

Virtual VAA Airport Consultative Committee

Minutes

Tuesday, March 7, 2023
1:30 PM – 2:38 PM
GoToWebinar

Upcoming Public Meetings:

Annual Public General Meeting

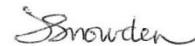
Thursday May 11, 2023 at 7:00 PM
Mary Winspear Centre

Fall Airport Consultative Committee Meeting

Tuesday, October 17, 2023
Time, Venue and Format TBA



Eric Donald
Chair, Airport Consultative Committee



Jannelle Snowden
Executive Assistant and Corporate Secretary

Representative Members in Attendance: 13

Organization

Representative

Airlines:

Air Canada / Jazz	Regrets
Air North	Regrets
Alaska Air / Horizon	Regrets
Flair Air	Regrets
Harbour Air Seaplanes	Randy Wright
Pacific Coastal Airlines	Regrets
Swoop Airlines	Regrets
WestJet	Regrets
Airport Land Tenants	Regrets
Air Terminal Building Tenants' Representatives	Terry Judge, Claudiu Ulinici, Rob Prior
Association of Canadian Travel Agencies	Regrets
BC Ministry of Transportation and Infrastructure	Regrets
Canada Border Services Agency	Steve Scott
Canadian Aircraft Owners and Pilots Association	Regrets
Capital Regional District	Regrets
City of Victoria	Councillor Chris Coleman
Department of National Defence (443 MH Squadron)	Regrets
District of Central Saanich	Councillor Gordon Newton
District of North Saanich	Regrets
District of Saanich	Regrets
Greater Victoria Chamber of Commerce	Bruce Williams
NAV Canada	Chris Csatlos
North Saanich Residents' Association	Regrets
Pauquachin First Nation	Regrets
Saanich-Gulf Islands Member of Parliament Office	Regrets
Saanich North and Islands Constituency Office	William Kelly
Saanich Peninsula Chamber of Commerce	Joseph Jansen
Saanich Peninsula Water and Wastewater Commission	Regrets
Sidney Business Improvement Area Society	Regrets
Sidney Community Association	Regrets
Sidney North-Saanich RCMP	Regrets
Tourism Victoria/Destination Greater Victoria	Paul Nursey
Town of Sidney	Terri O'Keeffe
Transport Canada	Regrets
Tsartlip First Nation	Regrets
Tsawout First Nation	Regrets
Tseycum First Nation	Regrets
WSÁNEĆ Leadership Council	Regrets

Members of the Public in attendance: 12

Airport Consultative Committee Members in attendance: Eric Donald (Committee Chair), Cathie Ounsted (Board Chair), Chuck Lovallo, Frank Leonard, Erik Djukastein

Other Board Members in attendance: Dave Cowen, Paul Gerrard, Allan Haynes, Sami Turki, Margaret Lucas, and Wendy Zink.

Management: Geoff Dickson (President and CEO), Randy Bogle, Michelle Cooper, Joseph Chen, Scott Cunningham, Ken Gallant, Rod Hunchak, Matthew Logan, Adrian Nyland, and Rene Sheir.

VAA Staff in attendance: Sherri Brooks, Jaspreet Grewal, Tyler Gunderson, Amber Haggstrom, Andy Hughes, Siobhan O'Donnell, Sarah Venn, Angela Moran, John Donasco, Emily Windebank, and Lea-Ann Bailey;

Meeting Moderator: Adrian Nyland

Recording Secretary: Janelle Snowden

1. Call to Order

The meeting was called to order by Eric Donald, Chair of the Airport Consultative Committee.

2. Territorial Acknowledgement

The Committee Chair respectfully acknowledged that Victoria Airport Authority operates from the homeland of the WSÁNEĆ people and expressed VAA's commitment to further strengthening relationships.

3. Recognition of the Committee Members, Representative Members, Dignitaries, and Special Guests

The Committee Chair recognized the Committee members, Representative members, dignitaries, business leaders, and members of the public who were participating in the virtual meeting.

VAA very much appreciated their input and asked that they continue to share their perspectives, concerns, and suggestions.

4. Motion to Receive the Minutes of the October 18, 2022 Airport Consultative Committee Meeting

The Minutes of the October 18, 2022 Airport Consultative Committee meeting were reviewed by the Committee. There were no errors or omissions noted.

MOTION: Acceptance of the October 18, 2022 Airport Consultative Committee meeting minutes as presented.

Moved by: Eric Donald

Seconded by: Cathie Ounsted

Motion carried.

5. Report from the Chair of the Board of Directors

The Board Chair announced that this was her first public meeting as Chair of the Board and that she is proud to serve as the new Chair of the Victoria Airport Authority Board of Directors. On behalf of the Board of Directors, and the VAA management, she expressed gratitude to our former Chair, Gordon Safarik for his nine years of service to VAA.

She acknowledged VAA's ability to adapt, innovate, and maintain an extraordinary degree of flexibility during the pandemic and this ensured that as 2022 unfolded, work to advance a number of capital projects progressed. Some highlights include advancements in environmental stewardship, technology, and management systems, as well as significant efforts to improve and develop First Nations partnerships.

The Board Chair advised that April 1st, 2022 marked 25 years since the Government of Canada divested operational and managerial responsibility of the Victoria International Airport to Victoria Airport Authority. Since that time, VAA has invested more than \$225 million dollars into the airport facility improvements, including extensive terminal building expansions, expanded parking facilities, a formal operations facility, improved airside services, modern emergency response equipment, and progressive environmental initiatives.

In addition to celebrating its 25th anniversary in 2022, VAA received several of awards and recognitions including:

- being named one of BC's Top 100 Employers, for the third consecutive year
- being named Most Efficient Airport in North America under 5 million passengers
- receiving an award for Social Responsibility that recognizes our commitment to making YYJ accessible to all travelers with accessibility challenges
- Recertification for Airport Carbon Accreditation Level 2, which recognizes YYJ's efforts to demonstrate quantified emissions reductions.

With the worst of the pandemic behind us, VAA was able to turn its focus to moving forward. The airport is a dynamic place that is continually developing to meet the needs of passengers, airlines, and tenants alike to ensure a healthy and vibrant airport for our community.

The Board Chair advised that one of the key initiatives in 2022 was the development of a new Master Plan for 2023 -2042. The Master Plan provides a roadmap of capital investments, improvements, and operational considerations. It provides the framework for VAA to stay ahead of the demand curve of its customers by focusing on capital improvements that support the areas of highest growth with maximum benefit to the users of the airport.

In addition to the Master Plan, the VAA Board of Directors and Senior Management Team completed a strategic planning session, which resulted in the creation of an updated Strategic Plan for 2023 – 2027. As part of this process, VAA’s guiding principles were reviewed, strategic goals established, and performance measures and targets were determined.

These documents, in conjunction with the leadership of our CEO, Geoff Dickson, and a stellar team of managers and staff working collaboratively under his leadership, along with oversight from the Board of Directors, will ensure that we continue to make Victoria International Airport a world-class facility for all to enjoy.

On behalf of the Board of Directors, the Board Chair thanked everyone for joining today and expressed her appreciation for their continued interest, support, and feedback.

6. Report from the Vice President, Finance and Administration and Chief Financial Officer

The Vice President, Finance and Administration and CFO gave a brief presentation of VAA’s financial results for the year ended December 31, 2022. He further advised that the 2022 Audited Financial results would be shared at the Annual General Public Meeting on May 11, 2023.

He explained that revenues earned at YYJ come from four main areas:

- Aeronautical fees, which are primarily made of landing and terminal fees charged to airlines and other users of the airport.
- Concession revenue, which is primarily made up of revenues received from parking, rental car operators, restaurants, retail, and other concessions.

- Airport Improvement Fee (AIF), which is the \$15 fee that is collected by the carriers and remitted to the airport. These revenues are restricted and can only be used for capital items and related debt financing for capital.
- Real estate revenue, which is the revenue received in the form of land rent from the tenants that occupy the airport lands.

Aeronautical, Concessions, and AIF are directly or indirectly tied to passenger activity and make up 89 percent of our total revenue. Real estate revenue is the only revenue area that is not related to passenger activity and makes up 11 percent of revenues.

VAA's year-to-date passengers were 1.49 million which was 9 percent ahead of budget.

2022 Revenue Sources

Aeronautical revenue, consisting of landing and terminal fees charged to airlines and other users of the airport, was \$7 million, which was 9 percent ahead of budget.

Concession revenue was \$10.5 million, which was 17 percent ahead of budget. Additional passengers led to more parking revenue and additional revenue from various concession contracts, such as car rentals.

AIF revenue for 2022 was \$11 million, which is 12 percent ahead of budget. The AIF is currently \$15 for each enplaned passenger. AIF revenue is restricted and can only be used for capital investments and debt servicing purposes.

Total revenue, which included pandemic related government wage subsidies received early in 2022, totalled \$35 million, \$4.4 million ahead of budget.

Operational Expenses

Operational expenses are the costs incurred to operate the airport and include security costs, rent paid to the federal government, property taxes, salaries, utilities, and interest. For 2022, operation expenses are on budget at \$21 million.

Amortization expenses for 2022 are \$11.7 million, which is slightly below budget. Capital assets are amortized over their useful life.

As a result of the additional revenues received due to the increase in passengers, the net income for 2022 is \$2.5 million for 2022, compared to the \$1.8 million dollar loss that had been budgeted.

Closing

Ending the year with a positive net income is a significant accomplishment, it allowed VAA the flexibility to pay off its long-term debt and end the year with a strong balance sheet and a healthy year end cash balance. These monies continue to be invested in capital expenditures to grow and maintain the airport and airport lands.

Since 1997, VAA has invested over \$233 million into the airport and airport facilities.

7. Report from the President and Chief Executive Officer

The President and CEO presented an update on the airport activities over the past year.

The President and CEO explained that it is useful to know where VAA is in relation to other peer airports across Canada. Victoria came in at 77 percent of 2019 passengers, second to Kelowna at 85 percent, with the remaining Canadian airports ranging from 63 percent to 74 percent.

Ultra-Low-Cost Carriers (ULCCs)

ULCCs were gaining the domestic markets in Canada in 2022. Flair airlines will have increased to six flights per day by this summer in and out of YYJ and providing service to Toronto, Edmonton, Calgary, Ottawa, and Winnipeg. SWOOP will be flying daily to Toronto this summer, and Lynx Air will offer three flights a week to Calgary. Canada Jetline is the most recent ULCC to offer air service and VAA expects them to offer services at YYJ within the next twelve months. Combined, these four airlines potentially add an additional 150 aircraft in service within Canada.

YYJ Route Network

The President and CEO advised that he was very pleased with the domestic coverage, as there are regular flights to Whitehorse, Prince George, Vancouver, Kelowna, Edmonton, Calgary, Winnipeg, Montreal, Ottawa, and Toronto. It is possible to increase frequency of service and potentially expand direct flights domestically. He noted that there is still the need to expand service to the US and sunspot destinations.

The President and CEO advised that Porter Airlines, an air service provider operating primarily out of Billy Bishop Airport with services in eastern Canada and the north-west United States and want to expand into western Canada. They operate the E-195, one of the most fuel-efficient aircrafts, which seats 132, two-abreast with no middle seats, and are looking to provide an upgraded leisure flight experience to travellers. Their maintenance and operation bases are in Toronto, Ottawa, Halifax, and Montreal. They have just advised that they are entering a partnership with Saint-Hubert to develop a new terminal.

VAA has been in discussion with Porter for a number of months now and are optimistic that Victoria will be added to their air service sometime in 2024.

Passengers

In 2023, capacity recovery for the third quarter forecasts Victoria passenger rates at 94 percent of 2019 levels. Comparably, Kelowna and Quebec City rates are at 109 percent and 115 percent respectively. These numbers are fluid and could increase based on WestJet's announcement to increase their service capacity at YYJ by 8 percent by increasing their service to Edmonton, as well as their recent addition of service to Winnipeg. We will be watching WestJet's new strategy as they bring their fleet back to western Canada and focus more on their core routes.

The downside to WestJet focusing their service in western Canada is that Air Canada has decided to decrease their air service from Victoria to Calgary, as well as a number of other regional routes in and out of Calgary. They will continue with their non-stop service to Montreal in the summer and year-round to Toronto, as well as building service overall into the Vancouver hub.

New Route Focus

The President and CEO advised that the loss of US service over the past number of years is approximately 300,000 seats. At its peak, YYJ had nearly 400,000 US seats prior to the pandemic, and a total of seven daily flights to Seattle, whereas at present there is only one flight daily. There is currently a pilot shortage in the US, which makes it difficult for the air service providers to add additional flights at YYJ. Additionally, the US airlines had to provide a significant pay increase to pilots, both of this have impacted their capacity choices. The President and CEO advised that discussions with the major US airlines would be ongoing with a focus on increasing current air service routes, including Seattle, and adding additional destinations such as Los Angeles, Phoenix, Denver, and the reinstatement of San Francisco, Las Vegas and the sunspot markets in Mexico and Honolulu.

Domestic market focus included Saskatoon, and Regina, as well as increasing the Montreal and Ottawa services.

Forecast of Annual Passengers

Historically, it has been relatively easy to extrapolate data and forecast passenger numbers to a fairly high degree of certainty. Coming out of the pandemic, the CEO believes that we will need a couple years of data before we can forecast passenger numbers to the same degree of certainty.

Pre-pandemic, he would have predicted passenger numbers for 2030 to be close to 3 million annually, and 4 million passengers annually by 2040. The CEO advised he was confident that in 2023 we would get close to the 2019 levels again and continue to see growth annually.

Terminal Expansion

The President and CEO advised that recent terminal expansion to the north will meet our needs for several years yet.

VAA was looking at ways to stage the expansion of the airport over a twenty-year window in keeping with the specific points of demand. The key is to identify how evolve the building in phases, as modular as possible, in order to solve certain growth challenges, but still be able to step back and reassess the needs.

Passenger forecast numbers for 2023 should be on par with 2019 numbers, and by 2042 growth was calculated to be between 2.5 and 4.1 million passengers. VAA was planning for this increase and mapping out the terminal building over the next 20 years with potential expansions to the east and west and eventually north.

Over the next ten years enhancements would be seen in the hold bag screening area, departure area seating, offices for tenants and carriers, and expansions in the Arrivals Hall, baggage claim area, bridges, and seating, and eventually, the potential of relocating some of the existing tenants to accommodate the expansion of the baggage make-up area. Planning would determine when projects would start and how to keep operations running.

The CEO advised that over the next the proposed expansion project over the next ten years is estimated to cost over \$250 million dollars. However, the work will not proceed if the growth is not as predicted. Part of the challenge is predicting when the growth will come and building to meet the needs before it's behind us.

The CEO shared a visualization of potential terminal expansion plans for 2032 and 2042.

VAA currently has approximately two thousand paved spaces. It is expected that an additional one thousand spaces would be needed over the next ten years, based on typical growth curves. The full parking capacity is usually only needed for part of the year, and the remaining forty-five weeks, roughly, the additional spots are vacant. Road access also needs to keep in pace with growth and realignments, roundabouts, and curbside access for pick-up and drop-offs.

Revenue

The CEO advised that we are not-for-profit organization, but that it is important to generate profit that is 100% reinvested into the airport. This is achieved through a number of different

revenue sources. Over a twenty year window, revenue for reinvestment into the airport would be approximately \$400 million, assuming pre-pandemic levels are maintained.

Aeronautical Revenue per passenger in BC airports charges to the airlines are amongst the lowest in Canada. The Airport Improvement Fees (AIF) in Canada are as high as \$43.00 per passenger, with Victoria being at the lower end of the spectrum at \$15.00. This is an area that will be looked at in the future as it has been a number of years since there was an increase (2011).

Land Development

The President and CEO advised that land development is another revenue diversification area for VAA. We have added six new tenants in the past three years. There are currently three exclusivity agreements in place and several areas of opportunity for future development.

The CEO highlight some of the recent developments and exclusivity agreements, including:

- Amazon Last Mile Distribution Centre is nearing completion
- Kothari Hotel Proposal – VAA is working through the final planning stages before the various permits can be issued. This would be a 132 room hotel planned for the corner of Beacon and the Highway
- Beacon / Galaran Roundabout - partnership with the District of North Saanich and the Town of Sidney to construct the roundabout.

Sustainability

The President and CEO advised that the airport was amongst the first to commit to becoming carbon neutral and that we have already reduced our carbon footprint by 200 tons of CO₂. He advised that industry is not actually a significant contributor (about 3-4%) and that the bigger impact will actually be by the airlines changing the type of fuels they use or electrification of their aircraft. Some of the environmental goals included in VAA's Sustainability Plan are:

- Waste Management - diversion rate of 75 percent by 2025 and 90 percent by 2030.
- Green House Gas Emissions – being carbon neutral by 2030. YYJ has partnered with YVR and YLW to help BC airports to become carbon neutral by 2030.
- Ecology and Biodiversity – increase by 20 percent. Work on TenTen creek is resuming after being temporarily paused during the pandemic. Additionally, we have a received a Dickson Woods Forestry Management Plan to help address the invasive species.

- Water Quality and Conservation – although YYJ is one of the lowest water use airports in the country, the goal is to lower usage by another 25 percent by 2030.

YYJ Pollinator Garden

YYJ has planted 2000 native plants for a pollinator garden and was grateful for our First Nations partners who have stepped up to design the garden. This initiative would increase pollination and expand biodiversity at the airport. Spring clean-up has been scheduled for later this month.

WSÁNEĆ Leadership Council (WLC)

VAA continues to build on its relationship with WLC with opportunities in employment, and training opportunities, development, contracting, economic benefits, and cultural awareness. He expressed it has been an interesting journey working with members of the WLC and their staff. He noted the YYJ welcome signs had also been printed in SENĆOŦEN language.

Closing

The Chair of the Airport Consultative Committee, Eric Donald thanked the CEO, the Board Chair, and the CFO for their informative reports.

37. Call for New Business

There was no new business.

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

Comment: The most important priority is for the airport runway(s) to be extended so that a modern fuel-efficient plane (e.g., B-787) can take off fully loaded allowing for non-stop destinations such as London by charters or periodic scheduled flights. This would allow travelers to avoid taking flights from Seattle or Vancouver - often accompanied by road travel and an overnight stay.

Another priority is to ensure that undue delays are avoided at security check-in.

Response: The CEO advised that in the past he has consulted with Boeing regarding required take-off distances and have determined that the current length of YYJ's runways are not a barrier for a 787 to use the existing runway. It really comes back to whether or not there is sufficient interest with the air carriers to provide the service.

CATSA has had challenges with the screening regulations imposed on them by other regulations, which often results in a slowdown in the process. Currently they are processing on average 120

passengers per hour. To increase that capacity would likely require some reconfiguration of the current security area.

Comment: Commercial leasing of airport lands should be focused on businesses that are affiliated with or are enhanced by proximity to YYJ transportation. YYJ should avoid competing for businesses and retail that more properly belong in Sidney's downtown.

Response: The CEO advised that in general agree with the comment. VAA has its own business development plan, but it is really not to develop anything that isn't already being contemplated by the municipalities in terms of their usage.

Question: When looking at passenger growth potential, do you see the decline in service reliability as a contributing factor. Specifically, around last-minute cancellations due to lack of staffing?

Response: The CEO advised that the post-pandemic startup was atrocious, the airlines were overly ambitious to ramp up their service levels without having the necessary staff in place.

The snow events this past December were really quite catastrophic, and that has maybe made people more cautious about travel. However, what the demand will look like going forward will likely take a couple of years to determine. A lot of airports and air carriers build their schedule based on business travel and it is still too early to know if it is going to come back to pre-pandemic levels given the accessibility of Zoom, Teams etc., to hold meetings and conferences virtually.

Question: Looking ahead at the longer-term plan and the parking component; given the limited space around airport is there any discussion at densifying the parking areas or even better IMPROVED TRANSIT to/from airport. Anecdotally I even hear of traffic controllers picking up people walking along road to airport with their bags to get them to airport, as they go to work. What sort of consultation is being done with BC Transit in conjunction with this growth plan? We need better transit to the Airport.

Response: The CEO advised that he recently spoke at length with BC Transit and that in terms of what their vision is with a Peninsula connector, a bus that would go every 15 minutes from downtown Victoria to the McTavish interchange, with a connector to YYJ, BC Transit does not see providing a direct service to the airport today as it takes away from their ability to provide service to Sidney, Brentwood and other parts of the Peninsula. The CEO recommended reviewing the BC Transit Strategy Plan on their website.

Comment – Just a comment to say great job by Geoff and his team at YYJ on a tremendous comeback.

Question – food services, especially Whitespot.

Response: The CEO advised that Compass has been approached to discuss the possibility of a future license and reopening before the summer.

Comment - year round air service to Montreal is still not available at YYJ but is at Kelowna

Response: The CEO advised that the Kelowna and Victoria markets are very different. Kelowna has greater traffic numbers in the winter than Victoria does because of the ski resorts, which is how they can have the Montreal service in winter. YYJ needs to have more compelling reasons for travellers to come to Victoria during the winter from Montreal before the air service providers would continue adding additional flights.

Question: Runway 03 has been officially closed now so that the terminal can eventually be expanded. In order to maximize safety and options for General Aviation traffic, could 03 be shortened rather than completely closed, so that option for landing/departure is not completely removed?

Response: The CEO advised that the runway is not actually closed. They would have to look at the necessity of it in the long run to determine if there is a need for 3 runways. If not, then potentially the surrounding area could be used for future development opportunities.

Question: How many passengers per year flying from the Island to the US would it take to support a US preclearance facility? What does the data currently show? How many people have a US destination from the Island?

Response: Total US volume is about 400,000 passengers. Pre-clearance for flights costs \$60 million to build out a dedicated screening area and sterile area, then an additional \$8-10 million to monitor and employ officers for pre-clearance. One flight a day would be an approximate \$100/person surcharge. The CEO acknowledged that having the option for pre-clearance could potentially attract additional weekly US flights. Of note, US passengers do not pre-clear when coming into Canada. The overall economics to build a pre-clearance area are not very compelling at this time.

At the conclusion of the Question-and-Answer period, the President and CEO invited the public to contact him with any questions.

9. Announcements

Victoria Airport Authority's upcoming public meetings:

- Thursday, May 11, 2023 - **Annual Public General Meeting at 7:00 PM at Mary Winspear Centre**
- Tuesday, October 17, 2023 - **Fall Airport Consultative Committee Meeting**, at a venue yet to be determined.

All meetings are 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 Board Chair thanked everyone for attending and adjourned the meeting at 2:38 PM.