

VICTORIA AIRPORT AUTHORITY

1999 ANNUAL REPORT



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VICTORIA AIRPORT AUTHORITY
THE 1999 BOARD OF DIRECTORS



Keith Jackman
Chair



Alan Peterson
Vice-Chair & Chair
By-Law Committee



Greg Hellyer
Board Secretary



Andy Little
Chair
Airport Consultative
Committee



Peter Lewis
Chair
Finance Committee



Andrew MacGillivray
Chair
Planning & Development
Committee



Stuart Soward
Chair
Operations Committee



John Nicas
Chair
Legal Committee



Susan Brice



Des Easthom



Robert McLaren



Linda Petch



Graham Ross



Bob Skene



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On October 22, 1999, Norman Reid and his Tiger Moth (right) re-enacted the first flight into Pat Bay which took place on October 22, 1939





MESSAGE FROM THE CHAIR



1999 - A Summary of Significant Events

The last year of the century was a year of positive change and a year that marked the 60th Anniversary of Victoria International Airport.

In December of 1998, I was appointed Chair of the Victoria Airport Authority to replace the Authority's founding Chair, Mr. Alan Emery. The Authority lost two other founding members in 1999 through the retirement of Mr. Donald Hancock and the untimely passing of Mr. Mark Scott. Mr. Bob Skene, Mrs. Susan Brice and Mrs. Linda Petch are the Board members filling these vacancies.

In addition to assuming the position of the Chair, I continued to operate the airport as the Chief Executive Officer, a position I agreed to fill for a limited time as the Authority introduced changes to its operating style. During the latter part of 1998, with the assistance of my fellow Board members, the Authority conducted an executive search for a new President-CEO. This exercise resulted in the appointment of Mr. Richard Paquette to this position. Richard commenced employment with the Authority in February of 1999.

The Authority marked the 60th Anniversary of Victoria International Airport with a celebration on October 22, 1999. The birthday celebration was held on the grounds of the British Columbia Aviation Museum. The large turn-out of community residents were treated to a speech by His Honour, The Honourable Garde B. Gardom, Q.C., Lieutenant Governor for the Province of British Columbia, the raising of the Canadian Ensign Flag that marked this historical event and many other activities. To all the volunteers who made this event a success, I thank you.

The New Century - 2000 and Beyond

1999 was the year to set out the path for the future. Achievements included a greatly improved communication process with our stakeholders, customers, the community overall and our two neighbouring municipalities in which the Airport resides.

Two historic decisions were made by the Board in 1999, the introduction of an Airport Improvement Fee in the amount of five dollars and the decision to proceed with the overdue Terminal Building Expansion Project that will be financed by the Airport Improvement Fee.

The responses the Authority has received on the Terminal Building Expansion Project have been very positive. We appreciate the positive responses and the many suggestions for this important development. Further details on this project are contained in this report.

In addition to the tasks associated with the Terminal expansion, a significant challenge that will face Management and the Board in the year 2000, will be the restructuring of the Canadian airline industry. Management is monitoring this matter closely and continues to advise the Board on changes as they take place. During this interesting time, the Authority is working with air carriers to establish more direct flights to the Island's major transportation link, the Victoria International Airport.

In closing, I thank Staff and the Board for a positive year in 1999 and for making my job as Chair, a very enjoyable one. I look forward to hearing from the readers of the 1999 Annual Report on the Authority's performance to date.

P. K. (Keith) Jackman



PRESIDENT'S MESSAGE

I was appointed President and CEO of the Victoria Airport Authority February 1, 1999. Victoria International Airport makes a significant contribution to the economy of the Region and plays a key role in our business and tourism industries. In my view, the Airport has a wonderful history and a bright future.

We are fortunate at the Victoria Airport Authority to have the strong leadership of a very capable Board of Directors, dedicated to our Airport and our Community. They have provided strong support and direction to our organization. Ultimately however, it is VAA's experienced and hardworking employee team who are responsible for our success.

1999 was a year of perspective for the Authority. The Airport community looked backward and on October 22, 1999 celebrated the 60th Anniversary of the first flight into what was known at the time as Pat Bay Air Station.

Last year VAA faced our Y2K challenges, and thankfully greeted the new Millennium without incident.

1999 was a year of transition for the Airport Authority and this Annual Report is organized accordingly into three themes: celebrating our history, 1999 results and preparing for the Future.

The key message for readers of this Report is - this is your airport - we at the VAA are doing our best to see that it is managed well, but if you have any suggestions for improvements, please let us know. We would be delighted to hear from you.

Richard Paquette



ECONOMIC IMPACT

- ± Victoria International Airport generates over 1600 jobs.
- ± The Airport's annual direct economic contribution to the Region is in excess of \$135 Million.
- ± In 1999, the Airport Authority paid \$575,000 in property taxes to the Town of Sidney & the District of North Saanich.
- ± 1.2 million passengers travelled through the Airport in 1999.
- ± Victoria International Airport is the 7th busiest Airport in Canada.



1. VICTORIA AIRPORT AUTHORITY ORGANIZATION

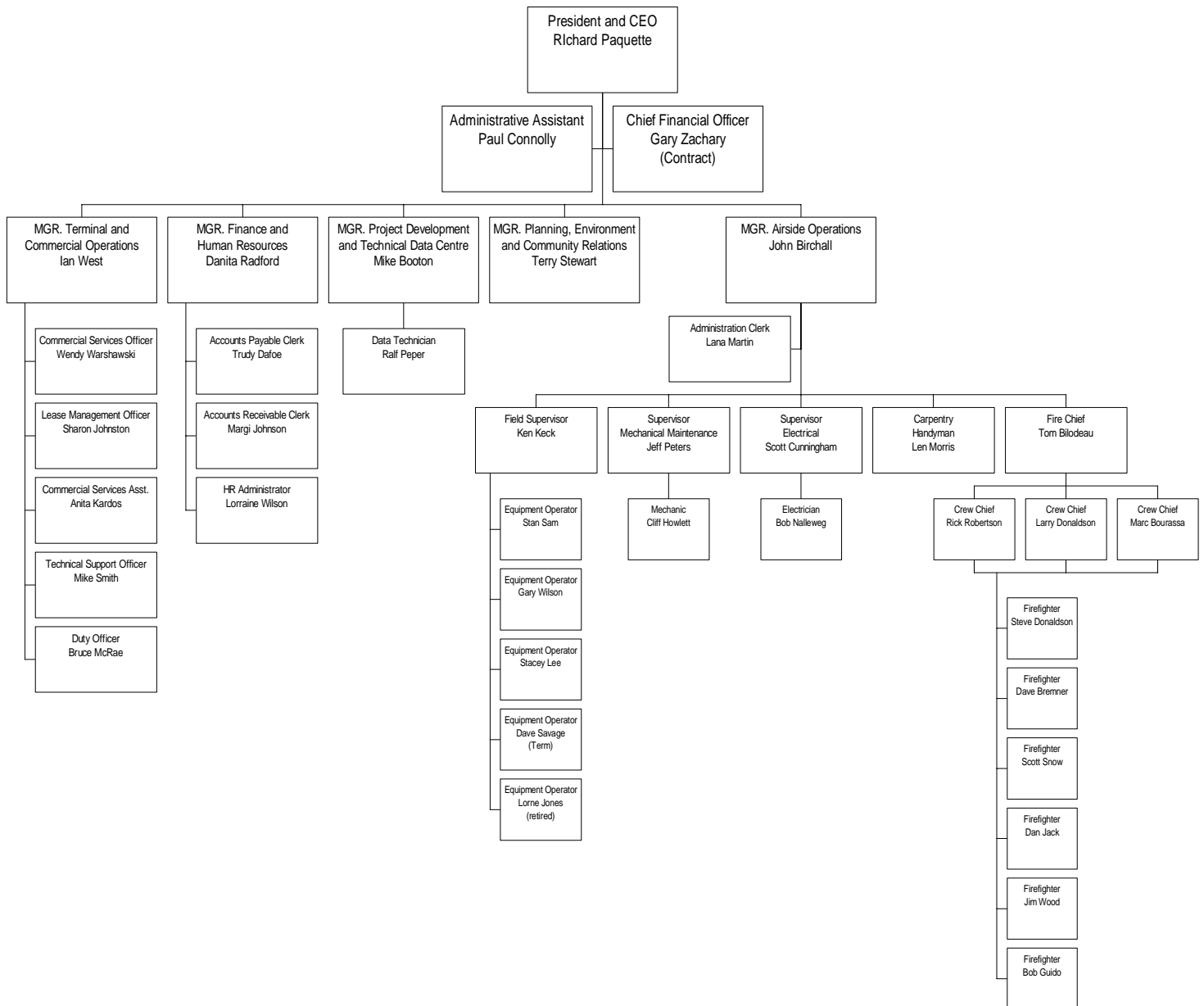
1.1 1999 BOARD OF DIRECTORS AND COMMITTEE PARTICIPATION

NOMINATOR	NOMINEE	
District of North Saanich	Keith Jackman	Chair of the Board of Directors Chair of the Steering Committee Member of the Operations Committee Member of the Airport Consultative Committee Member of the Planning & Development Committee
Government of Canada	Alan Peterson	Board Vice-Chair Chair of the By-Law Committee Member of the Steering Committee Member of the Legal Committee Member of the Airport Consultative Committee Member of the Operations Committee
Town of Sidney	Greg Hellyer	Board Secretary Member of the Steering Committee Member of the Finance Committee Member of the Airport Consultative Committee
Board Nominee	Andy Little	Chair of the Airport Consultative Committee Member of the Steering Committee Member of the Finance Committee
Government of Canada	Peter Lewis	Chair of the Finance Committee Member of the Steering Committee Member of the Airport Consultative Committee
Board Nominee	Andrew MacGillivray	Chair of the Planning & Development Committee Member of the Steering Committee Member of the Airport Consultative Committee
City of Victoria	Stuart Soward	Chair of the Operations Committee Member of the Steering Committee Member of the Airport Consultative Committee
District of Saanich	John A. Nicas	Chair of the Legal Committee Member At Large - of the Steering Committee Member of the Planning & Development Committee Member of the Airport Consultative Committee Member of the By-Law Committee
Capital Regional District	Susan Brice	Member of the Planning & Development Committee
Town of Sidney	Des Easthom	Member of the Operations Committee Member of the Planning & Development Committee
District of Central Saanich	Robert McLaren	Member of the Operations Committee Member of the Planning & Development Committee
Board Nominee	Linda Petch	Member of the Planning & Development Committee Member At Large - of the Airport Consultative Committee Member of the Legal Committee Member of the By-Law Committee
District of North Saanich	Graham Ross	Member of the Finance Committee
Victoria Chamber of Commerce	Bob Skene	Member of the Finance Committee



1.2 VICTORIA AIRPORT AUTHORITY ORGANIZATION

In 1999 the VAA's organizational changes were fully implemented and all positions staffed. Richard Paquette was recruited as President and CEO in February 1999 and Ian West was recruited from Horizon Airline as Manager Terminal & Commercial Operations in June 1999. The following is the VAA Organizational Chart.





2. CELEBRATING OUR HISTORY

On October 22, 1999, the Victoria International Airport celebrated its 60th Anniversary. Preparing for this event gave us the opportunity to learn many interesting historical facts about our Airport. Pat Bay Air Station was established in 1939 and was used as a base for bomber reconnaissance and fighter units and was the home of two operational training units. The RCAF and RCN occupied the section of the Airport known as the West Camp, and the RAF, the East Camp. The Airport was transferred from the Department of National Defence to Transport Canada in 1948 and in May of 1959 the Patricia Bay Airport was re-named Victoria International Airport. On April 1, 1997, Transport Canada transferred the management and operation of the Airport to the Victoria Airport Authority.

3. 1999 RESULTS

3.1 Scheduled Airline Service



Two highlights in improved air service in 1999, were the introduction of daily, non stop B737 service to Prince George by WestJet Airlines, and Air Canada A319 daily, seasonal, non-stop service to Toronto. The following is a summary of the scheduled service departing from Victoria International, in the summer of 1999.

CARRIER	DAILY DEPARTURES	AIRCRAFT	DESTINATION
airBC	12	Dash 8	Vancouver
airBC	1	Dash 8	Calgary
Air Canada	1	A 319	Toronto
Airspeed Aviation	2	Cessna 414	Abbotsford
Canadian Regional	17	Dash 8	Vancouver
Horizon Air	7	Dash 8	Seattle
WestJet	1	B 737	Prince George
WestJet	1	B 737	Edmonton
WestJet	1	B 737	Calgary
WestJet	1	B 737	Kelowna

3.2 Safety

Safety is a top priority at our Airport. In 1999, Victoria's Airport Fire Service enrolled in the First Responder program run by the Paramedic Academy of the Justice Institute of British Columbia. As part of this program all of our Fire Officers and Fire Fighters were licensed by the EMA Licensing Board to First Responder Level II.

In an effort to improve our response teams training, VAA stages an emergency exercise every year. This year's exercise was staged in June with WestJet playing the lead role. The Exercise went exceptionally well and proved to be an excellent training tool for responding agencies.



3.3 Customer Service Initiatives

The Authority is committed to providing a positive travelling experience for our customers and an excellent working environment for our tenants. To enhance customer services, the Authority introduced a new Economy Parking Lot which provides less expensive long-term parking rates to our travellers. In an effort to provide better food services to our customers, the Authority in partnership with Select Service Partner completed a significant renovation of the restaurant facilities in the Terminal Building. The completed renovations have brought about a first class facility and higher quality food.



In many ways the Corps of Commissionaires act as the Airport's Ambassadors. These 17 dedicated men and women are instrumental in the smooth operation of the Airport. They also provide co-ordination of curb traffic, ensure baggage carts are always available where they are needed and provide information to all that ask. Their presence in the Terminal Building and on the Main Operating Apron ensures our security goals are met.

Pictured to the left with some of our appreciative tenants, is Bill Wright, one of our Commissionaires

3.4 Volunteers

We are pleased once again to recognize the Red Coat volunteers for the added value they provide to the Airport experience. Consisting entirely of volunteers, these men and women are instrumental in assisting the travelling public and visitors to the Airport with directions, helpful hints and assistance through their knowledge of the Airport and our community. The Airport is indeed a better place through their presence. The Authority, the Airlines, Car Rental Agencies and the Taxi and Bus Service Providers, greatly appreciate the valuable service the Red Coats provide.

3.5 The Environment

The Authority is committed to environmental protection. During 1999, the Authority implemented a new Environmental Management Plan to ensure that the Airport's environmental policies, practices and operations are managed with the utmost attention to environmental protection.

The Authority has an active community based Environmental Advisory Committee that meets quarterly to review and assess the Airport's environmental programs. Working with the community, the Authority is involved in habitat restoration projects, contaminated sites remediation, pollution control, recycling initiatives and noise management programs.

Some of the highlights of 1999 include: the completion of a significant amount of in-stream habitat improvements to Airport Creek in support of the re-establishment of a Coho run; the clean-up of the Airport's de-commissioned Fuel Depot; the preparation of an Environmental Impact Assessment for the Terminal Building Expansion Project; and, the completion of a Noise Monitoring Survey that assessed aircraft noise impacts on the surrounding community.



3.6 Performance Review

The Authority reviews and assesses its operating performance throughout each year based on the projected goals set out in the 10 Year Business Plan. As passenger activity is the major generator of our Airport's financial performance, a conservative 3.5% growth rate was utilized to prudently plan the Airport's future.

VAA's key financial objective is to ensure that Airport revenues are sufficient to fund the long term capital and the ongoing operating expenses of the Corporation. The 1999 Audited Financial Statements confirm that the Authority's revenue sources met the Business Plan objectives.

An essential confidence factor for all public corporations is the commitment made to its "Code of Conduct for Directors, Officers and Senior Employees". Victoria Airport Authority places a great deal of importance on this principle. During 1999, all of the Authority's Directors and Senior Management were in strict compliance with VAA's Code of Conduct.

Victoria Airport Authority directly and indirectly supports a large segment of the local economy. The Authority is fully committed to doing business locally whenever possible. To that end, the Authority seeks competitive bids for all construction and goods and services contracts exceeding \$75,000.00.

3.7 1999 Capital Initiatives

During 1999, the following project work was completed by the Authority.

PROJECTS	\$000's
Pavement Repair to Runway 09/27	154.0
Water & Sewer Services to the North/East corner	117.0
Airfield Lighting Improvements	93.0
Pavement Repair to Taxiway Sierra	25.0
Terminal Building Signage Improvements	19.0
Other Minor Projects	159.0
TOTAL	\$567.0

3.8 Stakeholders Consultation and Accountability

The management and operation of Victoria International Airport was devolved from the Federal Government to the Victoria Airport Authority to better serve the local community. The make-up of the Authority's Board of Directors was constituted to strongly represent the local community. Our Board of Directors is deeply committed to Stakeholder consultation and accountability. To ensure that this commitment is made a reality, a number of structured committees have been formed to solicit public input.

The Airport Consultative Committee principally acts as the Board of Directors' direct contact with the public. This Committee is broadly based and meets quarterly to advise the Authority on the full range of Airport businesses. The meetings are advertised in the Press and the public are welcome to participate. In addition to the Airport Consultative Committee, the Authority holds an Annual Public General Meeting at which time our Audited Financial Statements and program initiatives are open for discussion.



4. PREPARING FOR THE FUTURE

4.1 Air Service Development

Toward the end of 1999, it became apparent that the existing Canadian airline industry structure was unsustainable. The "Air Canada Solution" which emerged as the option accepted by the Canadian Government will see the integration of Canada's two national carriers into a single, national, full service carrier. A reorganized and financially stable airline industry will ultimately benefit all Canadians. In the short term, communities like Victoria will face challenges with respect to air service, but we expect the private sector will respond to the opportunities created by this merger, and expanded air service options will be offered to our community.

In the short term, our challenges will include a reduction in airline capacity, fewer seats being offered at discount fares and a reduction in the number of price sensitive passengers.

On the positive side, we will see increased opportunities for non stop jet service to additional Canadian destinations by the new Air Canada, improved service by American carriers and, in the longer term, expanded opportunities for lower fare carriers such as WestJet, Royal and Canada 3000.

Victoria Airport Authority completed an Air Service Development Study in 1999 that identified opportunities for improved non-stop, jet service to Calgary, Edmonton, Toronto and San Francisco or Los Angeles. We are very pleased that Air Canada/ Canadian have announced daily, year round, scheduled service to Toronto. It will be a significant benefit to Victoria's tourism and convention marketing efforts.

4.2 Relationships with Key Stakeholders

Airlines

Victoria Airport Authority values its relationship with its airline partners. Their input and support is actively solicited, informally and formally through the Airline Operating Committee, Airline Consultative Committee, Airport Safety and Security Committee and the Airport Consultative Committee. Added to these structured committee meetings, the Authority meets regularly with individual carriers on Air Terminal Building development issues, as well as, regular meetings between senior airline executives and VAA's Board of Directors.

Municipalities

The Authority places a significant emphasis on creating and maintaining a positive working relationship with the two municipalities in which the Airport resides. To that end, the Authority is working with the staff and Councils of the District of North Saanich and the Town of Sidney, on operational, planning, development and environmental issues that concern the community.

Over the past year, the Authority has made excellent progress on the development of a Memorandum of Understanding on Land Use and Development with both municipalities. In addition to the Land Use Plan, the Authority has been successful in the development of a Mutual Aid Agreement which outlines the support the Airport now enjoys from the North Saanich and Sidney Volunteer Fire Departments.



First Nations

During the past year, the Authority and the Tseycum First Nations have explored ways in which the traditional culture and utilization of the land in the vicinity of the Airport by First Nations people can be recognized and interpreted. Significant focus has been placed on the development of Airport lands and how this relates to First Nations treaty rights, the protection of burial sites and other areas of importance to the Tseycum people.



Tseycum Chief Vern Jacks and wife Cora at the 60th Anniversary Ceremony

A key issue identified in the course of our consultations has been the need for historical research into what is known about First Nations use and occupation of Airport lands. To promote mutual levels of respect and to properly plan the development of Airport lands, the Authority initiated a historical review of published and un-published reports, files, documents and interviews with First Nation Elders.

A summary of this report will be incorporated into the Airport's Master Plan and used strategically to design appropriate land use developments over the coming years.

Transport Canada

Transport Canada is VAA's landlord and the regulator of all aviation activities in Canada. VAA manages Victoria International Airport in strict compliance with the terms of the lease with the Federal Crown. In addition, VAA complies with the various federal regulations pertaining to the safe operation of this Airport.

Victoria Airport Authority is a member of the Canadian Airports Council (CAC) which represents the collective interests of Canada's major airports and the communities in which they are located. Over the last year, VAA has presented its position on a number of issues of concern to the Authority to the Federal Government either directly or through the CAC. These issues include: Airport Security Classification, Federal Crown (non-financial) support for the development of Airport land through the timely completion of Non Disturbance Agreements, the level of rent payable to the Federal Crown in Victoria vs. other comparable Canadian airports, aboriginal land claims, environmental clean-up, proposed increased regulation of Canadian airports, and the restructuring the Canadian airline industry and its impact on Canadian airports and communities.



4.3 Air Terminal Building

In 1964 the current Air Terminal Building was opened and served 146,000 passengers that year. By the mid 1980's passenger traffic had grown to 650,000 which necessitated a \$12 million expansion to the core building. By the end of 1999, passenger volumes almost doubled to 1.2 million, with resultant congestion in security screening, holdrooms, arrivals, baggage claim, customs, public waiting areas and at the check-in counters.

After extensive consultation, the Board of Directors concluded that a Terminal Building Expansion Project should proceed to address current problems as well as future demands.



Artist's rendering of the Conceptual Streetscape view of the Air Terminal Building

The design concept under consideration in early 1999 was to extend the life of the current Air Terminal for approximately ten years. After further review it was determined that there is no better place than the present location and that the existing building could function as the central element for future development. The restructuring of the present facility will lay the foundation for a longer life expectancy, perhaps 30-40 years. The key construction principles for the new expansion are to extend the life of the present building, create a sense of space, keep the building flexible to accept future expansion, and to maintain clear and simple functionality.

The cost of the expansion is projected to be \$21 million, which includes upgrades to the existing building to meet seismic standards and other codes as well as a third level Public Observation Room.

When the project is completed, the community will have a Terminal that is not only functional but also warmly welcomes visitors to the City of Gardens and Vancouver Island for many years to come.



4.4 Master Plan

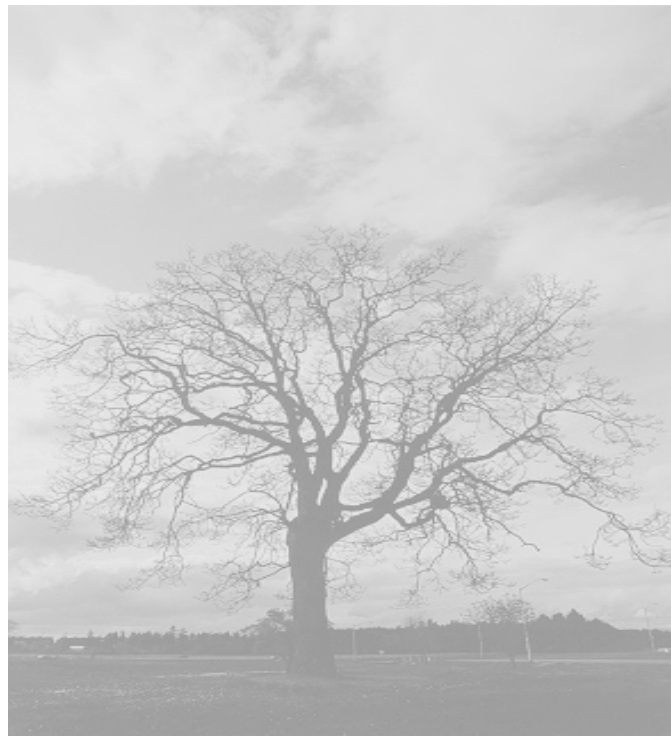
The Authority's lease agreement with Transport Canada requires that a Master Plan be developed through a consultative process with the Community. During 1999 the Authority completed the essential planning elements to facilitate public review and discussion of the Master Plan. The key elements of the Plan include a comprehensive assessment of our Airfield System, Terminal Building Complex, Ground Transportation Network, Land Use Plan and Environmental Management Program.

From a strategic perspective, the Master Plan will provide the Authority and the Community with a framework for the development of the Airport over the next 20 years. The Master Plan will also provide a vision for the Authority which will reflect the economic and social interests of all Stakeholders including the aviation industry, airport tenants, the surrounding municipalities and all of the communities of Vancouver Island served by Victoria International Airport.

4.5 Environment

A key element in the operation and development of the Airport will always be environmental protection. Improvements in noise abatement, reduction in contaminate releases, the clean-up of contaminated sites, the surveillance and monitoring of VAA's projects and tenant developments, as well as, habitat protection and restoration initiatives are and will always be at the forefront of the Airport's Environmental Program.

It is our hope that a continued commitment to open dialogue and full disclosure on environmental matters will bring about a solid level of community support for the Authority's programs.





Director's and Management Compensation

The schedule of Board remuneration during 1999 was as follows:

Chair	\$ 16,500
Vice Chair	\$ 10,000
Secretary	\$ 10,000
Committee Chairs	\$ 10,000
Remaining Directors	\$ 7,000

Compensation during 1999 for each director was:

Brice, Susan	\$ 1,906
Easthom, Des	\$ 7,000
Hancock, Donald	\$ 1,750
Hellyer, Greg	\$ 7,000
Jackman, Keith	\$ 13,750
Lewis, Peter	\$ 10,000
Little, Andrew	\$ 10,000
MacGillivray, Andrew	\$ 10,000
McLaren, Robert	\$ 7,000
Nicas, John	\$ 7,000
Petch, Linda	\$ 7,000
Peterson, Alan	\$ 10,000
Ross, Graham	\$ 7,000
Scott, Mark	\$ 3,500
Skene, Bob	\$ 3,105
Soward, Stuart	\$ 10,000

The combined remuneration to the interim and incumbent President/Chief Executive Officer in 1999 was \$101,786



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AUDITORS' REPORT TO THE MEMBERS OF THE **VICTORIA AIRPORT AUTHORITY**

We have audited the balance sheet of the Victoria Airport Authority as at December 31, 1999 and the statements of earnings and equity in assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. In accordance with the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants

Victoria, Canada
February 3, 2000



KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is a member firm of KPMG International, a Swiss association.



Management Responsibility for Financial Statements

The accompanying financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these are set out in Note 1 to the statements.

The Authority's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. These financial statements include some amounts based upon management's best estimates and judgements. Recognizing that the Authority is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been prepared within reasonable limits of materiality.

The Board of Directors has appointed an Audit and Finance Committee consisting of seven Board directors. The committee meets periodically during the year to review with management and the auditors any significant accounting, internal control, and auditing matters. They also review and finalize the annual financial statements of the Authority together with the independent auditor's report before their submission to the Board of Directors for final approval.

The financial information throughout the text of the annual report is consistent with the information presented in the financial statements.

On behalf of the Authority:

Richard Paquette
President and Chief Executive Officer



Balance Sheet

December 31, 1999, with comparative figures for 1998

	1999	1998
Assets		
Current assets:		
Cash (note 11)	\$ 995,729	\$ -
Accounts receivable - trade (note 11)	829,428	626,850
Accounts receivable - government (note 3)	-	1,343,469
Consumable inventory	165,322	157,988
Prepaid expenses	62,089	115,954
	<u>2,052,568</u>	<u>2,244,261</u>
Capital assets (note 4)	3,657,379	3,352,387
	<u>\$ 5,709,947</u>	<u>\$ 5,596,648</u>

Liabilities and Equity in Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 692,592	\$ 551,598
Deferred revenue	128,023	148,776
Accounts payable - government (note 3)	-	902,807
Bank indebtedness (note 5)	-	318,383
	<u>820,615</u>	<u>1,921,564</u>
Tenants' security deposits held (note 6)	16,200	108,800
Retirement allowance liability (note 7)	266,890	231,890
Long-term debt (note 8)	375,775	755,914
Long-term deferred revenue	116,032	129,233
	<u>1,595,512</u>	<u>3,147,401</u>
Equity in assets	4,114,435	2,449,247
Commitments (note 9)		
Contingent pension liability (note 10)		
	<u>\$ 5,709,947</u>	<u>\$ 5,596,648</u>

See accompanying notes to financial statements.

On behalf of the Board



Statement of Earnings and Equity in Assets

Year ended December 31, 1999, with comparative figures for 1998

	1999	1998
Revenue:		
Landing fees	\$ 1,549,618	\$ 1,698,901
General terminal charges	1,552,225	1,758,326
Concessions	3,188,492	2,866,237
Rentals	1,031,547	960,203
Other	255,942	360,408
	<hr/> 7,577,824	<hr/> 7,644,075
Expenses:		
Salaries and employee benefits	2,233,904	2,074,776
Service, supplies and administration	1,946,617	2,100,756
Transport Canada lease (note 9(a))	1,015,350	728,956
Property taxes (note 3)	576,122	366,075
Amortization	391,300	325,539
Reorganization costs (note 12)	-	289,659
Utilities	228,729	223,466
	<hr/> 6,392,022	<hr/> 6,109,227
Earnings from operations	<hr/> 1,185,802	<hr/> 1,534,848
Airport Improvement Fee (note 11)	479,386	-
Net earnings	<hr/> 1,665,188	<hr/> 1,534,848
Equity in assets, beginning of year	2,449,247	914,399
Equity in assets, end of year	<hr/> \$ 4,114,435	<hr/> \$ 2,449,247

See accompanying notes to financial statements.



Statement of Cash Flows

Year ended December 31, 1999, with comparative figures for 1998

	1999	1998
Cash provided by (used in):		
Operations:		
Net earnings	\$ 1,665,188	\$ 1,534,848
Amortization, which does not involve cash	391,300	325,539
Changes in non-cash operating working capital:		
Accounts receivable	1,140,891	(1,299,312)
Consumable inventory	(7,334)	(624)
Prepaid expenses	53,865	(11,781)
Accounts payable and accrued liabilities	(761,813)	523,074
Deferred revenue	(33,954)	(24,155)
	<u>2,448,143</u>	<u>1,047,589</u>
Investing:		
Capital expenditures	(696,292)	(2,032,000)
Purchase of securities	-	194,026
	<u>(696,292)</u>	<u>(1,837,974)</u>
Financing:		
Repayment of long-term debt	(380,139)	(384,502)
Increase in retirement allowance liability	35,000	11,614
Decrease in tenants' security deposits held	(92,600)	-
	<u>(437,739)</u>	<u>(372,888)</u>
Increase (decrease) in cash position	1,314,112	(1,163,273)
Cash position, beginning of year	(318,383)	844,890
Cash position, end of year	<u>\$ 995,729</u>	<u>\$ (318,383)</u>

Cash position is defined as cash less bank indebtedness.

See accompanying notes to financial statements.



Notes to Financial Statements

Year ended December 31, 1999

1. Nature of operations:

The Victoria Airport Authority (the "VAA") is incorporated under Part II of the Canada Corporations Act as a non-share capital, not-for-profit corporation and all earnings from operations are reinvested in airport development. The VAA has operated the Victoria International Airport since April 1, 1997 under a lease from the Government of Canada (the "Canada Lease"). The Canada Lease has an initial term of sixty years with an option to extend the term for a further twenty years.

2. Significant accounting policies:

(a) Basis of accounting:

The financial statements of the VAA are prepared in accordance with accounting principles generally accepted in Canada.

(b) Consumable inventory:

The inventory of consumable supplies is recorded at the lower of cost, determined on a first-in first-out basis, and estimated net realizable value.

(c) Canada Lease:

The Canada Lease (see note 1) is accounted for as an operating lease.

(d) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is provided using the straight-line method at the following rates:

Asset	Rate
Leasehold improvements	5%-33%
Office furniture and equipment	20%
Computer hardware and software	33%
Vehicles	10%-50%
Other equipment	10%-20%

Capital work-in-progress is not amortized until the project is substantially complete.

(e) Revenue recognition:

Revenues are recorded when the services are performed, the facilities are utilized or the amounts are earned pursuant to the related agreements. Airport Improvement Fee revenue (note 11) is recognized when passengers depart the terminal building.



Notes to Financial Statements

Year ended December 31, 1999

2. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

3. Government-related receivables and payables:

In 1998 the following items were in existence at December 31. There were no outstanding amounts at December 31, 1999.

(a) District of North Saanich, Town of Sidney and School District #63:

The VAA successfully appealed the property assessments for 1997 and 1998 on the lands occupied by the airport. The resulting recovery outstanding for 1998, in the amount of \$440,661, is a combination of property and school tax. For these taxes, the amount reported for 1998 is \$549,406 less the \$183,331 recoverable for 1997.

(b) Transport Canada:

Under the terms of the Canada Lease, the VAA assumed Transport Canada's obligation to participate with the Capital Regional District in the development of the Unified Sewage Treatment Plant. Further terms of the agreement are that Transport Canada will reimburse the VAA for the development costs. The 1998 amount outstanding as a receivable from Transport Canada and a payable to the Capital Regional District is \$675,000.

(c) Department of National Defence:

In 1998 the VAA acted as an agent to facilitate the transfer of funds totalling \$227,807 to the District of North Saanich for the property taxes on the land leased to the VAA and occupied by the Department of National Defence.



Notes to Financial Statements

Year ended December 31, 1999

4. Capital assets:

			1999	1998
	Cost	Accumulated amortization	Net book value	Net book value
Leasehold improvements	\$ 2,218,229	\$ 114,733	\$ 2,103,496	\$ 165,561
Office furniture and equipment	49,847	19,230	30,617	31,142
Computer hardware	203,581	116,459	87,122	127,452
Computer software	161,996	101,935	60,061	111,556
Vehicles	1,216,550	432,570	783,980	884,103
Other equipment	340,454	107,242	233,212	263,016
Capital work-in-progress	358,891	-	358,891	1,769,557
	\$ 4,549,548	\$ 892,169	\$ 3,657,379	\$ 3,352,387

5. Bank indebtedness:

The VAA has a \$1,500,000 operating line of credit bearing interest at the prime lending rate. The operating line of credit is secured by a demand collateral first mortgage of the VAA's leasehold interest and assignment of rents for an unlimited amount.

6. Tenants' security deposits held:

During the year certain tenants' security deposits were returned to the tenants. These security deposits were replaced by bank guaranteed letters of credit.

7. Retirement allowance liability:

Under the terms of the transfer agreement with Transport Canada, the VAA assumed the Government of Canada's obligation to pay its former employees compensation upon retirement or termination in accordance with the collective agreements. The VAA received from the Government of Canada an amount equivalent to the actuarially adjusted liability. The VAA has recorded additional liabilities in accordance with the agreements.

8. Long-term debt:

Under the terms of the transfer agreement with Transport Canada, the VAA purchased certain capital assets and inventories from the Government of Canada. This purchase was financed by an interest-free loan of \$1,520,554 repayable in installments for the years 1998 and 2001 inclusive. The principal due on January 1, 2000 was repaid in December 1999.



Notes to Financial Statements

Year ended December 31, 1999

9. Commitments:

(a) Transport Canada lease:

The VAA pays lease payments to Transport Canada which are calculated under a formula which includes annual airport revenue, passenger volumes and operating costs. The maximum annual lease payment obligation is \$1,015,300 for each of the next five years subject to a Consumer Price Index adjustment.

(b) Other:

The VAA is in the planning process of redeveloping and expanding the Victoria International Airport terminal facilities. At December 31, 1999 expenditure commitments for this phase of the project are estimated to be \$250,000.

10. Contingent pension liability:

The VAA and its employees contribute to the Municipal Pension Plan in accordance with the Pension (Municipal) Act of British Columbia. The Superannuation Commission of the Province of British Columbia administers the plan, including the payment of pension benefits. The plan currently has more than 100,000 active contributors.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding.

The latest published valuation was at December 31, 1997 and disclosed a \$548 million unfunded actuarial liability (UAL) for funding purposes (\$1.31 billion as at the previous valuation). This represented an improved financial position, with a decrease in the UAL as a percentage of covered payroll from approximately 36% to 14%. Plan legislation provides that the unfunded liability will not cause increases in the employment group statutory contribution rates, upon which employer specific rates are based as long as the financial health of the pension plan improves from one valuation to the next. The actuary does not attribute portions of the UAL to individual employers. Contributions to the plan by the VAA are expensed in the year when payments are made.

11. Airport Improvement Fee ("AIF"):

On May 31, 1999 the VAA entered into an agreement with the Air Transport Association of Canada and major air carriers serving the Victoria International Airport (the "AIF Agreement"). The AIF Agreement provides for a consultation process with the air carriers on airport development as well as the collection of an AIF by air carriers. AIF revenues can only be used to pay for airport infrastructure development and related financing costs. Effective October 1, the VAA introduced an AIF in the amount of \$5 per local boarded passenger.

As of December 31, 1999, the VAA earned \$479,386 in AIF fees of which: \$148,101 was used for eligible expenditures, \$261,304 was receivable, and \$69,981 was held in cash.



Notes to Financial Statements

Year ended December 31, 1999

12. Reorganization costs:

During 1998 the VAA incurred costs in connection with the reorganization of the management structure. These costs have been fully expensed in 1998. The costs include severance pay, recruitment costs and consulting services with regards to the organizational structure. There were no related costs in 1999.

13. Income and B.C. Capital taxes:

The VAA income generated from airport-related operations is exempt from federal and provincial income taxes. However, the VAA is required to pay the B.C. Capital Tax.

14. Related party transactions:

During the year ended December 31, 1999, the fees paid to the Board of the VAA for their services as directors amounted to \$119,011 (1998 - \$117,250).

One director, for part of this year, assumed the role of Chief Executive Officer and was remunerated accordingly.

One director, for part of the year, had an interest in a car rental business which operates at the airport under a concession agreement awarded through a competition bidding process prior to the VAA assuming control of the airport.

15. Financial instruments:

The fair value of the VAA's cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying value due to the relative short periods to maturity of the instruments. The fair value of long-term debt is estimated by management to be less than the carrying value due to the loan being interest-free over the remaining term.



VAA SUPPLIERS LIST

Acklands - Grainger Inc.	Insurance Corporation of B.C.
Acme Suppliers Ltd.	Interstate Batteries
Action Door Service Inc.	Island Saw
Action Pacific Investigative	Island Internet Inc.
Agrico Sales Ltd.	Island Blue Print Co. Ltd.
Air Gas Canada Inc.	Janitor's Warehouse
Air Liquid Canada Inc.	J. Grieve Motors Ltd.
Albrite Lighting Ltd.	Leon's Door Service Inc.
Aon Reed Stenhouse Inc.	The Lock Doctor
Aqua Water Services	Maritime Life Insurance
Auto Marine Electric Ltd.	Men in White Painting
BCAA Travel Agency	Montgomery Kone Elevator
BC Hydro	Moore Paterson Architects
BC TEL	Pacific Coast Credit Union
Beacon Auto Parts	Philpott Machine Works
Blohm, Peterson, Vollan, Galloway	Posscan Systems
Buckerfields	P&R Western Star Trucks
Canadian Waste Services Inc.	Ramsay Machine Works Ltd.
Canada Post Corporation	Robert Freunlich & Assoc.
Cavedendish Analytical Lab Ltd.	Saanich Peninsula Gravel Mart
National Chemsearch	Shamrock Metal Inc.
CIBC VISA CENTRE	Shanahan's Ltd.
Coast Tractor & Equipment Ltd.	Sidney Tire
The Commissionaires	Slegg Lumber Ltd.
Copeland Communications Ltd.	Supreme Building Maintenance
Dan Foss Couriers	Telus
Dave Turner Plumbing & Heating	Temperature Control Systems
Delcan Corporation	The Bastion Group
Dover Corporation Ltd.	Tradewind Scientific Ltd.
F.A.S. Fuels	Van Isle Industries Ltd.
Gateway Landscaping Supplies	Western Association For Community Living
GMK Transportation Planning	Western Oil Services
Grand & Toy	Western Supplies
Houston Signs	Wilson & Proctor Ltd.



VICTORIA AIRPORT AUTHORITY TENANT LIST

341305 Alberta Ltd.
507797 BC Ltd.
676 Kittyhawk Sponsoring Committee
Aeroguard Security Company Ltd.
AirBC Ltd.
Airspeed Aviation Inc.
AKAL Airport Express Bus Link Ltd.
Aviscar Inc.
Bencliff Holdings Ltd.
BC Aviation Museum
BC Hydro & Power Authority
BC Lions Society for Children with Disabilities
Budget Rent A Car of BC Ltd.
Budget Rent A Car of Victoria Ltd.
Canada 3000 Airlines Ltd.
Canadian Airlines International Ltd.
Canadian Regional Airlines (1998) Ltd.
Canwest Flight Services Ltd.
Capital Regional District
Centra Gas Victoria Inc.
Cooper Air Inc.
Custom House Currency Exchange (Retail) Ltd.
Denluk, Barry
District of North Saanich
Dr. Thomas Ripley Inc.
Empress Transportation Company (1996) Ltd.
Express Air International Ltd.
Hertz Canada Limited
High View Properties Ltd.
Horizon Air Industries Inc.
Hurricane Hangars Ltd.
Imperial Oil Ltd.
IN-TER-SPACE Services Inc.
Island Flight Support Ltd.
Juan Air (1979) Ltd.
L&C Canada Coastal Aviation Inc.
Mary's Bleue Moon Café Ltd.
Metro Lexus Toyota - Victoria
Milou Holdings Ltd.
Minister of National Defence
National Car Rental (Canada) Inc.
Nav Air Leasing Inc.
Nav Canada
Nicholson Manufacturing Ltd.
Nickel Bros. House Moving Ltd.
Northside Hangar Ltd.
Pat Bay Hangers Ltd
Pat Bay Seaplane Base Operators Association.
Pendray Farms Ltd.
Phoenix Hangars Inc.
Province of British Columbia - Ministry of Forests
Ramsay Machine Works Ltd.
Restauroincs Services Ltd.
RND Vending Ltd.
Robbins Parking Service Ltd.
Royal Bank of Canada
Seastar Chemicals Inc.
Shelton Enterprises Ltd.
Sidney & North Saanich Memorial Park Society
SRS Airline Services Inc.
Province of British Columbia - Ministry of Forests
Ramsay Machine Works Ltd.
Restauroincs Services Ltd.
RND Vending Ltd.
Robbins Parking Service Ltd.
Royal Bank of Canada
Seastar Chemicals Inc.
Shelton Enterprises Ltd.
Sidney & North Saanich Memorial Park Society
SRS Airline Services Inc.
Telus Communications (BC) Inc.
The Friends of the AMAR-B Society
The UCS Group
Town Aviation Inc.
Town of Sidney
Vancouver Island Helicopters Ltd.
VFC Corporate Wings Aviation Ltd.
Victoria Flight Training Inc.
Victoria Flying Club
Viking Air Limited
Wendon Manufacturing Ltd.
WestJet Airlines Ltd.



CORPORATE OFFICE

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Bankers: Pacific Coast Savings Credit Union
Legal Firm: Cox, Taylor Barristers

Photographs by: Bill Cann, Corps of Commissionaires



Gary Wilson, Senior Equipment Operator