

# Virtual VAA Airport Consultative Committee

---

## Minutes

Tuesday, October 20, 2020  
1:30 PM – 2:30 PM  
GoToWebinar

---

### Upcoming Public Meetings:

**Spring Airport Consultative Committee Meeting**

Tuesday, March 9, 2021  
1:30 PM  
GoToWebinar

**Annual Public General Meeting**

Thursday May 13, 2021  
Venue and Format TBA

**Representative Members in Attendance:**

Organization

Representative

Airlines:

**WestJet**  
Air Canada / Jazz  
**Air North**  
Horizon Air  
Pacific Coastal Airlines

**Kristen Eakens**  
Regrets  
**Helen Yang**  
Regrets  
Regrets

**Airport Land Tenants Association**  
**Air Terminal Building Tenants' Representative**

**Greg Matte (Victoria Flying Club)**  
**Reg Barnes, Ken Corbitt, Margarete Rothlisberger,**  
**Hayley Tannhauser, Claudiu Ulinici**

Association of Canadian Travel Agencies  
BC Ministry of Transportation and Infrastructure  
Canada Border Services Agency  
Canadian Aircraft Owners and Pilots Association  
Capital Regional District  
City of Victoria  
**Department of National Defence (443 MH Squadron)**  
**District of Central Saanich**  
District of North Saanich  
District of Saanich  
**Greater Victoria Chamber of Commerce**  
NAV Canada  
North Saanich Residents' Association  
Pauquachin First Nation  
**Saanich Peninsula Chamber of Commerce**  
Saanich Peninsula Water & Wastewater Commission  
Sidney Business Improvement Area Society  
Sidney North-Saanich RCMP  
Tourism Victoria  
**Town of Sidney**  
**Transport Canada**  
Tsartlip First Nation  
Tsawout First Nation  
Tseycum First Nation

Regrets  
Regrets  
Regrets  
Regrets  
Regrets  
Regrets  
**Ryan Sexsmith (Commanding Officer)**  
**Councillor Gord Newton**  
Regrets  
Regrets  
**John Wilson, Bruce Williams**  
Regrets  
Regrets  
Regrets  
**Joe Jansen, Denny Warner**  
Regrets  
Regrets  
Regrets  
Regrets  
**Mayor Cliff McNeil Councillor Chad Rintoul**  
**Linda Germain**  
Regrets  
Regrets  
Regrets

**Members of the Public in attendance: 38**

**Airport Consultative Committee Members in attendance:** Gordon Safarik (Board Chair), Marilyn Loveless (Committee Chair), Rod Dewar, Eric Donald and Paul Gerrard

**Other Board Members in attendance:** Carol Brown, Wendy Everson, Allan Haynes, Frank Leonard, Chuck Lovallo, Cathie Ounsted and Wendy Zink

**Management:** Geoff Dickson (President and CEO), Brant Arnold-Smith, Randy Bogle, Michelle Cooper, Scott Cunningham, Ken Gallant, Mike Garraway, Rod Hunchak, Adrian Nyland and Lars Olsson

**VAA Staff in attendance:** Tim Albert, Andrea Bailey, Susan Ball, Sherri Brooks, Julie Dobranski, Tyler Gunderson, Amber Haagstrom, Anita Kardos, Jason Knight, Angela Moran, Siobhan O'Donnell, Dave Parson, Jeff Peters, Scot Snow, Sarah Venn and Jill Watt

**Meeting Moderator:** Adrian Nyland

**Recording Secretary:** Melinda Orlowski

## **1. Welcome To Attendees**

The meeting moderator welcomed everyone to the Victoria Airport Authority's (VAA's) virtual fall Airport Consultative Committee (ACC) Meeting. Due to the COVID-19 pandemic and the requirement for social distancing, the meeting was live-streamed via the GoToWebinar platform. The moderator provided an overview of the meeting agenda and guidance around the process for asking questions of the leadership team.

## **2. Call to Order and Welcome**

The meeting was called to order by Marilyn Loveless, Chair of the Airport Consultative Committee. This was VAA's second virtual public meeting since the start of the COVID-19 pandemic. She extended a warm welcome to the Committee members, Representative members, dignitaries, business leaders and members of the public who were participating in the virtual meeting.

The Representative members of the Airport Consultative Committee come from a broad spectrum of the community with diverse backgrounds that bring a range of perspectives to the discussions and broadens the airport's considerations when planning for the future.

**4. Motion to Receive the Minutes of the March 10, 2020 Airport Consultative Committee Meeting**

The minutes of the March 10, 2020 Airport Consultative Committee meeting were reviewed by the Committee.

**MOTION:** Acceptance of the March 10, 2020 Airport Consultative Committee meeting minutes as presented.

**Moved by:** Marilyn Loveless

**Seconded by:** Gordon Safarik

**Motion carried.**

**5. Report from the Chair of the Board of Directors**

Board Chair Gordon Safarik provided a report to the Committee regarding the activities of the Board of Directors.

This is the Board Chair's second year serving in the position. At the ACC meetings, the Chair normally shares some of the successes and accomplishments of the VAA, however this year has been significantly different for everyone. What is usually a vibrant and busy airport with many people coming and going, excited to visit friends, family and embark on new adventures, quickly came to a halt with the onset of the coronavirus.

The aviation industry in particular has been strongly impacted by COVID-19, and many organizations are struggling to recover from the fallout of the pandemic. YYJ has been more fortunate than other airports due to its strong financial position and prudent capital planning investments, but it still faces a number of daunting challenges.

Looking back to the start of 2020, the largest construction project to date, the expansion of the Lower Passenger Departure Lounge, had just been completed. A new public viewing area had been constructed for the enjoyment of aviation enthusiasts. VAA was named one of BC's Top 100 Employers. YYJ had achieved level 2 of the Airport Carbon Accreditation program. There were many positive accomplishments to be proud of and VAA was looking forward with great anticipation what the year would bring.

Then in March, with the emergence of COVID-19, the international borders were suddenly closed and all non-essential travel was halted. Everything changes overnight for the aviation industry.

It was very strange to see what was normally a full parking lot be completely empty; the terminal building went quiet; passengers were virtually non-existent; and many of YYJ's airport partners were forced to shut their doors and lay off staff. It was a scary time for many, and there was very little emergency assistance available for the tourism and aviation sectors.

The Board of Directors held a number of special meetings with Management to ensure YYJ was working on a recovery strategy. New health and safety measures were implemented, and Management was extremely nimble researching new technologies, rolling out new cleaning and safety protocols, and working to ensure passengers had a safe and comfortable travel experience.

Fast forward to October, passenger traffic is starting to rebound but still has a long way to go to recovery. Under the leadership of President and CEO Geoff Dickson, the VAA team continues to work hard to make good progress in that regard.

### **Concluding Remarks**

In closing, the Chair wished to thank his fellow Board colleagues for their dedication and oversight. When the Board met in March, they recognized how serious the impacts of COVID-19 could be. The first discussion was what to do with the VAA family. There was consensus among the Board to keep staff intact during the recovery. To date, VAA has been successful in avoiding layoffs and intends to continue this as air travel recovers.

YYJ's vision is to be the best airport anywhere. The Board and Management team are committed to achieving VAA's strategic goals. While it may take a bit longer to get there as a result of the pandemic, VAA will do everything it can to achieve its goals as quickly as possible.

## **6. Report from the Chief Financial Officer**

With the assistance of a PowerPoint presentation, Randy Bogle, Chief Financial Officer, provided an overview of the current forecasted financial results for the year ended December 31, 2020.

### **2020 Budgeted vs. Actual Passengers**

The COVID-19 pandemic has had a significant impact on VAA's business. A chart demonstrated YYJ's original passenger budget of 1.96 million passengers on a month-by-month basis to the end of September. Budgeted passengers to September were 1.5 million while the passengers to September 2020 were 488,000, a decrease of 68% against budget.

In late February and early March, VAA started to see the first effects of the pandemic on its business. Things only amplified from there, with passenger traffic for March being 50% of budget.

In April and May, YYJ's passenger numbers were approximately 4,300 and 6,700 respectively, down 97% and 96% from budget. Normally at that time of year YYJ serves between 5,000 – 6,000 passengers per day, however those were the passenger numbers for the entire month. As the year has progressed, the percentage of passengers is increasing compared to 2019 numbers, however there is still a long way to go.

### **Monthly Revenue Comparison – April to August 2019 and 2020**

Approximately 90% of revenue comes from passenger activity in the form of the Airport Improvement Fee (AIF), landing and terminal fees, parking revenue, as well as revenue received from the rental car operators, ground transportation and retail concessions.

The decrease in passengers has had a huge impact on VAA's revenue. A chart showed revenues on a monthly basis from April to August 2019 vs. 2020.

### **2020 Revenue – Budget vs. Forecast**

Seemingly overnight VAA's revenues dropped from over \$3 million per month to just over \$500,000 for April. Revenues have since risen to \$1.3 million in August; however, it should be noted that approximately \$200,000 of that revenue relates to funds received for the Canada Emergency Wage Subsidy (CEWS).

Airports rely on passengers to earn revenue, and as a result of the pandemic VAA had to re-forecast its passenger numbers before it could begin to re-forecast its revenue and expenses. A chart showed the passenger forecast at the start of the start of the pandemic contrasted with the actual numbers since then. For April, May and June, the passenger numbers were very close to the forecasts. July and August passenger traffic were ahead of forecast, September is right on forecast, and October is trending slightly under forecast. VAA continues to monitor the situation closely and will adjust its forecasts if necessary.

One of the issues being watched closely is the continued border closures and the impacts on passenger numbers, particularly in the fall then many travelers head south for the winter. There may be an unexpected positive benefit for Victoria due to its mild winter climate, which may attract visitors from other parts of the country.

Revenue has been heavily impacted by the pandemic. Budgeted revenues for 2020 were \$40.5 million. VAA is currently forecasting to the end of the year with revenues of \$18.3 million, and that number would be less if it were not for the Canada Emergency Wage Subsidy that VAA has been receiving.

### **2020 Operating Expenses – Budget vs. Forecast**

While revenues are heavily dependent on passengers, expenses do not share the same correlation. When the pandemic hit, VAA revised its operating expenses and cut all discretionary spending.

Operating cash expenses for 2020 were budgeted to be \$22.5 million, however as a result of the pandemic this number was reduced by approximately \$5.7 million, to \$16.8 million.

### **Free Cash Flow – Budget to Forecast**

VAA is a non-share capital corporation, and as such all profits are reinvested into the airport. Capital is ultimately funded through free cash flow. For 2020, VAA had budgeted free cash of approximately \$17.2 million.

Due to the pandemic and the resulting dramatic decrease in revenues, VAA is currently forecasting free cash flow to be approximately \$400,000, a decrease of \$16.8 million.

### **Net Income (Loss) – Budget to Forecast**

For accounting purposes, income includes non-cash items such as amortization. A chart illustrated the impact of COVID-19 on YYJ's business. As a result of the pandemic, there will be an approximate \$16 million reversal in finances. VAA had budgeted a net income of \$7.5 million but is now forecasting a loss of \$8.5 million.

### **Capital Additions – 2015 to 2019 - \$89.9 million**

Operating an airport is a capital-intensive business and relies on free cash flow to fund capital acquisitions. Between 2015 and 2019, VAA invested \$89.9 million in capital additions. This was accomplished without taking on any debt.

### **Pre-COVID Capital Program – 2020 to 2024 - \$101.2 million**

Prior to the pandemic, VAA's five-year capital plan for 2020 – 2024 had called for capital investments in excess of \$100 million, or approximately \$20 million per year. As a result of COVID-19, VAA's capital plan for 2020 was scaled back and projects were deferred.

VAA is in the process of putting its revised 2021 capital plan together and it will be vastly reduced from the \$21 million that was contemplated. Capital for 2021 will be driven by the pace of the recovery and will be focused on safety, operational efficiency and return on investment. Where possible, it will be scheduled to start later in the year to aid cash flows. Going forward, as revenues improve VAA will be able to bring forward capital projects as required.

### **Road to Recovery**

The airline industry will eventually recover from the pandemic, but the recovery will be dependent on the health emergency, when a vaccine is available and how effective it is. It is likely that recovery will be a multi-year process, potentially taking until 2024 to return to passenger numbers similar to 2019 statistics.

### **Concluding Remarks**

Going forward, VAA will continue to operate a safe and efficient airport and monitor passenger trends while being prudent with its operating budget. Capital investments will only be made where necessary, however VAA will be ready to bring forward capital projects as its financial situation improves.

## **6. Report from the President and Chief Executive Officer**

President and CEO Geoff Dickson provided an update on the airport activities over the past year and YYJ's road to recovery.

We are certainly living in interesting times, as 2020 continues to unfold in ways unimaginable in the aviation world, and the world in general. The aviation industry is in even worse shape than initially forecast when quarantine measures were implemented in March.

There have been many different forecasts on when travel will return to normal. Initially it was thought there would be a three month decline with a gradual recovery commencing in the summer, with two years to full recovery. As we stand in October, the industry is looking at different demand curves: A hockey stick, a V shape, a W shape and now a K shape showing the curve as a bifurcation of sectors.

It is quite surprising that one of the sectors critical for driving growth and help with economic recovery has been completely neglected. Looking at the past 200 years of the economic importance of seaports, then railroads, then roads and highways, and now in the 21<sup>st</sup> century airports, eight months into the pandemic the Federal government still has not offered meaningful support.

The Canadian airports have been in discussions with the Federal government for financial relief but have not asked for a direct cash injection. In fairness, the Federal government has an incredibly difficult job and are trying to manage unintended consequences. The Canada Emergency Wage Subsidy was appreciated. With respect to rent relief, while this was a nice gesture by the government, it had very little benefit for airports. The rent paid to the Federal government is based on revenue; when revenues drop to zero, the rent payable is negligible. That being said, Canadian airports hope to see rent waived in perpetuity, or eliminated until air travel returns to 2019 levels.

In the meantime, the aviation industry is crumbling. Airline fleets are grounded and airports are empty. Canadian airports have watched governments around the world inject billions of dollars into the aviation sector during the pandemic. The United States saw \$60 billion in federal funding for the industry, \$10 billion of which benefitted airports. Further funding is currently being contemplated.

We are watching the essential dismantling of two great Canadian air carriers, Air Canada and WestJet, who have done everything they can to create efficient airlines yet are still bleeding millions of dollars a day, resulting in significant layoffs of their staff.

WestJet just announced the suspension of 100 flights per week to four Atlantic Canada cities. Imagine the impacts to the region if WestJet were to announce they were suspending operations at YYJ.

The CEO remains optimistic that the Federal government recognizes the economic importance of aviation. He is hopeful that the municipal and provincial governments understand the benefit of air connectivity to their community.

There is a strong need to get the market moving again, which would mean evolving the random health protocols that vary from province to province and find more ways to mitigate risk to restore consumer confidence in travel. Local communities will be severely impacted otherwise, and it will be a tough road for many.

A recent Angus Reid polling showed that 82% of Canadians believe things will get worse before they get better; 64% are more concerned about the health crisis than the economic crisis; and 44% of people indicated they would fly domestically but only 22% would fly internationally.

Until a vaccine is developed which will be a game changer, there will always be some risk to travel. The question is if there are enough risk mitigation steps in place to take that risk to a reasonable level and whether the traveling public will accept it. Airports and airlines must work with the health authorities for a safe re-start.

Looking at some statistics compiled by the International Air Transportation Association (IATA), to date there have been 44 confirmed, probable or potential cases of COVID-19 on flights out of 1.2 billion passengers travelling. This would mean 1 per 27 million people per incidence. Air travel is not a vector for the spread of COVID-19, so those types of statistics need to be widely shared.

Aircraft manufacturers performed computational models to track the particles in aircraft and other indoor environments. Air exchanges in an aircraft cabin are vertical and are exchanged 20 to 30 times an hour. Contrast that to the air exchanges for schools (1- to 15 times per hour) or offices (2 to 3 times per hour), the air is much cleaner in aircraft. Through the use of High Efficiency Particulate Air (HEPA) filters, they get 99.9% of bacteria and virus removed efficiency. The study concluded that a one-foot separation in aircraft is equivalent to a two meter separation in indoor spaces. Factoring in high seat backs and the limited face-to-face contact, the risk of air travel is quite low.

The US military concluded a study on aerosol particle testing and concluded that air transportation is not a health risk.

Airports are hopeful that this type of the research will be considered by government and health authorities. Countries around the world are starting to open up air travel, and the last thing that anyone wants is to un-do the recent successes demonstrated by Canada and BC. We will be living with the COVID-19 pandemic for some time. If not this pandemic, there will be others so there needs to be a way forward.

The aviation sector is almost entirely based on managing risk. Taking a layered approach to safety has made flying the safest form of travel while still enabling the system to run effectively. There is no reason it can't be a guide to governments to protect the nation both from the risks of the virus and from joblessness.

With respect to other risk steps, the International Civil Aviation Organization (ICAO) has developed global guidelines which have been adopted by Transport Canada and recommended in terms of layers of risk. These recommendations include:

- Access to the terminal be limited to travelers and airport employees;
- Temperature screening (implemented at YYJ in September);
- Physical distancing;
- Mandatory face coverings;
- Self-service technology where possible;
- Cleaning and sanitization;
- in-flight:
  - Mandatory face coverings
  - Reduced cabin service
  - Queuing
  - Enhanced cleaning

Airlines have stepped up their cleaning protocols to ensure their passengers are safe.

In response to these recommendations, VAA introduced the new TravelSafe YYJ program that will help passengers flow through the airport, understand the changes and help restore consumer confidence in travel. The program saw a number of new health and safety protocols:

- Access to the terminal was restricted to passengers and employees;
- Complimentary short-term parking for greeters;
- All doors were reprogrammed to be dedicated one-way entry and exit doors;
- Face coverings are to be worn at all times;
- Floor and seating decals were added to indicate physical distancing;
- Plexiglass barriers were installed at check-in, at the departure gates, at the security screening checkpoint, car rental counters, restaurants and retail shops;
- Over 60 hand sanitizer units were deployed throughout the terminal;
- Probiotic cleaning sprays and electrostatic sprays were introduced;
- The HVAC system is migrating to a MERV 14 air filter to capture the smallest of particulate matter;
- Improved circulation and air flow;

- Replacing the filters in pre-board screening and the international arrivals hall with HEPA filters.

YYJ was the first airport in Canada to install plexiglass barriers at the security screening checkpoint.

In the absence of a vaccine, rapid testing at airports will be key to restoring confidence in air travel. The tests must be inexpensive and quick, and if travelers know that 100% of their fellow passengers have tested negative it will greatly reduce the fear of travel.

The requirement for a 14-day quarantine is severely impacting both national and international travel and tourism. While the rationale for the 14-day quarantine is understood in principle, this measure was introduced in the absence of considering other measures.

There are a variety of testing rolling out randomly at airports and airlines around the globe. Some come with a \$200 cost, while others are free. While the efforts and intentions are well-meaning, governments must lead this initiative to come up with consistent, recognized testing standards.

At the start of the year, VAA's 2020 capital program looked very differently. With the onset of the pandemic and impacts to revenue, it has been difficult to forecast passenger demand. The evolution of YYJ's aerodrome has been delivered in staged, prudent investments to facilitate growth for the region. But to do so today, there is much less certainty. It is easy to predict organic growth between 3 – 5%, but it is incredibly complex to do so going from a 2 million passenger airport to 600,000 passengers and trying to calculate how fast travel returns to normal.

Looking ahead at what the next few months may look like, people may be hesitant to travel to sunspot destinations which is a big segment of YYJ's market. There will be no conference travel. There is a question whether more Canadians will travel to Victoria for the winter due to its favourable winter climate. There is great uncertainty around passenger demand.

Consensus estimates indicate air travel may not return to 2019 levels until 2023/24. Based on all of the available data, VAA anticipates being at 25% of 2019 levels in March 2021, and closer to 50% by summer 2021.

The CEO spoke about customer fear and re-building consumer confidence. Adding to the complexity of forecasting, VAA has yet to look at the overall strength of the economy and how it may recover. There is some uncertainty as to how airlines will respond: They could consolidate hubs and eliminate secondary routes, and the cost of travel could increase. With the success of virtual meeting technology, it is possible that corporate travel may be replaced as a more efficient and cost-effective way of doing business.

The Chief Financial Officer spoke of the financial challenges being faced by Canadian airports. One thing YYJ is very proud of is its efficiency. The Air Transport Research Society (ATRS), a global think-tank benchmarking airport around the world, recently named YYJ as the most efficient airport in North America with under 5 million passengers. This achievement is highlighted to illustrate how VAA's philosophy has helped the company weather the COVID-19 storm better than most airports.

In normal times, VAA has a strong balance sheet, an EBITDA ratio of 47%, a net profit margin of 23%, with low aviation fees which make it attractive to the airlines. YYJ is one of three airports in the National Airport System that is debt-free. Imagine having revenues drop 55% in the course of a year yet still generating positive cash flow. This has been a remarkable achievement and is a testament to VAA's financial philosophy.

There are a number of new opportunities at YYJ to grow revenue streams, including two new land developments. The main source of revenue is from aviation activity which is driven by airlines and passengers.

In 2021, VAA will approach its concession partners to review the contractual obligations. While VAA is not looking to enforce the terms of the existing contracts, it will be looking for a fair and reasonable revenue formula that everyone is comfortable with.

Once the market starts to grow again and there is a clear understanding of the revenue streams, VAA will revisit its capital program. VAA is looking at an ambitious roads and parking plan and the air terminal building will evolve over the next 15 years in order to be prepared for future growth. This year was an unusual year with very minimal capital

projects, but in 2021 Management will highlight to the Board the projects that should be brought forward when revenues return.

### **Closing Remarks**

The CEO expressed his thanks to the men and women of YYJ for stepping up to the challenge. He also thanked the Board of Directors for their calm and thoughtful guidance during the pandemic.

COVID-19 is the sixth global pandemic in 17 years, which also included SARS, H1N1, MERS, Ebola and Zika. There needs to be a way to reduce the risk of transmission and manage the situation other than shutting down the economy.

It is the CEO's belief that we will emerge stronger and safer than before, despite this being a challenging time for all. It is the hope that families, friends, tourists and businesses can begin flying again, and YYJ will be ready to welcome them.

### **7. Call for New Business**

There was no new business.

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

The meeting moderator read out the questions and comments submitted through the platform.

- **Vernon Little, President of VX Aviation, noted that Canada has the second largest pilot population, with 6,500 pilots who want to live in the Victoria region. There is a lack of available hangar space at YYJ. He inquired about the new hangar development currently proposed for the north side of the airport which has been held up for bureaucratic reasons, and he asked why VAA was not expediting the development.**

If a company builds on airport lands, they must follow certain building guidelines which are clearly identified in the contract. The north side development is a great new concept to build more airport hangar space and has been driven by demand. The

respective guidelines and development processes simply need to be followed, it is not a bureaucratic process.

- **Councillor Chad Rintoul inquired about the status of the YVR/WestJet rapid testing pilot project for domestic flights and whether there was a local service YYJ could use to facilitate rapid testing at the airport for people before they travel?**

There are two national pilot projects underway: one at Vancouver International Airport in partnership with WestJet, and one at Toronto International Airport in partnership with Air Canada. While there have been some positive steps taken, the industry wants to better understand what the mandate is and how the testing will be rolled out to airports across the country. There needs to be a consistent approach. The CEO would like to see the introduction of a nasal swab test 72 hours in advance of travel, with an additional saliva test the day of travel.

- **Brian Losie inquired if YYJ was contemplating a COVID-19 surcharge similar to other businesses, to recover costs of rapid testing when they become available as temperature screening checks don't always catch asymptomatic passengers.**

While rapid testing could help restore confidence in travel, at this time no surcharges are being contemplated for health screening measures.

- **Vince Kreiser inquired about the old 443 Maritime Helicopter Squadron site, when control would revert back to the VAA, and at what cost.**

The former hangar and office building was supposed to revert back to VAA control in 2015/16. However, there were some delays in building the new hangar which pushed back the timeline. The building site is to be returned to the VAA free and clear of any environmental contaminants. Once the testing has been completed by the military, there will be a clear path forward.

There were no further questions or comments. VAA invited anyone to had additional questions to contact the VAA after the meeting.

## 9. Announcements

Victoria Airport Authority's upcoming public meetings:

### **Spring Airport Consultative Committee Meeting**

Tuesday, March 9, 2021

### **Annual Public General Meeting**

Thursday, May 13, 2021

It is currently unknown if the meetings will be held virtually or in person. The format will be decided based on guidance from the health authorities at that time.

All 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 participating and adjourned the meeting.