

VAA Airport Consultative Committee

Minutes

Tuesday, March 6, 2018
7:30 AM – 8:45 AM
Delta Ocean Pointe Resort and Spa
Arbutus A Room

Upcoming Public Meetings:

Annual Public General Meeting

Tuesday, May 10, 2018
7:00 PM
Mary Winspear Centre
2243 Beacon Avenue, Sidney, BC

Fall Airport Consultative Committee Meeting

Tuesday, October 23, 2018
7:00 PM
Mary Winspear Centre
2243 Beacon Avenue, Sidney, BC



Representative Members in Attendance:

<u>Organization</u>	<u>Representative</u>
Airlines:	
WestJet	Regrets
Air Canada / Jazz	Regrets
Horizon Air	Regrets
Pacific Coastal Airlines	Regrets
Airport Land Tenants Association	Regrets
Air Terminal Building Tenants' Representative	Regrets
Association of Canadian Travel Agencies	Regrets
BC Ministry of Transportation & Infrastructure	Regrets
Canada Border Services Agency	Regrets
Canadian Aircraft Owners and Pilots Association	Regrets
Capital Regional District	Regrets
City of Victoria	Councillor Margaret Lucas
Department of National Defence	Regrets
District of Central Saanich	Regrets
District of North Saanich	Regrets
District of Oak Bay	Mayor Nils Jensen
District of Saanich	Regrets
Greater Victoria Chamber of Commerce	Catherine Holt
Nav Canada	Darlene George
North Saanich Residents' Association	Regrets
Pauquachin First Nation	Regrets
Saanich Peninsula Chamber of Commerce	Regrets
Saanich Peninsula Water & Wastewater Commission	Regrets
Sidney Business Improvement Area Society	Regrets
Sidney Ratepayers Association	Regrets
Tourism Victoria	Regrets
Town of Sidney	Regrets
Tsartlip First Nation	Regrets
Tsawout First Nation	Regrets
Tseycum First Nation	Regrets

Members of the Public in attendance: 15



Airport Consultative Committee Members in attendance:

Eric Donald (Board Chair), Gordon Safarik (Committee Chair), Lynne Henderson, Marilyn Loveless, Charles Livallo and Brenda Nunns Shoemaker

Other Board members in attendance:

Rod Dewar, Wendy Everson and Cathie Ounsted

Regrets:

Colin Smith

Management: Geoff Dickson (CEO), Randy Bogle, Scott Cunningham, Ken Gallant, Mike Garraway, Stephanie Long, Melinda Orłowski and Ian West

1. Call to Order

The meeting was called to order by Gordon Safarik, Chair of the Airport Consultative Committee. Melinda Orłowski acted as Recording Secretary.

2. Introduction of Members of the Committee, Dignitaries and Special Guests

The Committee Chair welcomed the members of the Airport Consultative Committee, representative members, the business community and members of the public. Former Board member and past Airport Consultative Committee Chair Graeme Roberts was recognized and thanked for being in attendance.

The purpose of the Airport Consultative Committee meeting is to engage, inform and seek feedback from the community regarding Victoria International Airport.

3. Motion to Receive the Minutes of the October 17, 2017 Airport Consultative Committee Meeting

The minutes of the October 17, 2017 Airport Consultative Committee meeting were reviewed by the Committee.

MOTION: Acceptance of the October 17, 2017 Airport Consultative Committee meeting minutes as presented.

Moved by: Marilyn Loveless

Seconded by: Lynne Henderson

Motion carried.

4. Report from the Chair of the Board of Directors

With the assistance of a PowerPoint presentation, Board Chair Eric Donald provided an overview of the roles, responsibilities and recent initiatives undertaken by the Board.

The Victoria Airport Authority Board is a governance board responsible for developing a vision, setting out goals and expectations for Victoria International Airport (YYJ) and the CEO, but not to manage the property. With a focus on Greater Victoria, YYJ strives to be a catalyst for strong economic growth, jobs and prosperity across the region.

Victoria Airport Authority (VAA)

VAA is a success story: its financial position is strong. Through prudent fiscal management and strategic decisions, it has allowed for capital investments of over \$172 million since transfer in 1997 to improve the quality, safety and security of the facilities and runways across the property.

Since January 3, 2017, VAA is debt-free, only one of two airports in Canada's National Airport System, and it expects to remain so into the near future.

The Air Transport Research Society, a global airport think-tank, recently concluded through their studies that YYJ is one of the most efficient, cost-competitive airports in the world.

Community

Since inception, YYJ has won a number of regional, national and international awards for its customer service, community projects and environmental initiatives. VAA is committed to the community and gives back in a number of ways, such as through charitable donations, sponsorships, school tours, community presentations, discounted land rentals for a ball park, a children's playground park, the BC Aviation Museum, as well as in-kind contributions of labour or supplies.

VAA provides a wide range of support including to the arts community, hospitals, First Nations, local farmers, environmental groups, the military, sports and recreation, the food banks and our municipal partners.

In 2017, VAA made nearly \$60,000 in charitable donations. Further, all employee donations to a charity of choice are matched by the corporation. Last year, \$7,600 was donated to the BC Cancer Foundation in honour of a work colleague who lost his battle with cancer.

In recognition of its community participation, in 2017 VAA received a number of awards:

- The Saanich Peninsula Chamber of Commerce honoured the VAA with a Crystal Award for Business Excellence as ‘Newsmaker of the Year’;
- An EcoStar Community Environmental Award for ‘Ecological Stewardship’ in recognition of the restoration work done on TenTen Creek;
- YYJ was named Times Colonist Reader’s Choice Award for ‘Best Way to Get Off the Island’.

Providing exceptional customer service is one of VAA’s strategic goals. VAA is a relatively lean organization; there are 44 full time staff delivering the operations, technology, administration and first responder duties at YYJ.

The Red Coats, a dedicated team of 26 volunteers, provide a friendly calming smile and customer assistance to travelers. The average length of service of a Red Coat team member is eight years; the longest serving member has provided over 25 years of dedicated service to the airport.

Airports Council International has twice recognized YYJ as the Best Regional Airport in North America serving up to two million passengers. VAA was honoured to receive such world-wide recognition representing our region.

20 Year Growth

In 1997, as part of a broad restructuring by the Government of Canada, Transport Canada transferred control of Victoria International Airport to a newly formed Victoria Airport Authority. The Board of the day had a singular focus: to be a low cost airport, providing exceptional customer service.

In 1998 which was the first full year of operations, VAA’s revenue was just \$7.6 million, with expenses of \$6.1 million and a net income of \$1.5 million.

VAA has come a long way in 20 years. In 2017, revenues were \$37.2 million, expenses were \$25.8 million, leading to a net income of \$11.4 million.

The facility continues to grow and improve, as profits are reinvested in the airport. The key consistency has been striving to be a low cost, high quality airport offering remarkable customer service, which continues to this day. This philosophy will continue well into the future despite pressures to expand.

Concluding Remarks

In conclusion, VAA's vision is to be the best airport anywhere. The Board Chair is privileged to be part of such a great organization which is led by an outstanding CEO, Geoff Dickson, supported by an exceptional team.

5. Report from the Chief Financial Officer

Randy Bogle, Chief Financial Officer, presented a financial report noting some highlights from 2017 and the preliminary financial results to December 31, 2017. The audited financial statements will be presented at the Annual General Meeting on May 10, 2018.

2017 Passenger Growth

The record setting passenger growth that Victoria International Airport saw from 2016 carried into 2017. YYJ had 11 record months of passenger traffic in 2017, which means that 49 out of the last 50 months have been record months. This strong passenger growth has translated to increased revenues.

Revenue

For 2017, total revenue is \$37.2 million, which is an increase of \$2.7 million or 8% over 2016.

Revenue is broken down into three categories: aeronautical, non-aeronautical and the Airport Improvement Fee (AIF). Of this total, non-aeronautical revenue accounts for approximately 40%, AIF revenue accounts for approximately 40% and aeronautical revenue accounts for approximately 20%.

- **Non-Aeronautical Revenue** consists of items such as parking revenue, concession fees, restaurants, retail, advertising, taxis, shuttle bus operations and land rentals. Also included in non-aeronautical revenue is rental income received from land and terminal building tenants, as well as deferred capital revenue.

For 2017, Non-Aeronautical revenue increased by 13.6% to \$15.6 million. YYJ has one of the highest percentages of Non-Aeronautical revenue of any North American airport.

- **Aeronautical Revenue** consists of the fees charged for aircraft to land at YYJ and to use the terminal building for passenger enplanement and deplanement. For 2017, Aeronautical revenue increased by 3.6% to \$7.4 million.

Landing fees are based on the weight of the aircraft. The larger the gauge of aircraft, the higher the fees. These apply to all jets and turboprop aircraft. Airlines using the terminal are charged a terminal fee of \$2.24 domestic per landed seat; transborder or international terminal fees are \$3.81 per landed seat.

- **AIF Revenue** – At \$15 YYJ’s AIF remains among the lowest of the airports within the National Airports System. Funds raised by the AIF can only be used to fund AIF-eligible projects and any debt related to these projects. Funds cannot be used to pay for any operating expenses. For 2017, AIF revenue is \$14.3 million.

Expenses

- **Operating Expenses** consist of items such as safety and security, snow removal, cleaning, utilities, maintenance, salaries and benefits. Operating expenses for 2017 are \$14.8 million. The increase is primarily related to increases for the costs of winter operations, security, cleaning, maintenance and administrative costs paid to the airlines to collect the AIF.

- **Amortization** – Capital assets are long-lived assets that are constructed or purchased for use in the business. The costs for these assets are then amortized or depreciated over the expected life of the asset. Since transfer, VAA invested over \$172 million into capital assets for the airport. As the investment increases, the amortization expense increases as well, as these new assets come into use and begin to depreciate. For 2017, amortization is \$8.6 million.

- **Rent and Property Taxes** – VAA pays rent to the Federal government, and property taxes to the District of North Saanich and Town of Sidney. For 2017, rent and property taxes increased to \$2.6 million.

The increase is primarily related to increased rent paid to the Federal government. Rent is calculated as a percentage of revenue. As revenues increase the amount of rent paid increases as well. Every new revenue agreement, whether it is a new commercial development or new airline service, represents a positive financial benefit for the Federal government.

- **Transport Canada Rent**

Over the last five years, rent payable to the Federal government has increased 116%, from \$800,000 to \$1.7 million.

- **Interest on Long Term Debt** – VAA utilized long-term debt to fund the terminal expansion. The loan was repaid over 10 years. The loan was fully repaid in January 2017. The interest expense for 2017 is \$5,000.

Total Expenses for 2017 are \$26.0 million, an increase of \$3.0 million over 2016.

Excess Revenue over Expenses Reinvested in the Airport

Excess of Revenue over expenses for 2017 is \$11.2 million, a decrease of \$300,000 over 2016. This entire amount will be reinvested back into the airport and allows the VAA to meet the demand of the airport's growing passenger numbers.

Concluding Remarks

In conclusion, the airport is in good financial shape; YYJ's low aeronautical fees help attract and retain air service; strong revenues allow VAA to continue investing in the facility. The airport is debt-free with a strong balance sheet and excellent working capital. The airport is well positioned now and in the future.

6. Report from the President and Chief Executive Officer

With the assistance of a PowerPoint presentation, President and CEO Geoff Dickson provided an update on current achievements and plans for the future.

Economic Impact

One could say that airport infrastructure is one of the more important pieces of infrastructure for a vibrant city and economy. Airports make significant contributions to the economic health of the region.

VAA wanted to have a clear understanding of what the airport contributes to the local economy. An economic impact study was undertaken in 2017; the last time VAA commissioned such a study was in 2005.

The economic impact of Victoria International Airport is:

- 4,700 jobs (2,800 direct / 1,100 indirect / 800 induced)
- \$270 million in wages
- \$420 million in Gross Domestic Product
- \$880 million in total economic output

Of the 2,800 direct jobs, those are attributed to commercial airlines and air carriers, manufacturing, government and military services, aviation support services, aircraft manufacturing, ground transportation, car rental companies, food and retail services, and a number of other sectors. VAA is proud to be an economic engine for the region.

Financial Approach

To highlight VAA's financial approach, VAA's long-term debt was paid off on January 3, 2017.

It is easy to raise costs because there are always cost pressures, however the focus is on keeping operating costs low for the air carriers. Victoria is not a hub destination, and there is a lot of competition for the secondary routes; therefore it is vital that aviation charges remain low in order to attract air service. YYJ remains in the lowest quartile of aviation fees in the National Airport System.

Another strategy is to diversify its revenue sources; approximately 67% of VAA's revenue comes from non-aviation activity.

A significant cost driver is overbuilding when making capital investments. VAA makes prudent, staged, quality capital investments that focus on the customer, staying just ahead of the demand curve.

Low Cost Focus

Looking at the three predominant aircraft types operating in Canada, Q400, 737 and A319, what the different airports charge for aviation fees can influence where airlines operate. Victoria's fees are materially lower than other airports, which helps attract air service.

Airlines don't have the luxury of incremental increases to their fares each year. If air fares were indexed over the past 20 years, an airline ticket today costs less than in 1998. Airlines have had to focus on cost management, network discipline and revenue management as their fares have remained largely unchanged indexed to inflation.

Land Development

The airport lands are made up of 1,200 acres with specific zoning in place. Permitted uses include aviation services, industrial, high tech, commercial, industrial, airport reserve, air terminal reserve, runways, environmental protection zones, parks and recreation and road networks.

A number of land deals are in various stages of negotiation with a diverse set of companies and could drive another 40% increase in land revenue.

When the Department of National Defence 443 Squadron hangar reverts back to the VAA, it will provide a tremendous development opportunity.

Sidney Crossing Project

The proposed commercial development, Sidney Crossing, is a 100,000 ft² retail shopping centre near Highway 17 at Beacon Avenue. The developer, Omicron, is proposing a mix of commercial businesses including a grocer, drug store, restaurants and a bank. Negotiations are ongoing, complex and have been a slow process but it is hoped that the contract will be complete in the coming months.

Canadian Airport Traffic 1988 – 2016

In 1988, there were over 60 million people travelling through Canadian airports. By 2016, that number increased to over 140 million, a significant increase in passenger traffic.

In the 1990s, the Federal government made a decision to turn the management and operation of airports over to private companies to manage growth and make investments. Since the transition to private airport authorities, it is notable how the aviation business has grown. There has been significant growth in the domestic market as well as the Asian, European and Latin American markets.

Air Services

YYJ saw its first non-stop wide body service last summer, with Air Canada Rouge's 767-300 service to Toronto. This points to future opportunities in Victoria.

Victoria will continue to build markets, adding air service with one-stop connectivity through large hubs such as Vancouver, Calgary and Seattle. As Victoria grows, it will drive more support for business travel which will see the market grow.

Air Canada will commence new non-stop Montreal Service on June 22, 2018. YYJ will also welcome Air North, who will offer twice-weekly air service to Whitehorse starting May 18, 2018.

WestJet's new ultra-low cost carrier, Swoop, is scheduled to launch in the summer. Fares will be significantly lower than the legacy carriers. VAA sees a good opportunity for Victoria in the future. VAA continues regular discussions with other ultra-low cost carriers such as Flair Air Lines, Canada Jetlines and FlyToo, positioning YYJ as a desirable location due to its low operating costs for the airlines.

Passenger Growth

Vancouver International Airport is approaching 25 million passengers and will be adding \$1.2 billion in capital investments over the next three years. They anticipate serving 29 million passengers by 2020. YVR has seen phenomenal growth to Asia, the South Pacific and the US, all of which benefits Victoria. In the coming years there will be an evolution in domestic and international connections, which will make connectivity more seamless as they improve their systems.

Seattle is the home of Amazon, Boeing and Microsoft. SeaTac International Airport, which is twice the size of YVR, is one of the fastest growing airports in North America despite being constrained by an international terminal. SeaTac is forecasting 66 million passengers by 2035. The current international terminal is too small to accommodate any additional service, so a new \$760 million international expansion is underway.

The new terminal will be open in the fall of 2019. The structure is architecturally interesting, with a 900 foot walkway rising 85 feet above the ground, which will allow aircraft to travel underneath. More importantly, it will facilitate tremendous connectivity through Seattle.

All of these new air services point to upward growth for Victoria.

YYJ Demand

Looking at the Master Plan, VAA has staged its building based on those passenger forecasts. Currently YYJ is approximately three years ahead of schedule with respect to traffic and are closing in on two million passengers in 2018.

The challenge is how to invest and stage capital investments while keeping ahead of demand. It is not unrealistic to think YYJ could be serving 2.7 million passengers in ten years. VAA has a plan clearly mapped out to address growth. The market continues to expand and change, with larger aircraft and fuller loads which must be accommodated.

Lower Hold Room Expansion Project

The third phase of a multi-phase project is underway and will be constructed over the next two years. A series of slides demonstrated the terminal building as it exists today, and how it will look when the project is complete. A \$20 million, 1,800 m² building expansion will see the addition of a basement for office and meeting space for tenants, dedicated aircraft boarding gates, a new washroom block, expanded food and retail concessions and additional seating. There will also be a relief area for service dogs and those traveling with pets, eliminating the need to be re-screened through security.

VAA worked with the Rick Hansen Foundation to build an environment and include a number of special features for travelers with accessibility needs.

This is an exciting and challenging project, and Management is grateful for the support of the Board in advancing this initiative.

Parking

VAA is adding an additional 525 parking spaces in 2018. VAA has opted to expand outward rather than constructing a parkade, due to the cost and desire to preserve the sightlines of the agrarian setting. The next phase of expansion will be a longer walk, so shuttle services are under discussion.

In the future, driverless vehicles and transportation networks such as Uber and Lyft will change the need for parking. For now, parking demand must be addressed so VAA is working through those challenges.

Musqueam / YVR Friendship and Sustainability Agreement

VAA leases the land from the Federal government, is not the land owner. At the time of transfer, the Federal government undertook extensive consultation with First Nations and settled land claim issues at that time.

VAA has helped create jobs for First Nations and provide ongoing donations to various programs, however this is not enough for self-sufficiency.

YVR and Musqueam First Nation recently entered into a Friendship and Sustainability Agreement that will see 1% of gross revenue going to the Musqueam nation, as well as a number of other educational and consultative initiatives. This agreement is precedent-setting, and now the area First Nations are turning to the VAA for a similar agreement.

While Vancouver sees revenue in the area of \$500 million each year going to one First Nation band, Victoria is a much different story; top line revenue is around \$35 million, and there are five First Nations seeking an agreement.

While this will be a challenging agreement to navigate, VAA is confident that a positive outcome for all involved can be achieved.

Tourism Victoria

When the economic impact study was released, Tourism Victoria CEO Paul Nurse provided an eloquent quote about YYJ:

“Victoria International Airport offers a very high level of service. From bottle refill stations for folks who had to replenish water after dumping out their water going through security, to having local outlets such as Spinnakers instead of global chains, it is a very high-quality airport. Airlines, meeting planners and leisure tour operators notice the difference. This makes a difference to customers, which in turn builds customer loyalty. Customer loyalty along with strong macro fundamentals, such as tourism growth, both contribute to growth.”

VAA appreciates these kind words.

Concluding Remarks

In closing, the Victoria Airport Authority will continue to focus on cost, diversity in revenue, staged prudent customer service, and always with the focus on the customer.

7. Call for New Business

There was no new business.

8. Questions / Comments from the Members of the Committee and the Public

The Committee Chair opened up the floor to questions and comments.

- **A member of the public inquired about public transit to the airport, asking why it is so challenging to have a reasonable level of transit service to and from Victoria.**

The CEO recently met with the CEO of BC Transit, suggesting to divert the 72 bus into the airport. He was told that the challenge is that each cycle takes an extra four minutes, multiplied by 20 trips per day, which incrementally adds up. BC Transit has opted to focus on connectivity. VAA has been approached by a number of local municipal councillors commenting on the number of people using the Flight Path, pulling luggage. While the situation is not ideal, it is hoped that BC Transit will increase service. It should be noted that connectivity from the McTavish Road interchange has been tripled over the last seven years.

Catherine Holt, CEO of the Greater Victoria Chamber of Commerce and current Chair of BC Transit, noted she was very interested in improving transit service to the airport. She is also in talks with the CEO of Transit to find a solution. The challenge goes back to the surge of passengers through the airport at certain times. She anticipates a mutual solution coming forward and may ask the airport for community funding so that BC Transit can justify the cost of the additional bus service.

- **A member of the public expressed her objection to the Sidney Crossing commercial development and the removal of the trees at the site.**

One of the reasons why VAA is trying to grow the airport through diversified revenue such as land leases is to keep costs low for the airlines. The Sidney Crossing development went through an extensive public consultation process. The CEO recognizes that not everyone is in agreement with it, however the project was ultimately supported and approved by Town of

Sidney. VAA continues discussions with the developer regarding contractual terms to ensure it complies with airport zoning and other regulations.

- **Alison Partridge inquired about drone activity around the airport and whether activity has increased or decreased.**

Canadian airports have seen some growth in the use of drones for runway inspections and as navigation aids. Recreational use of drones has seen an increase in activity. VAA's Director of Operations and Safety is Chair of the Canadian Airports Council's Operations, Safety and Technical Affairs Committee. He advised that Transport Canada has moved forward with enforcement and the regulation of drones. There are specific requirements for insurance, safety and operational plans. While some members of the public are not aware of the requirements, users are shifting toward a better understanding of drone operations.

- **A member of the public inquired whether the airport paid for policing services provided by the District of North Saanich and Town of Sidney, or whether it was included in the taxes.**

The Federal government previously provided \$200,000 in funding for a dedicated part-time police presence at the airport; that funding was halted in April 2013 due to budget cuts. The airport is currently served by Sidney-North Saanich RCMP. VAA does not pay for those services.

There being no further questions or comments, the Committee Chair thanked everyone for attending. He appreciated the opportunity for stakeholder discussions which helps inform the future direction of the airport.

9. Announcements

The Victoria Airport Authority is mandated to hold three public meetings each year. There are two additional public meetings scheduled for 2018:

Annual Public General Meeting

Tuesday, May 10, 2018

7:00 PM

Mary Winspear Centre

2243 Beacon Avenue, Sidney, BC

Fall Airport Consultative Committee Meeting

Tuesday, October 23, 2018

7:00 PM

Mary Winspear Centre



2243 Beacon Avenue, Sidney, BC

Both meetings will be advertised in the local print media, on YYJ's website, social media platforms and through YYJ Airmail. All members of the public are welcome to attend.

10. Adjournment

The Committee Chair thanked everyone for attending the meeting and the opportunity for the VAA to interact with the community. There being no further business, the meeting was adjourned.