

Post-Workshop Report Small Airport Challenges Workshop

November 17-18, 2004
Edmonton, Alberta



THE VAN HORNE INSTITUTE



Seventy people representing airports, air carriers and all levels of government met (November 2004, in Edmonton) to discuss challenges and opportunities for small airports. This report summarizes and synthesizes the presentations, discussions and written input in the participant survey.

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Post-Workshop Report sponsored by:



“All airports have the same issues – the only difference is the number of passengers impacted.”

***~ Bill Restall
Saskatoon Airport Authority***

The workshop dealt with events stemming from the federal government’s transfer of airports to local airport authorities and to communities beginning in 1994. This massive undertaking has resulted in small airports which are more competitive and efficient – operating with lower costs and fewer employees and working closely with their partners – communities, air carriers, and employees.

Dr. David Gillen opened the workshop with a presentation on the Canadian airline industry and the need for airports to be aware of the pressures air carriers are under. He spoke of the rise of low cost carriers and their dramatic increase in capacity which he argues is not sustainable. The large carriers are re-designing their networks to have fewer hubs and more direct connection points.

Small airports typically face significant financial difficulties. Airport operators spoke of the difficulty generating sufficient revenue to cover their operating costs and to finance capital projects. Often they have small populations in their catchment area. Some of those providing written input said that the federal government has walked away from its responsibilities over small airports.

Governments have provided programs to assist airports to meet their financial needs. The federal government provides funding through its Airports Capital Assistance Program (ACAP) which helps eligible airports to finance capital projects related to safety, asset protection and operating cost reductions. Provincial and territorial governments also have funding programs for small airports. Many provincial and territorial governments own and operate airports within their jurisdiction as well as provide funding for non-ACAP eligible airports.

“Small” airports

For this workshop, the term “small” airport was used loosely. It included the Kelowna International Airport, a smaller airport among the NAS airports, and St. Andrews Airport, with fewer than 10 employees and no scheduled service.

Other definitions refer to those without NAS status, no scheduled passenger services, or fewer than 2 million or 10,000 passengers a year.

Opportunities to cut costs ~ Looking under every stone

Despite these financial challenges, many airport managers are entrepreneurial and have found creative ways to operate – they have ‘looked under every stone’ for opportunities.

A key component of a successful airport is **people**. Staffing levels have been ‘right-sized’, ensuring that staff are deployed in an efficient fashion without compromising safety. Because of their small size (some airports have a staff of 3), small airports need people who are flexible and able to multi-task. The same person may be responsible for snow and ice removal, carpentry, plumbing and tire changes. One speaker said that he would have had to cancel his participation at the conference if snow had been forecast as his duties as Executive Director include snow removal.

Small airports today require the active support of their **local community**. At a minimum, everyone should know where the airport is and there should be appropriate signs directing out-of-towners to the city and to the airport. In Kelowna, a volunteer ambassador program was established – the program is so successful that there is now a waiting list of volunteers. Some small airports have found creative ways to sustain air service – in Dryden, the city provided loan guarantees to a charter operator.

Some airports have taken the opportunity to work more closely with **air carriers**. Speakers from air carriers were supportive of small airports’ efforts to minimize fee increases and recognize that their main competitor is the highway. They suggested that airports ‘re-engineer’ terminal and landing fees to charge a fee per passenger rather than fees based on size of aircraft. This means that when a carrier tries to better match aircraft size with passenger demand, the airport does not lose fees.

Small airports are seeking to recover more of their operating costs from **non-aviation sources**. Land at the airport may be available for commercial development, abandoned runways may be rented out to vehicle manufacturers as test tracks, and organizations that rely on the airport (such as forest fire suppression companies and charter operators) can be encouraged to locate their offices at the airport.

Partnering with others creates opportunities to grow passenger traffic. Small airports are working with **tourism operators** to jointly promote their airport. Some airports have joint marketing programs with local resorts or with neighboring communities to promote their area. Other airports have worked with nearby communities that lack an airport to provide bus service from the outlying community to the airport.

Still have challenges to overcome

Despite the tremendous innovation that has taken place at small airports, many continue to experience challenges. Studies have concluded that about half of Canada's small airports are unable to cover their operating costs or costs of capital¹.

An air carrier suggested that communities **should not expect their airport to be self-sufficient** – “an airport is as important to quality of life as skating rinks and libraries”. The implication was that small airports should have outside financial help. Small airports play a vital role in communities, not only in terms of economic benefits such as promoting tourism and moving employees in and out of remote areas but also in terms of health and safety. Without small airports, people's lives and livelihoods are at risk. For example, medevac flights and forest fire fighting depend on the local airport. Industries such as mining and forestry which depend on small airports also significantly benefit provincial, territorial and national economies.

All airports regardless of size must comply with numerous regulations. Many participants said that **one size should not fit all** when it comes to regulations – small airports should not be burdened with the extensive regulations as larger airports. Airport operators said it is difficult to meet the level of regulatory burden and are apprehensive about the federal government imposing additional regulations such as CAR308. Speakers encouraged the federal government to conduct a risk assessment to ensure that unnecessary regulations do not exist. Tom Fudakowski of Transport Canada said that his department would be withdrawing from the process of audits and inspections and will monitor the outcomes.

One speaker said one of the largest issues facing small airports is the **age of their workforce**. Small airports must start succession planning now to ensure they will have people with the proper skills to operate airports in the future. Many airports have 'right-sized' to such an extent that they may be stretched too thin.

*“Where is the pool of future staff?”
~ conference participant*

¹ The provinces did a viability study through Sypher:Mueller International in September 2002 which examined 26 airports and found that 4 of 26 were viable (likely to cover operating expenses and meet long-term capital costs), 9 were able to meet operating expenses, but not long-term capital needs; 13 unlikely to cover the cost of operations and capital. Transport Canada did a similar study (released in September 2004) which looked at 93 local and regional airports and concluded that 52% had operational surpluses and 48% were unable to fund operating costs.

Airports can do more

Despite past successes, small airports can do more. They were encouraged to **'right size' their runways and facilities** – every airport authority should question whether their operation is overbuilt. Rationalizing infrastructure must be carefully considered: will it be more costly or less costly to shorten a runway than maintain the existing runway (air field lighting, ground-based navigational aids and instrument landing systems may need to be relocated). A shorter runway may save money in the short term but restrict the size of aircraft and, therefore, limit future economic opportunities.

Airports were encouraged to **be realistic about growth opportunities and the need for additional capacity**. We are past the time where 'build it and they will come' is an appropriate strategy. Air carriers must be more efficient and competitive to survive today. They are working to more closely match service with demand.

The airport community should work together more closely, when dealing with governments. Since the airport community has been fractious in the past, there are now a number of associations at the national, regional and provincial level which can assist airports in developing common messages. It is important for airports to provide input to government – whether it concerns security, regulatory or financing issues.

Others to help

Small airports have worked hard to make themselves as efficient as possible. They are now 'running out of stones to look under'. Small airports need help from others – governments, air carriers, larger airports, communities and local businesses and industry to survive.

The **federal government** was urged to continue the ACAP Program². All stakeholders value it. Some were concerned, however, that funds were distributed on a political basis rather than 'by need'. Rod Dean of Transport Canada told delegates that while airports in one province may receive more funding in a particular year, the portion of funding levels evens out over time. Many delegates suggested that the federal government should contribute additional funds to small airports to more closely match the rent paid by the large airports.

² On January 13, 2005 the federal government renewed the ACAP program for another five years.

Provincial and territorial governments were urged to provide a rebate on the aviation fuel tax. Some suggested that provincial governments should help by providing marketing support to small airports.

There were also suggestions that **other departments** than transport within the federal and provincial governments could fund small airports. Suggestions included:

- health
- forestry
- economic development and regional development agencies
- tourism
- Indian and Northern Affairs
- rural secretariat

In the recent Throne Speech, the federal government discussed an agenda for **communities** and also for **the North**. It is not yet determined which types of projects will qualify for funding under these initiatives. However, small airports and communities should work now to ensure that small airports will qualify for funding when these programs are in place. Small airports are of tremendous benefit to northern communities. Local governments should consider requesting funds from higher levels of government for their local airport – not just for roads, transit and other public infrastructure.

Local **communities** can also help small airports. Some communities, such as Comox, levy a fee (approved in a referendum) on property owners to help finance the airport. Other communities help airports by dedicating a portion of property taxes paid by the airport to help fund the airport.

Businesses that depend on the airport for service – to get their employees, investors, and others in and out – should provide financial assistance to their local airport. Many resource based businesses depend on small airports for their operation and should be prepared to provide some funding (much like some industries build schools or hospitals for resource communities).

Larger airports can help by sharing their expertise in areas such as marketing and air service development. They should recognize the important role small airports play in generating traffic to their airport. For example, the Winnipeg Airport Authority granted fee concessions to an air carrier to enable service from Dryden to Winnipeg.



Small Airport Challenges Workshop

November 17-18, 2004

Edmonton, Alberta

**WORKSHOP PROGRAM,
PARTICIPANTS,
AND SPONSORS**

Wednesday, November 17, 2004

Noon

Welcome Reception

(Hosted by the Victoria International Airport Authority)

1:00 pm

Opening Remarks

Ruth Sol

President
WESTAC

The Canadian Airline Industry

Dr. David Gillen

Economics Professor and Air Industry Expert

1:30 pm

**Small Airport Challenges and Best Practices
"Rationalize? Compromise?"**

Moderator - Ruth Sol

President
WESTAC

Bill Restall

President and CEO
Saskatoon Airport Authority

Chuck Fast

President and General Manager
Comox Valley Airport Commission

George Friesen

Manager
Dryden Regional Airport

Merv Phillips

Chief Executive Officer
Red Deer Regional Airport Authority

Roger Sellick

Airport General Manager
Kelowna International Airport

Craig Skonberg

Executive Director
St. Andrews Airport Inc.

Discussion

3:30 pm

Coffee Break *(Hosted by CATSA and the Halifax International Airport Authority)*

Wednesday, November 17, 2004

4:00 pm

Small Airport Partnerships: Panel One Provincial and Territorial Governments

Moderator - Dario Valdivia

Manager, Transportation Projects
WESTAC

Peggy Godson

Manager, Planning & Programming
Aviation & Marine (HPW)
Government of Yukon

Sara Wong

Senior Policy Advisor, Passenger Transportation
Alberta Transportation
Government of Alberta

Discussion

5:45-7:00 pm

Network Reception *(Hosted by the Calgary
International Airport Authority)*

Thursday, November 18, 2004

7:00 am

Breakfast *(Hosted by the Northwest Corridor
Development Corporation)*

8:00 am

Small Airport Partnerships: Panel Two Communities

Moderator - Will Harding

Policy & Planning Officer
The Council of Tourism Associations of BC

Mayor James A. Davidson

Town of Smithers

Mayor Anne Krassilowsky

City of Dryden

Tom Baldwin

Executive Director
Northern Alberta Development Council

Discussion

8:55 am

Coffee Break *(Hosted by the Edmonton Regional
Airports Authority)*

Thursday, November 18, 2004

9:15 am

**Small Airport Partnerships: Panel Three
The Air Industry**

Sandi London

Director, Small Airports
Canadian Airports Council

Wayne Befus

VP Finance and Business Development
Central Mountain Air Ltd.

Scott Clements

President and CEO
Edmonton Regional Airports Authority

Dale Tinevez

Chief Airports Officer
WestJet

Discussion

10:35 am

Federal Policies and Practices

Moderator - Peter Wallis

President and CEO
The Van Horne Institute

Rod Dean

Director General, Airport Programs
Transport Canada

Jim Marriott

Director, Regulatory Affairs - Security Branch
Transport Canada

Thomas R. Fudakowski

Acting Director, Aerodromes and Air Navigation
Transport Canada

Discussion

Closing Remarks

Peter Wallis

President and CEO
The Van Horne Institute

Noon-1:30 pm

Closing Lunch *(Hosted by the Prince George Airport Authority)*

Participants

Abushawashi, Salem
Superintendent
Regional Municipality of Woodbuffalo

Bachynski, Dave
Manager, Air & Marine Policy
BC Ministry of Transportation

Baldwin, Tom
Executive Director,
Northern Alberta Development
Council

Baratta, Lisa
Manager, Corporate Services
WESTAC

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General Manager
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Transport Canada

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Applied Design Network

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Airport General Manager
City of Dawson Creek

Davidson, Mayor James
Town of Smithers

Davies, Philip
Senior Regional Economist
Transport Canada

De Barros, Alex
Assistant Professor
University of Calgary

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City of Cold Lake

Farnel, Owen
Development Officer
Town of Fox Creek

Fast, Chuck
President & General Manager
Comox Valley Airport Commission

Flett, Desmond
Equipment Operator, Streets Division
Regional Municipality of Woodbuffalo

Francoeur, Doug
Manager, Airport Services
Atco Frontec

Friesen, George
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Dryden Regional Airport

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Town of Westlock

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The Council of Tourism Associations
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CEO/Airport Manager
Goose Bay Airport Corporation

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Chief Administrative Officer
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Executive Director
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Director for Alberta & NWT
Canadian Owners & Pilots Association

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Councillor
Northern Sunrise County

Krassilowsky, Mayor Anne
City of Dryden

Kruger, Joseph
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Transport Canada

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Northern Sunrise County

Loberg, Carmen
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Mainville, Eric
Chief, Policy Analysis
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Marcotte, Brian
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Government of Alberta

Marriott, Jim
Director, Regulatory Affairs -
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Transport Canada

McComb, Rick
Vice President - Western Operations
Pryde Schropp McComb Inc. (PSMI)

Mihaly, Mayor Mike
Town of High Level

Participants

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Regional Director General, Prairie & Northern Region, Transport Canada

Naidoo, Nesen
*Manager Information Systems
Town of Drayton Valley*

Norton, Clark
*Senior Airport Specialist
EBA Engineering Consultants Ltd.*

O'Connell, Liam
*Chairman
Red Deer Regional Airport Authority*

Paquette, Richard
*President & CEO
Victoria Airport Authority*

Phillips, Merv
*Chief Executive Officer
Red Deer Regional Airport Authority*

Primus, Dale
*Director of Public Works
District of Mackenzie*

Reichl, Ryan
*Economist
Transport Canada*

Restall, Bill
*President and CEO
Saskatoon Airport Authority*

Sellick, Roger
*Airport General Manager
Kelowna International Airport*

Shanks, Andy
*Manager, General Aviation
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Skonberg, Craig
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