

Based on the logic model we developed an Evaluation Question Framework that listed the major questions to be answered during the evaluation. The overarching question asked by the evaluation was: “Is the aerodrome operated in a safe and secure manner?” This evaluation question then formed the basis for specific interview questions that were used as data sources and
lines of evidence. These Evaluation Questions were each mapped to the Logic Model shown below.
3  Fundamental Beliefs & Values

MISSION STATEMENT
To provide a safe, secure and efficient airport that enhances economic and social benefits for our region.

VISION STATEMENT
To be the best airport anywhere.

GOALS
- Provide and operate a safe and secure airport
- Retain and attract a talented and motivated team of employees
- Be a leader in environmental protection and management
- Provide exceptional airport facilities and customer service
- Attract and maintain air service
- Operate in a financially responsible manner

GUIDING PRINCIPLES
Safety, Security and the Environment
  Safety, security and the environment are paramount in everything we do
Customer Service
  Deliver exceptional levels of service and value
Partnership and Accountability
  Work openly and constructively with our stakeholders and community
Employer of Choice
  Treat all employees with fairness, dignity and respect
Responsible Stewardship of Assets
  Manage our finances and infrastructure prudently
Economic Development
  Promote sustainable economic development and tourism of the region
Leadership and Innovation
  Foster leadership and innovation

ACCOUNTABILITY
The Authority shares its accomplishments and remains accountable to its stakeholders and the community by communicating its information in many ways, including through public meetings; planning exercises; reviews; publications, such as its Annual Report, Environmental Management Plan, Master Plan, Strategic Plan and Safety Plan; media releases; social media updates; industry tours and community presentations. All of the Authority's publications are available online, at www.victoriaairport.com.
The Airport Consultative Committee is comprised of directors of the Authority and representative members from various airport user groups, including nominating entities, the business community, airlines, airport tenants, stakeholders and local First Nations.

**STRATEGIC VISION: To Be the Best Airport Anywhere**

In 2015, the Authority revised its Strategic Plan to reflect its current operating environment, confirm its vision and provide a blueprint for how Victoria International Airport will become the best airport anywhere. Its six strategic goals will guide the organization over the next five years:

- Provide and operate a safe and secure airport.
- Retain and attract a talented and motivated team of employees.
- Attract and maintain air services.
- Operate in a financially responsible manner.
- Provide exceptional airport facilities and customer service.
- Be a leader in environmental protection and management.
4 Victoria – Location and Benefits

4.1 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 500,000 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 Authority assuming operational responsibility on 1 April 1997.

In March 2016, Money Sense ranked Victoria as the 91st best place to live in Canada (out of 219 cities). The magazine ranked communities relating to 14 measurable factors including weather, real estate values, income levels, unemployment rates, discretionary income, murder rates and signs of prosperity such as the percentage of late-model vehicles.

Statistics Canada’s 2016 Census reported that greater Victoria (the Census Metropolitan Area) has a population of 367,770, a 6.7% increase from 2011.

4.2 Transportation Benefits

The Authority provides a variety of public benefits, to not only Victoria and its surrounding communities, but also its entire catchment area of lower Vancouver Island. The most substantial benefits are the time and cost-savings associated with air transportation compared to other modes.

Other benefits provided by the Authority include:

- Meeting high levels of safety – the Authority has met national standards;
- Offering comfort and convenience – the Authority has well-maintained user-friendly facility and services;
- Providing access to national and international destinations – the Authority has provided a facility which extends the economic reach of the Victoria area and which allows travellers easy access to air travel;


- Enhancing community well-being and infrastructure – the Authority has invested in maintaining the aerodrome, the main air terminal building, public parking, and its road approaches; and
- Encouraging inbound tourists to Vancouver Island.

The City of Victoria and its surrounding communities 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 on Vancouver Island.

The Authority has a significant competitive advantage through both the combination of location, and its ability to efficiently and effectively utilize its airside capacity to leverage even greater growth in the longer future.

Air service development efforts by the Authority have resulted in a significant increase as well as better air service to more destinations.

This has positioned the Authority and the community well in the current environment.

### 4.3 The Airport

Created in 1997 as the Victoria Airport Authority, and issued a Civil Aviation Airport Certificate as the Victoria International Airport on 5 December 2011 by the Minister of Transport under Part III of the Canadian Aviation Regulations, the Victoria Airport is located in the District of North Saanich and the Town of Sidney, British Columbia about 27 km (15 NM) northeast of Victoria at a latitude of N 48 deg 38’ 50” and a longitude of W 123 deg 25’ 33”.

The airport is classified as a port of entry by NAV CANADA and is staffed by the Canada Border Services Agency (CBSA).

Part of the Canadian National Airports System (NAS), the airport lands are leased from the Government of Canada, with the aerodrome infrastructure owned and operated by the Authority.

The airport has three runways. Runway 09-27 measures 6,998 feet in length, runway 14-32 measures 5,001 feet in length, and runway 03-21 measures 5,027 feet in length.
YYJ is the second busiest airport in British Columbia in terms of passenger levels, after the Vancouver International Airport. In 2016 1,856,421 passengers arrived or departed, and in the period from 2012 to 2016 the number of aircraft movements remained virtually the same at approximately 137,500 annually. In 2014 the airport saw the number of aircraft movements peak at 166,492.

Victoria was designated an international airport in May, 1959.

An aerodrome has operated on the site since 1939, when it was known as the Patricia Bay Air Station.
5 Adherence to Corporate Objectives

5.1 Ground Lease Compliance

The Authority signed the Ground lease with Transport Canada with an effective date of 1 April 1997 and assumed management of the airport and its lands on that date.

We believe that the Authority has, over the period of 1 April 2012 to 31 March 2017, 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.

Its infrastructure improvement program demonstrates that the Authority is committed to continued high quality passenger service in a safe and secure environment for the town of Sidney and the districts of Saanich, Central Saanich and North Saanich, the City of Victoria, and their surrounding communities.

Over the period under review, the Authority has continued with a clear vision for successful operations. It laid a solid foundation from the beginning of its management mandate and continues to pursue the longer term strategic objectives of the airport. It has responded to external events consistent with its original mandate and has developed an approach to service delivery consistent with the needs of its surrounding communities.

The Authority 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
- Contributed to being a part of the community
- Maintained an environmentally aware posture

This review concludes that the Authority has managed and operated the airport safely, efficiently and for the general benefit of the public. Over the review period the Authority:

- Maintained continuous certification as an aerodrome under the federal Aeronautics Act, thereby satisfying international and federal regulatory requirements to ensure the safety and security of the travelling public;
- Undertook initiatives to establish an internal system of performance measurement designed to continuously improve business processes and outcomes;
• Continued a high-quality service which has enhanced the attractiveness of the airport, and constantly monitored its primary users for feedback, to which it responded with concrete actions;

• Worked with its immediate communities to effectively manage major issues relating to operations; and

• Worked to ensure that its environmental footprint is minimized.

We believe that the Authority has, over the review period, held 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 Authority during this period. The Authority was a leader amongst Canadian airport authorities in its use of a governance model by the Board, and its insistence that all Board members follow this model. This has been instrumental in creating an effective, action-oriented and results-oriented corporate culture.

5.2 Safety/Security

The Authority maintains the following operational plans reviewed on an annual basis:

• Winter Operations Plan;
• Glycol Management Plan;
• Environmental Management Plan;
• Wildlife Management Plan;
• Emergency Response Plan;
• Crisis Communication Plan; and,
• Airport Operations Manual.

Transport Canada has recognized that the aerodrome facility is safe and secure and the latest TC Audit (December 2016) had no formal findings of defects\(^1\). The Victoria International Airport continues to meet the ongoing requirements of Aerodrome Certification Program pursuant to the Canadian Aviation Regulations\(^2\).

5.2.1 Operations - Safety and Security

Since September 11th, 2001, airport security has taken a larger role in the management of airports. Although the Canadian Air Transportation Security Agency (CATSA) has been in existence since 2002, the regulatory environment remains fluid. Even as the responsibility for airport security is shared between Transport Canada; CATSA; CBSA; and the Authority, the public will continue to hold the Authority accountable for any failures in security. As Transport

\(^1\) The 2016 Lease Monitoring Report stated “The following issues that were identified by the Airport Authority in 2014 and will take a number of years to resolve: 1. Resolution of the non-compliance of six sub-tenants whose use does not comply with the currently Approved Land Use Plan. 2. Resolution of the non-compliance of fifteen buildings that do not comply with the Airport Zoning Regulations when they are applied to the Demised Premises.”

\(^2\) CARs 2012-1, Part III, s.302
Canada continues to develop the rules with respect to security management systems and air cargo, there may be some concern about the levels of security that may be enforced. The Authority 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.

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

Emergency support continues to be provided by local agencies. The Authority 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 four years. The Authority meets this requirement.

A written mutual aid agreement between fire-fighting services exists between the Authority and the fire departments of the District of North Saanich, District of Central Saanich, and the Town of Sidney.

The fire services have the published capability to meet the CARs requirements at a Category 6, with equipment on-site to meet a Category 6 fire. With the assistance of the mutual aid fire departments, the Authority can response to a Category 7 fire. Firefighters do monthly inspections of all Authority facilities. Fuel bowsers and fuel farms are not included in the monthly inspection.

5.3 Safety Management System

The Authority has implemented a Safety Management System (SMS) in accordance with TC’s SMS Phased Implementation Schedule, and has completed Phase IV – Quality Assurance. The CEO of the Authority is the responsible and Accountable Executive for the SMS implementation and operation of the SMS.

The implementation of an SMS has benefitted the Authority since all staff are aware of it. The creation of a computerized “dashboard” information presentation system accessible by all Authority staff has assisted in the awareness.

The Authority has invested in state-of-the-art firefighting equipment as part of its SMS.

Safety performance indicators are in use. A safety incident database allows for review and trend analysis. The Authority uses the following performance indicators, targets and reporting frequencies as input to its SMS.

- Navigation aids
• Wildlife control
• Airfield maintenance
• Emergency response times
• Runway incursions
• Bird strikes
• Airport-related aircraft accidents and incidents per year/operating hours
• Ramp safety incidents per year

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:

• TC 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
• The number of WCB claims
• Meeting acceptable Glycol measurement targets

5.4 Security Management System

The CEO of the Authority is the responsible and Accountable Executive for the SeMS implementation.

The SeMS implementation includes a risk assessment, gap analysis, implementation plan, and compliance document, and was implemented in February 2013.

SeMS performance indicators exist, together with a security incident database to allow for review and trend analysis.
5.5 Crisis Communications Plan
The Authority has a Crisis Communications Plan. Together with its Emergency Response Plan, this is designed to help prepare for and manage the Authority’s communications response in a crisis. The development and execution of an effective crisis communications/response reinforces the Authority’s public image as a competent, caring and responsible member of the community.

The Crisis Communication Plan is organized to identify the key contacts and communication tools to support the Authority’s public response to emergencies.

5.6 Regulatory Compliance
The statutory obligations which may apply to the Authority 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 aerodrome, or to the Authority 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 Authority has maintained itself as the YYJ operator of a certified aerodrome under the Aeronautics Act, and remained free of any defects, orders, penalties or unresolved complaints under any of the above legislation for the period under review, that this demonstrates a positive assessment of the Authority’s compliance with its regulatory obligations under the applicable Acts.

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

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 effect 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 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 on the local economy, caused directly by the operations of the aerodrome.

Indirect/induced impacts are derived from activities as a result of the direct impact of the aerodrome (i.e., housing, schools and food for employees; hotels, restaurants and travel agencies
for tourists). Furthermore, these impacts are also experienced due to successive rounds of spending in the local community, in the rest of the province, and in other provinces in Canada, that result from all of the above.

The Authority has recognized its important role in fostering increased use of the facility that has just such a multiplier effect in the region. During the period under review, the Authority continued to increase its business base as a service provider to various military, domestic and international business travellers such as the Provincal government, the universities and technical schools, the Canadian Forces and other military members, and the travelling public.

In 2005 it was reported that the activities of the aerodrome produced 2,920 full-time jobs, and $440.8 million of direct economic impact in the Capital Region and the surrounding area.

Over the period of the review the Authority operations contributed approximately $52.8 million directly to the local economy of the City of Victoria and its surrounding communities.

The Authority is undertaking an updated Economic Impact Study in 2017.

5.8 Environmental Awareness

The Authority 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.

The Board has ensured that an individual was appointed by the Authority to monitor environmental issues and to manage any remediation. This is done for both the Authority and its tenants. Under the environmental mandate, the Authority has implemented the use of solar hot water heating panels, rainwater management, glycol management and re-cycling, geo-thermal heating, and remediation of the two creeks originating on airport lands. Environmental measures and benchmarks are reported to the Board regularly. The airport has in place a tenant environmental monitoring program to ensure tenants meet the obligations of their lease.

An Environmental Management Plan, updated in 2016, was designed to meet that goal in a transparent and accessible manner. The Environmental Strategy and its resultant Plan are designed to ensure that the Authority is in compliance with all applicable environmental laws and regulations. To this end, the Authority undertakes Environmental Assessments in advance of all land-altering airport projects.

The Authority operates under the following legislation and by-laws:
- The Canadian Environmental Protection Act (CEPA)
- Canadian Council of Ministers of the Environment (CCME)
- Storage Tank Systems for Petroleum Products Regulations
- Federal Halocarbon Regulations
- The Fisheries Act
- The British Columbia Environmental Protection Act
• The Capital Regional District Sanitary Source Control By-Law

5.8.1 Wildlife Management
The Authority has an Airport Wildlife Management Plan 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. Fences are maintained along the property line to discourage the incursion of large animals, and noise cannons and scare devices are used to disturb birds. The Authority has a regular inspection and maintenance program for the fences.

Operating a safe and secure airport is the Authority’s primary focus, and bird strikes pose a significant safety risk to aircraft and passengers. To manage that risk, the Authority’s wildlife program consists of four components: monitoring, habitat management, movement of birds through harassment techniques and, where there is a perceived safety risk to aviation, killing of birds. In order to prevent bird strikes birds are moved away from aircraft operating areas using pyrotechnics, scare devices and propane cannons. Over the past five years an average of 16 birds per year were killed in strikes with aircraft, and an average of 21 near misses or unconfirmed strikes. While habitat management and harassment techniques are the Authority’s primary tools, killing occurs when wildlife behaviour is perceived to be a safety risk. This may consist of an immediate risk to an approaching aircraft, or a potential or chronic risk that has reached unacceptable levels.

5.8.2 Water Courses and Wetlands
Over the past five years the Authority continued its regular monitoring of water quality in the water run-offs from airport lands into Reay Creek and TenTen Creek.

An Environmental Advisory Committee (formed in 2004) includes local municipalities, local environmental groups and other stakeholders.

A Coho salmon run was successfully re-established in Reay Creek and, as part of its efforts to restore the habitat and reduce the flow of historic pollutants from airport land into the stream, the Authority completed construction of a new 200-metre-long diversion channel for Reay Creek in 2012. This $232,000 project included the installation of a spill gate and a wetland complex with aquatic habitat features to improve stormwater quality within the channel. It diverts stormwater drainage around the existing creek channel, which has been transformed into a bio-remediation wetland.

The primary goal for TenTen Creek was to re-establish the fresh-water ecosystem and clean up contaminated soil. In 2012, the Authority improved a number of storm drainage areas along
TenTen Creek and was pleased to learn that several cutthroat trout and three-spined stickleback fish were discovered during the summer creek inspection. Common thought was that the creek was incapable of sustaining fish life due to historical contamination. The Authority continues to pursue initiatives that improve stormwater quality, reduce runoff and create opportunities for fish habitat in TenTen Creek.

5.8.3 Wastewater Management
The Authority has a 10% interest in the sewage treatment capacity of the Saanich Peninsula Wastewater Treatment Plant\(^3\). The Authority currently uses about 50% of that interest. The remaining 50\(^4\) is deemed to be adequate to service the development of the remaining airport land.

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

5.8.4 Hazardous Materials and Storage Tank Management
The Authority has published operating procedures for the handling, use and disposal of hazardous materials and their waste.

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

5.8.5 Contaminated Sites
Historically there were several waste sites located on airport lands that were used by the Department of National Defence and Transport Canada from 1939 to 1996. Most of these sites were remediated by the Department of National Defence and Transport Canada in the 1980’s and 1990’s.

At time of writing this report there are two known Transport Canada contaminated dump sites located on aerodrome lands, one of which is now exposed.

5.9 Environmental Management Plan
An Environmental Management Plan (EMP), updated in 2016, is in place to ensure that operations on Authority lands do not cause harm to the environment. The EMP includes spills of hazardous materials in runoffs from the aerodrome lands.

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\(^3\) The Saanich Peninsula Wastewater Treatment Plant serves North Saanich, Central Saanich and the Town of Sidney, as well as the Authority and its tenants, the Institute of Ocean Sciences, and the Tseycum and Pauquachin First Nations communities. It is a secondary level treatment plant which produces Class A biosolids. The plant has been in operation since 2000.

\(^4\) Equal to 5% (1,800 m\(^3\)/day) of the total capacity of the plant. The average annual inflow to the plant is 18,150 m\(^3\)/day. The maximum daily inflow is 36,300 m\(^3\)/day.
The EMP 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 selected tenants are conducted to ensure due diligence and compliance with environmental regulations.

5.9.1 Spill Response
The Authority 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.

Emergency services, responds to all product releases and responds in accordance with IFSTA requirements. All local fuel companies and ES shifts do an annual product release / spill response exercise.

5.9.2 Recycling Program
The Authority has a paper and cardboard recycling program for the terminal and aerodrome tenants.

5.9.3 Compost Facility
In 2012, VAA constructed an on-site compost facility to better utilize organic waste generated by the airport’s landscaping program. Pre- and post-consumer food waste is separated into a compost stream along with used paper towels.

5.9.4 Greenhouse Gas Emissions
The Authority was the third airport in North America to receive Airport Carbon Accreditation (ACA).

5.9.5 Noise Control
Noise Control has not been identified as an issue by external stakeholders, by the District of North Saanich nor the Town of Sidney. The Authority has procedures in place with respect to noise control comprising a Noise Management Committee, baseline airport community noise surveys, noise complaint management and noise exposure forecasts.

5.10 Contribution to the Advancement of Air Transportation
The Authority plays an important role in the advancement of Air Transportation, particularly as it relates to the surrounding communities and the Province of British Columbia.

Through its consistent determination to facilitate air transportation activities, it operates in two principal areas:
• As a service supplier to international air traffic and
• As a local terminus connecting Victoria with other locations.

The Authority continues to be active in a number of national forums, notably the Canadian Airports Council (CAC). This provides the Authority, in return, with vital communications, operational, technical, regulatory and political links.

5.11 Customer Service
For each of the past five years, YYJ has maintained its position as one of the top four airports in North America with less than 2M passengers, and the 2012 and 2014 winner, as recognized by Airports Council International (ACI) Airport Service Quality (ASQ) Awards. YYJ is also rated one of the top ten most-loved airports in the world by CNNTravel. The Authority maintains a focus on satisfying its various stakeholders including passengers, air carriers, service partners, and the region within which it operates. Indeed the Authority Business Plan highlights the Authority view of customer service.

5.12 Relations with Service Partners
There are a large number of service partners that interact regularly with the Authority. Given the scope of the review we were not able to undertake a comprehensive survey of all these service partners, however, we interviewed a significant sample of commercial undertakings and general aviation companies to review their perspectives on the Authority as a business partner. Their overall comments were that the Authority was open in its dealings with them and that they were generally (some “extremely”) satisfied with the Authority’s operation.

The view of the air carriers with whom we spoke was that the Authority has a “good to excellent” relationship with them.

It was not possible to conduct a survey with all the land tenants of the Authority 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 Authority and its relationships with them.

Although the transfer of responsibility for the airport operations occurred 20 years ago, several interviewees specifically contrasted the responsiveness of YYJ since the departure of Transport Canada as the operator. They commented with a sense of pride on the terminal facility and the development of airport lands as an economic engine for the community.

Scheduled airlines serving the airport are Air Canada, Jazz Air, Air Transat, Delta Air Lines, Horizon Air, Island Express Air, Orca Airlines, Pacific Coastal, Sunwing, United Express, and WestJet. There are several flight schools. Canadian Helicopters provides helicopter services. The Department of National Defence 443 Maritime Helicopter Squadron is also based at the airport.

There are five car rental agencies servicing the airport. Four are located in the Main Air Terminal Building (Avis, Budget, National, and Hertz) while the fifth (Enterprise) has an off-
airport location. These five agencies provide the majority of car rentals in Victoria and the surrounding area.

Taxi and shuttle bus services are available.

A scheduled bus service operates from the airport to the BC Ferry terminal at Swartz Bay, the District of North Saanich and the Town of Sidney, and to the City of Victoria (with links to Greyhound Bus Lines, and Pacific Coach Lines).

5.13 Relations with the Community

5.13.1 Community Consultative Committee (CCC)
The CCC is comprised of directors of the Authority and representative members from various airport user groups, including nominating entities, the business community, airlines, airport tenants, stakeholders and local First Nations. (see Annex G for a complete list).

These groups meet with the Board and the Senior Management Team of the Authority on a regular basis at least two times per year.

The Authority regularly consults with nominators, local First Nations and other stakeholders. For example the Authority voluntarily went through a municipal rezoning and public hearing process associated with the retail sales commercial development of airport lands located in the Town of Sidney. The Authority generally has a good working relationship with its surrounding municipalities and the various levels of governments.

Commercial signage on airport lands was an issue during the five years of the review, however this was resolved with the signing of an Agreement between the Authority and the District of North Saanich on 26 January 2017.

5.13.2 Leaseholders
Concerns raised by a tenant or leaseholder are dealt with promptly by the VP Operations & Development or other VAA staff as appropriate. This has proven to be an effective approach to date.

5.13.3 Airline Consultative Committee (ACC)
The Airline Consultative Committee (ACC) consists of airline corporate real estate and local representatives of the five major airline operators servicing the aerodrome. The ACC representatives meet with Authority senior staff at least twice per year.

The Authority is actively involved in the promotion of air travel. It works with its airline partners to increase routes and destinations for the Capital Region travelling public. Decisions as to which routes to focus on are well-communicated to the Tourism Bureau, Chamber of Commerce and the public. The Authority strives to ensure that routes are long lasting and do
not see false starts. New routes must have an economic sense and must service a specific sector, for example the San Francisco route and the technology sector.

5.14 Development of the Aerodrome
Planning is addressed by the Authority in a methodical and predictable manner, ensuring that those items which must be done from a safety point-of-view are accomplished before those items which would make things better for the travelling public and lease-holders. The Authority is sensitive to the Airport Improvement Fee (AIF) and what development may be done with the revenue generated by it. Overall the planning function at the Authority works well. The Authority is planning for major upgrades to the airfield and additions to the Main Air Terminal Building and commercial apron area.

5.14.1 Master Plan
In 1999 the Authority 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 2007, and again in 2012. The assessment of available lands for development showed significant lands available both to continue to support existing and any anticipated airfield requirements during the development period. The Master Plan in our view was based upon conservative revenue estimates and acknowledged the risks associated with adding additional infrastructure. It described a responsible and appropriate plan for the longer term development of the airport lands.

The Master Plan in 2012 also developed a new 10 Year Capital Plan.

The Business Plan developed for 2017 used several key factors (passenger growth, inflation rate, aviation fees, concession revenues, parking fees, land lease revenues, interest rates on long term debt, interest rates on future borrowings, and salaries & benefits) in developing its revenue and expense projections.

In our view the 2017 Business Plan describes a responsible and appropriate response to the long-term Master Plan defining the operation of the Authority as a viable international aerodrome.

5.15 Airport Lands Development Plan
Development of airport land has been in compliance with the Ground Lease.

In addition, the Authority has made a concerted effort to develop airport lands in a manner which is both environmentally aware, and which benefits the population of the lower Vancouver Island. Concessions and rental revenues in 2016 were $13,759,634 (up from $10,896,492 in 2012), an increase of 23.6% in five years. Concessions and rental revenues represent 65.95% of total revenue (67.41% in 2012).
6  Financial Viability of the Authority

On 1 April 1997 the Victoria Airport Authority assumed the management of a ground lease agreement with the Government of Canada to transfer control of the Victoria International Airport to the Authority for an initial term of 60 years with a 20-year renewal option. The 20 year renewal option was signed by the Minister of Transport on January 28, 2015.

6.1  Capital Expenditure

Since 2012, the Authority has spent $61,773,523 on improvements to the infrastructure of the aerodrome.

Over the next 10 years the Authority is faced with an estimated $183 million in capital expenses for the runways, main terminal building, and other infrastructure ($87 million over the next 5 years). These numbers are not adjusted for inflation.

6.2  Passenger Volumes

After the setback caused by 9/11, the Victoria Airport saw a steady increase in passenger volumes during the period of the review.

From 2012 to 2016 YYJ had an annual average passenger growth of 5.4%. Over the five-year period of the review an annual average of 1,656,264 passengers used the airport. Total passenger traffic for 2016 was up 23.3% compared to 2012.

6.3  Traffic Volumes

Over the period of the review from 2012 to 2016 total aircraft movements remained effectively the same at 137,054 in 2012 and 137,431 in 2016 (peaking in 2014 at 166,492).

Passengers per aircraft movement increased steadily from 11.2 to 13.7.
6.4 **Financial Operations**

The Consumer Price Index over the period of the review increased 5.5%. Over the same period, revenues increased 46.1% and expenses increased 29.3%.

The Authority has an Airport Improvement Fee of $15 CAD per enplaned passenger.

In 2016, revenues from operating and Airport Improvement Fees were $34,454,707, the highest revenues achieved since the Authority assumed management of the airport from Transport Canada in 1997. On a “per passenger” basis, the Authority generates an income of $18.56 per passenger, and expenses of $12.39 per passenger.

The financial statements available referred to the periods including all of calendar year 2012 through to calendar year 2016. We spoke with management regarding their expectations for the financial picture in year 2017 and they expressed the view that it is consistent with their projections and in line with previous year’s trends.

6.5 **Insurance premiums**

Over the period of the review, and for the same insurance coverage, premiums increased from $252,075 annually in 2012 to $257,046 annually in 2016, an increase of 2%. The net book value of the assets insured increased from $70,635,557 in 2012 to $102,002,320 in 2016, an increase in net book value of 44.4%. The relatively minor change in insurance premiums indicates that the insurers consider the Authority to be demonstrating adequate husbandry over the assets.

6.6 **Rent**

The Authority paid $5,033,676 in rent to the federal government for its lease of the airport lands during the period 2012 to 2016. Since the Authority assumed control of the airport it has paid a total rent of $18.4 million to the federal government.

6.7 **Debt**

The Authority is one of only two airports in the National Airports System to have no long-term capital debt. At the present rate of capital expenditure, it is able to fund these expenditures through the cash flow of operations.
7 Accountability and Governance

This section reviews the extent to which the Authority 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.

7.1 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 Authority's Board must be demonstrably representative of, and responsive to its community. The Authority 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.

To solicit new members the Board uses an experience and expertise matrix based on the requirements for specific types of expertise as stated in the Ground Lease. The Board also endeavours to be gender neutral. Based on this matrix, and gender balance, the Board asks nominators for multiple nominations. Nominees undergo an extensive review by the Board. The Board then decides who it will accept as a Board member based on experience, expertise and gender. The Board has a process to refuse a nominee. Most nominators agree with this process, but some nominators expressed an opinion to the reviewer that by their not being able to appoint a member to the Board their political choices for nominees were not reflected.

Board members report to their nominator at least once per year, generally two times or more. Board members reflect the interests of the Authority and not their nominator.

Each new Board member receives an orientation session, and the entire Board does an orientation refresh each year.

7.2 Governance

The Authority led Canadian airport authorities in the development of a governance model.

Since its beginning, the Board has consistently demonstrated its appreciation and understanding of the Board’s mandate. Its approach to the implementation of a “governance” model has been without peer in airports in the National Airport System, and meets or exceeds the governance practices in any other airport in Canada. The Board has invoked 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 Authority.

Several committees support the operations of the Board: Airport Consultative Committee, Audit and Finance Committee, Governance Committee, and the Planning and Development

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5 This opinion is based on this reviewer’s experience with more than 40 performance reviews at 17 of the 21 airports in the NAS with a ground lease.
Committee. This allows for more focused activities to be undertaken by each committee, together with a formal reporting mechanism from each committee to the Board as a whole. The committees are not decision-making (unless directed as such by the Board) and act as information gatherers to report to the Board as a whole.

The Board has orientation sessions for new Board members to explain their duties and responsibilities, what the Board expects of them, and how new members may best contribute their expertise and experience to the functioning of the Authority.

### 7.3 Board Composition and Activities

The Authority’s Board is currently comprised of twelve members.

**Current Board Composition**

<table>
<thead>
<tr>
<th>Member</th>
<th>Role</th>
<th>Nominee</th>
</tr>
</thead>
<tbody>
<tr>
<td>James P. Crowley</td>
<td>Board Chair</td>
<td>District of North Saanich</td>
</tr>
<tr>
<td>Eric Donald</td>
<td>Board Vice Chair</td>
<td>City of Victoria</td>
</tr>
<tr>
<td>Marilyn Loveless</td>
<td>Chair, Airport Consultative Committee</td>
<td>Government of Canada</td>
</tr>
<tr>
<td>Gordon Safarik</td>
<td>Chair, Audit and Finance Committee</td>
<td>District of North Saanich</td>
</tr>
<tr>
<td>Lynne Henderson</td>
<td>Chair, Planning and Development Committee</td>
<td>Province of British Columbia</td>
</tr>
<tr>
<td>Rod Dewar</td>
<td>Director</td>
<td>Greater Victoria Chamber of Commerce</td>
</tr>
<tr>
<td>Wendy Everson</td>
<td>Director</td>
<td>Town of Sidney</td>
</tr>
<tr>
<td>Frank Leonard</td>
<td>Director</td>
<td>Government of Canada</td>
</tr>
<tr>
<td>Cathie Ounsted</td>
<td>Director</td>
<td>District of Central Saanich</td>
</tr>
<tr>
<td>Colin Smith</td>
<td>Director</td>
<td>Capital Regional District</td>
</tr>
<tr>
<td>Mel Rinald</td>
<td>Director</td>
<td>Town of Sidney</td>
</tr>
<tr>
<td>Sharlene Smith</td>
<td>Director</td>
<td>District of Saanich</td>
</tr>
</tbody>
</table>

Nominators for Board members are:

- Government of Canada (2 positions);
- Government of British Columbia (1);
- City of Victoria (1);
- District of North Saanich (2);
- Town of Sidney (2);
- District of Central Saanich (1);
- District of Saanich (1);
- Capital Regional District of British Columbia (1);
- Greater Victoria Chamber of Commerce (1);
- The Board in its own right (3).

The seats of the additional three members who may be nominated by the Board are at present vacant.
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 Authority.

Members of the Board are appointed for an initial period of three years. Members may be re-appointed for a second three-year period and re-appointed a third time for a final two-year period, thus allowing for overlap and continuity in the governance of the Authority. The appointment of Members is not staggered at this moment, and it may happen that several Members of the Board are up for renewal in one year.

The broad cross-section from the community conforms with the intent of the Ground Lease to assure that as many stakeholder interests are considered as is practicably possible. A broad community involvement is also aligned with the current policies of Transport Canada and the National Airports System to assure broad cross-representation from the local community.

7.4 Bylaws
The Bylaws of the Authority are kept current and are updated as required.

7.5 Preparation and Quality of Strategic and Business Plans
The Authority Board of Directors has evolved policies that articulate the Board’s vision, governance process, Board to CEO relationship, and functional leadership. An annual Business Plan is developed by Authority staff to be consistent with the overall strategic directions of the Authority. 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 Authority.

The Authority’s management team and Board implemented an Enterprise Risk Management System in 2016.

We believe that the Authority 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 Authority.

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 Authority well. The focus that senior management has been able to place on the longer-term directions of the Authority has served it very well.
8 Future Challenges

With local control, the expectation of the federal government was that airports would operate in a commercial and cost-effective manner that respected the environment and could 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 Authority, this has been very effective. Our review has confirmed that YYJ is a safe, secure, responsible, not-for-profit operation that contributes substantially to the economic activities of the entire southern part of Vancouver Island, and meaningfully to the rest of the Province of British Columbia. Moreover, we believe it models governance, fiscal probity, environmental awareness, and responsibility.

8.1 Infrastructure

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.

The Authority is no different. Future investment over the next ten years may require in excess of $183$6 million for the runways, lighting and approach systems, taxiways and aprons, the main terminal building, parking, and other infrastructure.

Projects are a capital challenge, and the Authority manages them in a fiscally responsible manner. There is timely, orderly development which follows the Master Plan. Infrastructure has been upgraded in the past when costs were low but the future may be different. Some of the major infrastructure projects to be managed over the next few years include, but are not necessarily limited to:

- Runways, taxiways and aprons:
  - Expand Apron IV North (Code E Taxilane) $3,183,000
  - Taxiway G Extension to Apron IV (Close Taxiway D) 3,174,000
  - Modified Exit at Taxiway G 2,174,000
  - Modified Exit at Runway 13 Fillet 293,000
  - Modified Exit at Taxiway S 1,019,000
  - Modified Exit at Taxiway W 1,668,000
  - Extension of Runway 09 (West) 8,152,000
  - Overlay Runway 14/32 5,750,000
  - Taxi November 600,000
  - Taxi Golf – South 575,000
  - Taxi Echo – Extend to Runway 27 Threshold 2,750,000
  - Taxi Golf – North 325,000

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6 In current dollars.
Runway 21 Threshold $389,000
Apron Expansion Part IV – West including 2 new Passenger Boarding Bridges $10,500,000
ATB to West Camp Watermain $1,350,000
Apron Expansion Part IV – East $3,276,000
Pump Station #3 $2,250,000
Apron Expansion Part VIII – Northeast $4,794,000
Apron Expansion Part X – Northeast $3,408,000

Air Terminal Building:
- Lower Holdroom Expansion, including Basement $16,000,000
- GPU Units for groundload A/C $600,000
- ATB Generator replacement and service entrance revision $1,750,000
- Replace Passenger Boarding Bridge #1 $1,025,000
- CUSS Refresh $300,000
- BC Hydro upgrade $625,000
- ATB West Expansion including CBSA $45,947,000
- Common Use System for Airlines $1,500,000
- Replace ATB Flooring $490,000
- HVAC modernization $300,000
- Security, including enhanced perimeter and access control $1,850,000
- Car Rental Building $1,425,000

Parking lots and covered walkways:
- Car Rental Parking Lot $625,000
- Parking Ticketing Infrastructure $1,000,000
- Daily Lot resurface, ring road resurface $1,695,000
- Expand Daily Lot (400 spaces) $3,500,000
- Overflow Parking $500,000

Apart from the ongoing inspection and mapping of the sewers and water mains, their extension to the new section of the aerodrome lands being developed must also be funded.

8.2 Ownership of the Infrastructure

When the federal government first created the lease structure for the Airport Authorities (AAs) in 1992 it had no appreciation of the value of investments in infrastructure that were going to be made by the AAs. Throughout the 1980’s the thinking of Transport Canada had been that approximately 500 million dollars was necessary to bring TC-managed aerodrome infrastructure up to international standards. Such an investment was politically unacceptable and in the late 1980’s the idea of transferring the ownership of the infrastructure to the AAs (and the cost of updates) was born with the first four transfers (to Vancouver, Edmonton, Calgary and Montreal) taking place in 1992.
With 25 years of history now to hand, the total sum invested in infrastructure by the 26 AAs in the NAS is approaching 20 billion dollars, an amount no one could have foreseen in 1992. At the end of their lease the ownership of the investments made by the AAs reverts to the federal government. If the Lease Renewal options are exercised, for all AAs there remains only 35 to 60 years in their leases, and the discussion about who owns what, and how it is to be recompensed must be commenced now.

The experience with the creation of the Canadian AAs is a success story sans pareil and the initial fears of Transport Canada that it would have to deal with failed AAs, and their accumulated debt, have not been borne out by the facts.

One possible solution is that the ownership of the lands is transferred to the AAs and does not revert to the federal government at the lease expiry.

8.3 Passenger Leakage

The Authority suffers loss of traffic to USA due to ferry service to Bellingham and Seattle. This affects competitiveness, makes it harder to attract new routes, and is an issue for any Canadian airport close to the US border. Pre-entry clearance to USA would provide an immediate increase in service. The AA is monitoring developments in the US preclearance model. Investment has been identified in the AA’s Master Plan but at this stage the economics of preclearance are not viable.

8.4 Increased Impacts of Security Requirements on Authority

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. Since 2003 the cost of CATSA has increased, but public perception is that service has gone down, especially when there are line-ups at the pre-board screening area and not all the screening lanes are open. Indeed some of the Government’s regulatory changes appear to not have sufficiently taken into account the operational and financial burdens that this imposes on all airport operators.

These issues most certainly include:

- The effects of change on operational burdens and the downstream effect on human capital;
- The changes in pre-board screening imposed by implementing CATSA+ inspection lanes;
- The mandatory capital investment required to respond to changing security commitments;
• The attempts by the regulator to download operational costs to airports;

• Increased wait times and inconvenience to the travelling public due to lack of appropriate funding; and,

• Rising concern on the part of TC regarding the treatment of air cargo.

8.5 Risk Management

8.5.1 Safety Management System (SMS)
Under the Safety Management System (SMS) required of the Authority by Transport Canada, the management of risk is downloaded to the airport, with Transport Canada being responsible for the assessment / evaluation role, and the airport being responsible for the design / development / quality assurance / administration role. The costs for the SMS are borne entirely by the Authority.

To ensure that it meets its responsibilities, the Authority has ensured that the design / development / quality assurance / administration of its SMS meets or exceeds the requirements of Transport Canada. It has done this by categorizing the risk areas, prioritizing those risks, establishing a probability of each risk occurring, and developing a risk mitigation / risk management strategy for each risk. However, Transport Canada continues to make rules, with a devolved responsibility to the Authority that it meet these rules. The cost of meeting the requirements of the rules may eventually be an issue.

8.5.2 Security Management System (SeMS)
As with the SMS, the responsibility for the design, development and administration of the Security Management System (SeMS) has been devolved to the Authority, with Transport Canada assuming the role of regulator and auditor.

The cost for the SeMS will be borne by the Authority, with Transport Canada deciding what functions will be within the SeMS, and the Authority having to fund those functions. The costs may become an issue over time.

The costs of policing may become an issue if the airport is designated as a Class 1 airport, as the costs for the RCMP would be downloaded to the Authority.
9  Summary of Major Findings

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

2. Major Finding: The Authority 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.

3. Major Finding: The Authority 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.

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

5. Major Finding: Throughout the period under review the Authority has effectively utilized its assets, (capital and operating) and maintained a financially viable operation.

6. Major Finding: The Authority Board has developed and implemented published governance policies. The Board uses these policies effectively in offering guidance to Authority management.

7. Major Finding: The Authority has continued to demonstrate 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 Authority as an effective not-for-profit corporation, managed with due regard for its stakeholder communities.
10 ANNEX A - BACKGROUND DOCUMENTS

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 – 2012 to 2016
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 – 2012 to 2016
Input and feedback received by the Authority from third parties
Insurance Premiums – 2012 to 2016
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)
Winter Operations Manual
Crisis Communications Plan
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,
12 ANNEX C - AIRPORT CERTIFICATE

CIVIL AVIATION
Airport Certificate

AVIATION CIVILE
CERTIFICAT D'AÉROPORT

5151-P170
Certificate No. (N° du certificat)

Victoria International Airport
Name of Airport (Nom de l'aéroport)

Victoria Airport Authority
Name of Certifier Holder / Nom du titulaire du certificat

N48°38' 50", W123°26' 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.

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.

This certificate is subject to any conditions, limitations or special procedures established by the Minister pursuant to Section 999.03(3) of the Regulations as set out on the reverse of this certificate and set out in the approved Airport Operations Manual.

This airport certificate shall remain in effect until transferred by the Minister, suspended or cancelled.

Minister of Transport / Ministre des Transports

December 05, 2011
Certificate date of issue / Date de délivrance du certificat

Canada
13 ANNEX D - COMPLIANCE GRID

Five Year Performance Review

1. Are you aware of any issue which has had a material impact on the management, operational and financial performance of the Authority for the five-year period covered by this review? NO

2. Are you aware of anything which could have a material impact on the management, operational and financial performance of the Authority in the immediate or near future? NO

3. The Authority is responsible for providing a safe and efficient service to the public. Is there anything which has prevented it from doing this? NO

4. Please comment on the Authority’s business plans and approved objectives? SEE REPORT.

5. Please comment on the financial and management controls, and the information systems and management practices, including the steps taken to ensure that:
   a. the assets of the Authority have been safeguarded and controlled;
   b. the financial, human and physical resources of the Authority have been managed economically and efficiently; and
   c. the operations of the Authority have been carried out effectively SEE REPORT

6. Is there any other relevant information about the Authority which could materially affect the performance of the review, or which the reviewer should be made aware of? NO

Public Accountability

7. 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? YES
   b. undertake and promote the development of the airport lands for which you are responsible for uses compatible with air transportation activities? YES
   c. expand transportation facilities and generate economic activity in ways which are compatible with air transportation activities? YES

8. 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? YES

Composition of the Board of Directors and Qualifications of Directors

9. Are the directors Canadian citizens? YES

10. Are they nominated and appointed through a process acceptable to the local/regional municipal governments? YES

11. Is the board of directors representative of the community? YES

12. 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? YES

13. Does the board of directors include at least one representative of the business community (YES), one representative of organized labour (NO) and one representative of consumer interests? YES

14. Are each identified as such? YES

15. Are any directors elected officials or government employees? NO

16. Was the Chair of the board of directors an elected official or government employee at any time during the two years prior to his/her election as Chair of the board of the Authority? NO

Acceptance of the Process for Nominating, Appointing and Revoking the Appointments to the Board of Directors

17. 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? YES

18. Was the process approved in writing by the Minister of Transport prior to the submission of an application for incorporation of the Authority? YES

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Although several Board Members have experience with organized labour, there are currently no Board Members who represent organized labour; i.e. no Board Member is a representative of CUPE, or some such other organized labor union. It was the intent of the framers of the Public Accountability Principles for Canadian Airport Authorities that the board “shall include at least one representative of the business community, one representative of organized labour and one representative of consumer interests, each of whom shall be identified as such”, because this type of expertise and experience would be invaluable in the operation of an aerodrome.
Number of Directors

19. How many directors are there? 12

20. Names, Title, Nominator? SEE REPORT

21. Does the board consult with the nominators prior to the appointment of directors? YES

Conflict of Interest

22. 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? YES, WITH AN ANNUAL UPDATE

23. 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? YES

24. Is there a Code of Conduct for directors, officers and employees? YES

25. Do any situations exist where use or occupancy of airport premises are at non arm’s length from the Authority? NO

26. If yes, was prior acceptance given by the Minister of Transport to the Authority 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

27. 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. NONE TO REPORT

Public Tenders

28. Does the Authority 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? YES

29. Are goods, service and construction contracts in excess of a total value of $75,000 (1994 dollars subject to annual adjustment for inflation) awarded following a competitive public tendering process? YES
30. 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 (1994 dollars subject to annual adjustment for inflation) which was not awarded on the basis of a public tendering process in the preceding year and the reasons for doing so? YES

Audits

31. Are financial audits conducted in accordance with generally accepted auditing practices? YES

Annual General Meetings and Reporting to the Public

32. 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? YES

33. Are annual general meetings open to the public? YES

34. Does the Authority:

   a. give at least 30 days' prior notice of each annual general meeting by using appropriate media to ensure public awareness of the meeting? YES
   b. afford a reasonable opportunity to the public for the asking of questions and the expressing of views? YES
   c. 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
   d. 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

35. In advance of each AGM, does the Authority 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

36. Prior to the AGM, does the Authority publish an annual report which:

   a. includes audited financial statements? YES
b. reports 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

c. explains variances and corrective actions taken by the Authority? YES

d. presents 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

e. reports 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

f. reports on the Authority’s compliance and/or non compliance with the Conflict of interest principles? YES

g. reports on all contracts in excess of an amount obtained by multiplying seventy-five thousand ($75,000) dollars by the CPI Adjustment Factor for that Lease Year which are entered into during that Lease Year and which contracts were not awarded on the basis of a public competitive tendering process. and which identifies the parties to the contract, the amount of the contract, the nature of the contract, the circumstances of the contract and the reasons for not awarding such contract on the basis of a public competitive tendering process? YES

37. 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

38. Does the Authority give 60 days advance notice through appropriate local media of planned increases in airport user charges (excluding rent)? YES

39. Does the notice include an explanation of the justification for such increases? YES

Community Consultative Committee

40. Is there a Community Consultative Committee? YES

41. If yes, how often does it meet? AT LEAST 2 TIMES PER YEAR

42. If yes, who comprises its members? SEE APPENDIX G

43. If no, how do members of the community express their concerns to the Authority? n/a
Lessor’s Consultative Committee

44. Is there a Consultative Committee for leaseholders of the Authority? NO

45. If yes, how often does it meet? n/a

46. If yes, who comprises its members? n/a

47. If no, how do lessors express their concerns to the Authority? TENANTS’ CONCERNS ARE RAISED DIRECTLY TO THE VP OPERATIONS & DEVELOPMENT OR OTHER APPROPRIATE VAA STAFF.

Airline Consultative Committee

48. Is there a Consultative Committee for airline operators? YES

49. If yes, how often does it meet? AT LEAST 2 TIMES PER YEAR

50. If yes, who comprises its members? ALL AIRLINES OPERATING FROM YYJ

51. If no, how do airline operators express their concerns to the Authority? n/a

Reporting to Nominators (Appointers)

52. Do directors report to their nominator no less than once a year? YES

Performance Review

53. At least once every five years, does the Authority commission a review of the Authority’s management, operation and financial performance? YES

54. Is there an airport master plan? YES

55. Is there an airport business plan? YES

Amendments to Articles of Incorporation & By-laws

56. Are changes to the articles of incorporation or by-laws made without the prior written approval of the Minister of Transport? NO
14 ANNEX E - 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
15 ANNEX F - AIRSIDE SAFETY PROGRAM

Airside Inspections
Airport fire Service
Airport Security
Electrical Staff
Maintenance Staff
Airside Maintenance Work Program
Airside Vehicle Operators Program
Apron Safety Plan
Bird and Wildlife Control Plan
Construction Safety Plans
FOD Plan
Risk Assessment Manual
Safety Management System Manual
Authority Policies and Procedures
Authority Tenant and Stakeholders Directives
Winter Operations Plan
16 ANNEX G – COMMUNITY (AIRPORT) CONSULTATIVE COMMITTEE

Air Terminal Building Tenants’ Representative
Airport Land Tenants’ Association
Association of Canadian Travel Agencies
BC Ministry of Transportation & Highways
Canada Border Services Agency
Canadian Aircraft Owners and Pilots Association
Capital Regional District
City of Victoria
Corporation of the District of Saanich
Department of National Defence
District of Central Saanich
District of North Saanich
District of North Saanich Residents’ Association
Greater Victoria Chamber of Commerce
Nav Canada
Pauquachin Band Council
Saanich Peninsula Chamber of Commerce
Saanich Peninsula Water Commission, and Waste Management Committee
Sidney Business Improvement Area Society
Sidney Ratepayers Association
Tourism Victoria
Town of Sidney
Tseycum Band Council

Airlines:
WestJet
Air Canada Jazz
Horizon Air
Pacific Coastal Airlines