Report
of
the Air Issues Task Force
on
Small Airport Viability

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REPORT OF THE AIR ISSUES TASK FORCE ON SMALL AIRPORT VIABILITY

Executive Summary

In September 2004, the Council of Ministers Responsible for Transportation and Highway Safety agreed that the viability of small airports is a shared responsibility and that all partners would develop objective criteria and evaluation grids in order to determine the mission of small airports and identify options for future action. This resolution resulted in the creation of the federal-provincial-territorial Air Issues Task Force, led by Transport Canada, whose work is summarized in this report.

Transport Canada's National Airports Policy (NAP), implemented in 1994, categorized all 150 airports[1] that were federally owned, operated or subsidized, under six categories: National, Regional/Local, Small, Satellite, Remote and Arctic. Broadly speaking, airports serving a federal, provincial or territorial capital and those averaging over 200,000 passengers per year in the previous three years fell under the National Airports System (NAS) category. Other airports with scheduled air services with less than 200,000 passengers annually were categorized as Regional/Local airports. Airports without any scheduled air service were classified as Small airports. Satellite, Remote and Arctic airports were geographic-based categories. In the case of Remote airports, the Government of Canada saw air services for many of them as "the only reliable, year-round transportation link to isolated communities"[2].

Under the NAP, the federal government recognized that locally-owned and operated airports are able to function in a more commercial and cost-efficient manner, are more responsive to local needs and are better able to match levels of service to local demands.

Of the 150 airports considered in the NAP, Transport Canada continues to own 23 airports in the NAS[3] and continues to support 21 Small, Regional or Remote airports.[4] Notwithstanding Transport Canada's operations, the majority of airports in Canada have traditionally been operated by a variety of other entities, including the provincial, territorial, or municipal governments, airport commissions and private corporations.

Using 2004 data, the Task Force identified 362 airports for inclusion in its review, covering all 348 certified airports and 14 airports that had been included in the NAP in 1994 but whose status had since changed to "registered"[5].

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[1] Excluding the site designated for an airport at Pickering, Ontario and the site of the former airport at Bonnechere, Ontario

[2] Source: Transport Canada, National Airports Policy, 1994

[3] The NAS is comprised of 26 airports, 23 federally owned airports plus 3 airports in the Territorial capitals.

[4] Excluding Pickering and Bonnechere.

[5] An airport is an "aerodrome" for which the Minister of Transport has issued a certificate under the Canadian Aviation Regulations (CARs). Certification of an "aerodrome" under CARs Part III Subpart 2 is typically required when a scheduled service is provided or when the site is located within a built-up area.

For these airports, missions and roles were identified. Missions were broken down into two main categories: commercial and non-commercial. Commercial missions were subdivided into 'regional', 'feeder' and 'other' and were defined on the basis of regular dominant commercial air services with other airports. Disregarding the NAS airports from the 362 airports under study, 51 airports had a 'regional' mission, 81 a 'feeder' mission and 204 'other'. Non-commercial missions included the use of an airport for air ambulance services or as a base for forest fire fighting. Non-commercial airport missions may create pressures for airports to be available on an on-demand, unpredictable and not necessarily recurring basis. Of the airports studied, 131 non-NAS airports did not have non-commercial missions. It is important to note that no airport has a unique mission, and an airport's dominant mission may be supplemented by other air services activities.

A number of studies have been undertaken on small airports in recent years, commissioned by the provincial departments responsible for transportation, Transport Canada, the Atlantic Canada Airports Association, and British Columbia. The first two of these studies led to the adoption of the resolution at the 2004 meeting of the Council of Ministers Responsible for Transportation and Highway Safety, launching the work of this Task Force. Outlines of the various studies are presented in Appendix A. Each study looked at the many drivers and factors influencing the viability of small airports. The demography of each airport's catchment area was identified as having a direct impact on the operational and financial opportunities available. However, these studies differed in terms of proposed options to address small airport viability, did not use a common definition of "small airports", and did not arrive at any consensus on what constitutes a small airport. Consequently, for the purpose of its work, the Task Force adopted a broad definition of small airports, which included all non-NAS airports with an annual traffic volume of less than 200,000 passengers. Such a definition covers a significantly wider range of small airports than the definitions used in the previous studies, thereby allowing the Task Force to obtain a broader view of the airports' differing situations and roles in the Canadian airport system.

Certification imposes compliance to a considerable number of technical and operational specifications in an effort to provide a target level of safety to the aviation community and the public. The Minister of Transport provides safety oversight of these sites as part of the certification program. A registered aerodrome is an "aerodrome" which the Minister of Transport publishes in the *Canada Flight Supplement*. These aerodromes are not required to comply with any of the technical or operational specifications imposed on an "airport", but do have to meet, and maintain compliance with, a few general specifications listed under CARs Part III Subpart I for publication. The Minister provides minimal oversight of these sites.

The number of certified airports in Canada is constantly in a state of flux. When the NAP was introduced in 1994, there were 726 certified airports in Canada. Transport Canada owned, operated or subsidized 150 of these certified airports, with the majority of airports in Canada locally-owned and operated. In the mid-1990s, 94% of all air passengers and cargo was handled by 26 of the 150 federal airports. In 2004, when the Task Force began its work, Canada had 348 certified airports; two years later, that figure was at 352. In addition, the number of certified airports decreased from 726 in 1994 to 348 in 2004, as many changed their status to "registered" airports, a status more aligned with the type of air services operated out of these airports.

The Task Force considered data from a broad range of sources. It is important to note that the Task Force did not have access to key information such as audited financial statements for airports or data on air cargo, and that this lack of information and the limited data available on smaller airports constrained the analysis.

Many factors have contributed to the changing small airport environment. These include: domestic airline deregulation; the merger of Air Canada and Canadian Airlines International; the appearance in the market of low-cost carriers (LCCs); the Canada Border Services Agency cost-recovery policy for the introduction of its services at airports without such services at the time of imposition of this policy; the National Airports Policy of 1994; the commercialization of Canada's air navigation system; extraordinary events such as the 2001 terrorist attacks and the introduction thereafter of enhanced security measures at 89 Canadian airports funded through the Air Travellers Security Charge; the SARS[6] crisis of 2003; the War in Iraq; increased urbanization of the population, with concurrent declining (and aging) population; and declining average disposable income in many rural and remote areas.

Combined, these factors have had, and are having, an impact either on air travelling needs and/or on airports. The propensity to travel by air is correlated with population, the age distribution of the population (older people travelling less), disposable income, the presence of large companies, head offices and tourist attractions, among other factors. While airport operators have no control over these factors, they nonetheless drive both demand for air travel and supply of airline services. The adaptation to such a changing environment is not easy. Some small airports affected by these changes have recast their objectives and their operations to meet the demands of this new environment. Despite these efforts, however, some remain in an unviable operating position.[7]

Whereas in the early 1990s major airlines were able to absorb losses from their regional operations because they were realizing profits elsewhere in their networks, events over the past few years have forced these airlines to become more profit-conscious and to evaluate each route on its own merits. In today's competitive environment, viability considerations drive air carriers' decisions relating to the size of their fleets, the points they serve, and the frequency of service. A drop in, or lack of demand for, service can result in changes in the frequency of services offered, changes in the origin and/or destination of flights, or termination of a service.

In recent years, pressures to restructure/adjust also came from within the industry as new entrants came with challenging new ideas, lower costs and different management-labour

[6] Severe Acute Respiratory Syndrome

[7] The Sypher:Mueller International *Study of the Viability of Smaller Canadian Airports* (2002) commissioned by the provincial departments responsible for transportation detailed how a sample of 26 airports in Canada with less than 200,000 enplaned/deplaned passengers have adapted to this changing environment by recasting their objectives and operations. The report found that substantial efficiency gains had already been achieved by some of these airports and were reflected in improved financial positions since divestiture. Revenue growth, both for aeronautical and commercial revenues, was found to be significant at other airports that took part in this study. However, despite the fact that many small airports have been able to realize efficiencies and increase their revenues, the study concluded that external financial support for capital and operations will be required for many small airports over the long-term.

models. For example, low-cost carriers came into the industry with different business models from the traditional carriers. Canadian LCCs operate out of large airports but serve less airports and city-pairs than traditional airlines. While they offer services for a number of city-pairs, their operations, and their decisions, are not network based but are based on the viability of their services in each city-pair served. Operating on low profit margins, LCCs maintain the flexibility to pull out of markets where profits cannot be sustained.

The presence of a LCC in a region changes the market dynamic. With the vast majority of the air travelling public looking for the lowest possible fares, carriers have had to look for cost reduction measures. Traditional carriers have had no choice but to react to the new competitive forces at play in the market place.

Looking at small airports within the context of Canada's system of airports has proven to be an important feature of this study as it allowed the Task Force to identify root causes underlying small airport viability.

The role of an airport has traditionally been viewed in a community-centric sense, e.g., to bring in tourists, attract or retain business, permit the evacuation of sick residents, act as a base for water-bomber aircraft. However, the more holistic perspective adopted by this study has captured larger concepts such as an airport's "catchment area", i.e., the region served by the airport. A radius of 200 kilometers was used to delimit an airport catchment area.

In a commercially driven air transport industry, the decision by a carrier to serve a region is determined by commercial considerations. When faced with a choice between airports with overlapping catchment areas and limited demand, air carriers may choose to service only one of the airports. In its decision, the carrier will take into account factors such as the geographical location of the population in relation to the physical location of the airports, the relative accessibility of the airports, the airport infrastructure available at each airport relative to the carrier's technical requirements (including aircraft specifications), airport fees and market proximity. These considerations become instrumental in an airport's ability to attract an airline service and for the carrier to maintain a viable operation. Under a regional approach, airports with overlapping catchment areas can affect the regional viability of air services if they compete for limited traffic volumes and thereby dilute demand to non-viable levels.

Air carriers' commercial environment has imposed a regional approach over a local one to sustain viable air carrier services, especially when other modes of transportation can also meet travellers' needs.

Airports' relative catchment areas have changed with the advent of LCCs. The success of LCCs has clearly demonstrated the importance of the air ticket price to the travelling public. The services and prices offered by LCCs have attracted the attention of the travelling public beyond the normal catchment area of an airport. Passengers have shown a willingness to drive significant distances to get to an airport where they can board a low cost flight, especially when the road network permits reasonable and acceptable access to those airports.

Small airports were examined in light of the transportation infrastructure, including other airports and other modes of travel, in their vicinity and their surrounding markets. The existence of overlapping capacity or competitive, alternate modal choices help to explain commercial air carriers' decisions to utilize one airport but not another. Moreover, in analyzing the catchment areas of airports, the density of population is an indicator of the amount of choice in destinations linked directly to the airport. Airports serving lower density populated areas offer significantly less choice in destinations than those serving higher density areas. Travellers' modal preference is driven largely by availability of choice, cost and convenience, including time factors.

The Task Force has concluded that, because the root causes of viability concerns vary from one airport to another, there is no "one-size-fits-all" solution. Options for future action must provide flexibility, must factor in the specific causes of the un-viable airport and must reflect the role of the airport for the community and the role of the airport in the relative context of the country's airport system.

Options for future action must take into account the realities of the region's transportation network and the role of the airports within it. Conversely, the mission played by the airport in recent years should be considered relative to continuously evolving community and regional needs as well as relative to other local/regional transportation priorities.

This assessment has led the Task Force to offer the following options for future action in relation to the small airport viability question:

<u>General Principles</u>

- Future actions should complement existing initiatives;
- Future actions should align the airports' missions with the appropriate jurisdictional responsibility;
- Information on public financial support available and provided to airports should be broadly disseminated to help optimize the use of limited public resources; and
- Future actions should acknowledge that small airports are key infrastructure for many Canadian communities and funding requirements need to be considered in the context of infrastructure priorities.

<u>Actions to Enhance Small Airport Viability</u>

- Small airports should be eligible under appropriate new or renewed infrastructure programs. For small airports, these programs should:

    - focus on the aviation aspects of an airport's business, such as runways and navigational aids;
    - not be used to support airport operations;
    - not duplicate financial support to specific projects from other federal, provincial, territorial or joint airport programs;
    - consider competitiveness concerns for other airport(s); and

    - exclude federally-owned airports.

- Existing support programs should continue to be available to small airports. Examples of such programs include provincial tax reductions on aviation fuel, the federal Airports Capital Assistance Program, and British Columbia's Transportation Partnerships Program;
- Jurisdictions should consider property tax exemptions ranging from total exemption for all airports to selective, conditional, partial or temporary exemptions;
- Recognizing the importance of cost containment, airports that have not already done so should be encouraged to reduce operational costs to a level in line with actual activity and realistic projections. This may mean "rightsizing" operations to reflect local or regional demand. This may also require training to improve financial planning and management capabilities;
- Airports, irrespective of size, should generally undertake commercially based airport planning reflecting best practices. If a small airport does not have adequate resources to undertake the development of a business plan, support could be made available for a plan to be developed. Options include the development by airport associations of a "template airport plan" or public funding support for the development of such plans;
- Airport planning should be conducted or coordinated at the regional level to take into account overlapping catchment areas resulting from geography, topography and/or surface transportation access;
- Airports' associations, with the assistance of jurisdictions, should develop, document and disseminate small airport best practices, including the consideration of workshops as a vehicle for sharing best practices within and between jurisdictions; and
- Small airports should participate in the review of aerodrome standards and practices, either directly or through their associations, as a means of permitting jurisdictions to assess the financial impact of airport regulations.

REPORT OF THE AIR ISSUES TASK FORCE ON SMALL AIRPORT VIABILITY

1.0 Introduction

At its meeting in Quebec City in September 2004, the federal, provincial and territorial Council of Ministers Responsible for Transportation and Highway Safety adopted the following resolution relating to the viability of the small airports:

> *"It is agreed that the viability of small airports is a shared responsibility and that Transport Canada will take the lead in developing with Provinces and Territories, objective criteria and evaluation grids that will assist in determining the mission of airports (e.g. tourism, cargo, regional development) and in identifying options for future actions."*

A federal, provincial and territorial Task Force, led by Transport Canada, was created and all jurisdictions have participated in this work.

2.0 Definitions

2.1. Viability

"Viability" is a financial concept usually associated with "commercial" entities, reflecting the level of profitability and the returns on its equity. For an airport operating in a not-for-profit environment, the concept must be adjusted. The operating cash flow of an airport (current and foreseeable) determines its capacity to cover operating costs, repay any debts, and finance future (legitimate and realistic) investment needs. For the purpose of the work of the Task Force, this capacity equates to viability.

2.2. Small Airports

A number of studies have been undertaken on small airports in recent years (outlined in Appendix A). These studies did not use a common definition of "small airports" and there is no consensus on what constitutes a small airport. Consequently, for the purpose of its work, the Task Force adopted a broad definition of small airports, which includes all non-NAS (National Airport System) airports with an annual traffic volume of less than 200,000 passengers. Such a definition covers a wide range of small airports with very different situations and roles in the Canadian airport system.

3.0 Scope of the Work

3.1. Airports within the Scope of the Work

The Task Force included within the scope of its work all certified[8] airports and any airport identified in the National Airports Policy (NAP) that has since changed its status from 'certified' to 'registered'. Appendix B provides a list of the 362 airports within the scope of this report.

The Task Force also adopted an "airport system" approach leading to the delineation of missions/roles of airports. This meant that an airport was not considered in isolation from the other airports in the Canadian airport system.

3.2. Description of the Approach

The work of the Task Force comprised two elements undertaken simultaneously. The first was the development of criteria and evaluation grids from which airport missions could be identified. Lack of data availability constrained this work.

The second element was the identification of options for future action. As part of this work, Task Force members identified existing sources of support for small airports within their respective jurisdictions. "Support" was defined as financial and technical programs and initiatives, and assistance with business plans. This support did not have to target airports specifically, but had to be accessible to airports.

[8] The requirement for airport certification applies to any aerodrome that is located within the built-up areas of a city or town; any land aerodrome that is used by an air carrier as a main operations base or for a scheduled passenger carrying service; or any other aerodrome which the Minister of Transport determines to warrant aerodrome certification, based on the public interest. With respect to airport certification, airport operator responsibilities include completing and distributing an approved Airport Operations Manual (AOM); maintaining an airport in accordance with the requirements specified in the AOM; detailing the airport general operating procedures, including the following: hours of operations; apron management and apron safety plans; airside access and traffic control procedures; snow and ice removal and grass cutting services; airport emergency services, such as Emergency Response Service (ERS) and medical services; bird and animal hazard procedures; airport safety programs, including Foreign Object Damage Control; airport security programs; the issuance of NOTAM; and advising Transport Canada and aircraft operators whenever services or facilities fall below requirements prescribed in the Canadian Aviation Regulations, Part III and the AOM. An aerodrome with a certificate is called an "airport".

An aerodrome operator can have its aerodrome registered and listed in the *Canada Flight Supplement* (CFS) or the *Water Aerodrome Supplement* (WAS) when the operator provides the necessary information respecting location, markings lighting, use and operation of the aerodrome.

4.0 Airport Mission and Role

4.1. Data Elements

In order to determine the mission and role of the airports under review, the following information was gathered for each airport. (Data is summarized in tables set out in Appendix C.)

General information

This category included the following:

- Whether the airport is included in the NAP
- Type of ownership
- Whether enhanced security measures were introduced after the terrorist attacks of September 11, 2001
- Whether the airport is eligible for assistance under the federal Airports Capital Assistance Program (ACAP)
- Type of operators serving the airport
- Types of airports with which the airport has linkages

Specific information related to the type of services at the airport

This category included the following:

- Type of air service offered at each airport (scheduled or chartered, domestic and/or international)
- Other types of air services offered, such as Medivac and flight training
- Other airport uses (for example, forest fire fighting base, justice-related purposes, military air operations)
- Historical information on changes in the number of aircraft movements reported at the airports, and in the population served by the airports

Specific technical information relating to airport certification

- Information from Transport Canada's Activity Reporting and Standards System, a tracking system used to capture information of relevance to the airport certification process, was accessed and collated. From this source of information, technical details on each airport were examined, including information on the number, type and length of runway(s) at each airport.

Physical location

- Geomatics systems were used to identify the physical location of each airport, and to assess the degree of proximity of airports to each other and to alternative modes of transportation.

4.1.1. Key Data Gaps

Audited financial statements of airports were not available to the Task Force for most of the airports under consideration. Financial data for airports provided for a 2004 Transport Canada study showed significant limitations (insufficient details on sources of revenues and expenditures, no segregation of accounts for airports operated by municipalities in the municipal accounting system, difficulty to depict capital expenditures for municipal airports, or reluctance by airports operated by third party/private sector entities to share financial information due to confidentiality concerns).

Time series analysis was constrained by the time frame under which the Task Force's work was conducted. As such, the focus of the analysis was on recent trends that had the potential to impact future air operations. The Task Force did not attempt to forecast levels of activities at the different airports.

Air transportation is also used to move cargo. A complete profile of the air cargo activities within Canada is not possible as a result of significant air cargo data gaps. Official air cargo data does not exist for smaller airports, a serious handicap for the work of the Task Force.

Specific data on the links between small airports and tourism was also not available.

5.0 Analysis of Recent Trends

5.1. Demographic Trends

According to the 2001 Census, almost 80% of the Canadian population is "urban". An additional 19% live within commuting distance of an urban area with a population of at least 10,000, while the remainder live in "remote rural" areas that have no interaction with urban regions with a population greater than 10,000. While rural populations isolated from urban areas are relatively few, they are more prevalent in some provinces, specifically Saskatchewan (15%) and Newfoundland and Labrador (5%).

Six provinces experienced small changes in their population between 1996 and 2001: Prince Edward Island (+0.5%), Nova Scotia (-0.1%), New Brunswick (-1.2%), Quebec (+1.5%), Manitoba (+0.5%) and Saskatchewan (-1.1%). One province and two territories incurred population declines of 5% or more between 1996 and 2001: Newfoundland and Labrador (-7%), Yukon (-6.8%) and the Northwest Territories (-5.8%).

The population in urban centres of 10,000 or more increased by 5.2% between 1996 and 2001 while the population living outside of urban centres declined slightly (-0.4%). Newfoundland and Labrador is the only province in which the urban population declined.

A census metropolitan area (CMA) is the area formed by one or more adjacent municipalities centred on a large urban area (known as the urban core). The census population count required for an urban core to form a CMA is at least 100,000. To be included in the CMA, other adjacent municipalities must have a high degree of

integration with the central urban area, as measured by urban flows derived from census data on place of work.

The 2001 Census designated 27 CMAs[9] comprising over 64% of Canada's population. In 11 of the 27 CMAs the population increased at a faster rate than the 4% national average, nine had smaller positive growth and seven faced population declines (Sudbury, Thunder Bay, St. John's, Saint John, Trois-Rivières, Chicoutimi-Jonquière and Regina).

The greatest increases in population were in the metropolitan areas in southern Canada (near the Canada-U.S. border). Population areas with resource-based economies declined, such as northern Quebec, northern Ontario, northern British Columbia and large segments of rural Manitoba and Saskatchewan. The only exception was Alberta, where the oil industry attracted newcomers.

Table 1
Characteristics of Urban and Rural Areas[10]

	Toronto-Montreal-Vancouver	Large Urban	Medium Urban	Small Urban	Rural Urban Shadow	Remote Rural
Per capita income ($)	18,352	18,514	15,795	14,061	12,208	8,624
Employment income per worker ($)	36,421	35,105	32,414	29,995	26,822	23,173
Employment rate (%)	61	65	60	57	57	50
Working age to total population (%)	81	81	81	81	80	74
Employment to population (%)	50	53	49	46	46	37

Source: Statistics Canada, Canadian Economic Observer, August 2005

[9] St. John's, Halifax, Saint John, Chicoutimi-Jonquière, Québec, Sherbrooke, Trois-Rivières, Montréal, Ottawa-Hull, Kingston, Oshawa, Toronto, Hamilton, St. Catherines-Niagara, Kitchener, London, Windsor, Sudbury, Thunder Bay, Winnipeg, Regina, Saskatoon, Calgary, Edmonton, Abbotsford, Vancouver and Victoria.

[10] Statistics Canada divides urban areas into four classes:

- Largest urban areas with population of 1,500,000 or more, i.e. Toronto, Montreal and Vancouver
- Large urban areas with a population of 500,000 to 1,499,999
- Medium urban areas with a population between 100,000 and 499,999
- Small urban areas with a population between 10,000 and 99,999

For rural, Statistics Canada differentiates between:

- Rural areas interacting with urban regions through commuting flows
- Remote rural areas without any interaction with cities through commuting flows

Differences in the urban-rural composition are observed across provinces, as are large variations in per capita incomes across the urban-rural continuum. In almost all provinces, per capita incomes decline from larger to smaller cities, from cities to rural areas, and from rural regions in the shadow of urban centers to more remote rural regions. The degree of variation in per capita income in each urban-rural category across provinces is always smaller than the variation within each province. The distribution of the population across urban and rural areas and the relative prosperity of larger urban economies explain income differences across provinces.

Changes in the demographics of Canada have had an impact on the air industry. The examination of the 2001 Census data situates air service trends for that timeframe and contributes to our understanding of the forces at play impacting the viability of small airports.

5.2. Air Transport Industry

5.2.1. Overview

The air transport industry comprises three interrelated components: air transport services, air navigation services, and airports. The physical and technical characteristics of the airport determine the nature and scope of its operations, as do economic and social links with their particular seasonal patterns, distances to destinations and other airports, and catchment[11] area.

Over the past dozen years, the air transport industry has met numerous challenges and has undergone significant change. Deregulation, shifts in population to urban areas, terrorism, and changes to individual and corporate spending have impacted this industry. Small airports have not been immune.

When the NAP was introduced in 1994, there were 726 certified airports in Canada. The majority of airports in Canada were then locally-owned and operated, with Transport Canada owning, operating or subsidizing just 150 of these certified airports. In the mid-1990s, 94% of all air passengers and cargo was handled by 26 of the 150 federal airports. By 2005, the total number of certified airports was 348, with many certified airports having aligned their regulatory status to 'registered' to better fit the types of air services offered by these airports.

In the early 1990s, major airlines were able to absorb losses from their regional operations because they were realizing profits elsewhere in their networks. However, events over the past few years have forced these airlines to become more profit-conscious and to evaluate each route on its own merits.

[11] A catchment area is defined as the geographical zone regrouping the regular clients of a defined commercial activity. For an airport, it means the geographical zone grouping the potential users – shippers and passengers - of the airport. One approach used to assess the catchment area of an airport is to use a reasonable radius (measured in terms of kilometers) around the airport, then to look at the population and activities within this pre-defined catchment area. It also provides the opportunity to assess whether other airport(s) is (are) within the said catchment area and to look at the other transport infrastructure available.

In today's competitive environment, viability considerations drive air carriers' decisions relating to the size of their fleets, the points they serve, and the frequency of service. A drop in, or lack of demand for, service can result in changes in the frequency of services offered, changes in the origin and/or destination of flights, or termination of a service.

In recent years, pressures to restructure/adjust also came from within the industry as new entrants came with challenging new ideas, lower costs and different management-labour models. For example, low-cost carriers (LCCs) came into the industry with different business models from the traditional carriers. Canadian LCCs operate out of large airports but serve less airports and city-pairs than traditional airlines. While they offer services for a number of city-pairs, their operations, and their decisions, are not network based but are based on the viability of their services in each city-pair served. Operating on low profit margins, LCCs maintain the flexibility to pull out of markets where profits cannot be sustained.

The presence of a LCC in a region changes the market dynamic. The travelling public's increased preference for lower fares and its modal choice decisions are impacting air carriers and airports. The public is willing to drive longer distances to access the services of a LCC. With the vast majority of the air travelling public looking for the lowest possible fares, carriers have had to look for cost reduction measures. Traditional carriers have had no choice but to react to the new competitive forces at play in the market place.

In this new environment, airports, while sometimes perceived as monopolies, also face pressures, even competition, when one or more of the following scenarios exist:

- airports have overlapping catchment areas;
- an airport does not have a specialized niche;
- access to an airport is limited or inferior to alternate airports;
- another mode of transportation constitutes a real alternative to air services offered from the airport; and
- demographic and economic trends are less favourable.

This challenging environment forced some airports to introduce innovative approaches and models to meet the new realities confronting them.

It is important to examine trends in regional air services from a national perspective. A more detailed analysis is presented in Appendix D.

Table 2 illustrates the evolution of passenger traffic at Canadian airports between 1992 and 2002. Ninety-four percent of passenger traffic is concentrated at National Airports System (NAS) airports. Traffic at the non-NAS airports in the southern regions of Canada, all of which enjoy access to other modes of transportation, decreased by 14% over the same period. In contrast, traffic at the NAS airports increased by 30% and has remained relatively stable at remote non-NAS airports.

Table 2
Enplaned/Deplaned Passengers at Canadian Airports

Airport Category	Number of Airports	Passengers 1992	2002	Percent Change	Percent of Canada 1992	2002
NAS airports*	29	56,657,600	73,802,100	30.4%	91.3%	94.0%
Non-NAS airports: southern	110	4,264,000	3,655,200	-14.3%	6.9%	4.6%
Non-NAS airports: remote	202	1,144,000	1,137,400	-0.6%	1.8%	1.4%
Total	341**	62,065,600	78,594,700	26.8%	100.0%	100.0%

* Includes 26 NAS airports plus Abbotsford, Edmonton City Centre and Hamilton
** It is important to note that a total of 341 airports out of the 362 within the scope of the work of the Task Force are covered

Table 3 provides a breakdown of traffic at southern non-NAS airports by region for the same time period. Passenger traffic decreased in all regions except the Prairie Provinces, with Québec being the most affected. The results in the Prairie Provinces are distorted by the inclusion of Fort McMurray and Grande Prairie, two high-growth airports; traffic at other airports in the region actually decreased by 27%.

Table 3
Enplaned/Deplaned Passengers at non-NAS Airports in Southern Canada

Region	Number of Airports	Passengers 1992	2002	Percent Change	Percent of Canada 1992	2002
Atlantic Canada	10	570,600	443,400	-22.5%	0.9%	0.6%
Québec	18	582,400	342,800	-41.1%	0.9%	0.4%
Ontario	30	1,184,900	869,300	-26.6%	1.9%	1.1%
Prairie Provinces	21	514,000	656,500	+27.7%	0.8%	0.8%
British Columbia	31	1,412,100	1,344,300	-4.8%	2.3%	1.7%

Part of the decrease in traffic at small airports can be attributed to the changing structure of the Canadian air transport industry. Aggressive competition in the 1990s led to the over expansion of networks and poor control over revenues and costs of service to small communities. The high cost of serving low-density, short-haul markets and the structure of fees and charges have discouraged the development of regional traffic. The situation will become even more critical as key carriers retire some of their aging aircraft in the next few years.

Not all the difficulties faced by small airports can be attributed to airline issues. In many cases, the decrease in traffic at small airports is closely linked to local demographic and economic conditions. Replacement air services, sometimes at a reduced scale, have been immediately offered at most communities that have lost regional service. The transition to new service has been smoother in areas where other airlines were already active. Airlines have felt more comfortable providing replacement air service where they have good knowledge of the local market and can expand without overtaxing their own resources.

The difficulty at the small airports that have completely lost air service is a lack of patronage. Generally, a minimum of 25,000 passengers per year is needed to support a

twice-daily, regional aircraft service. The use of smaller aircraft and less frequency can lower the threshold but result in higher per-passenger costs, which are passed on to the air traveller. Faced with increased costs, passengers look to alternative travel options (if available). All the communities that have lost air service generated traffic far lower than the minimum needed to sustain commercial air services.

Although the examination of past and current trends aids in the understanding of airport viability, it is equally important to consider the future. Additional changes can be expected in coming years in the air transport industry. For some air transport industry stakeholders, the changes will mean growth, for others it will mean declines. In recent years, the magnitude and pace of changes have been exceptional. It is in such a context that regional and small airports will continue to operate and to maintain, or achieve, viability in the longer term.

5.2.2. Aircraft Movements

Aircraft movement information was available for 305 of the 362 airports under review. Table 4 provides a summary of aircraft movements for 2003. The largest volumes of aircraft movements are observed at airports located in the southern portion of the country. Airports with less than 5,000 aircraft movements annually would be expected to have viability issues.

Table 4
Airports and Aircraft Movements Reported in 2003

	Aircraft Movements				**Total**
	0 to 4,999	**5,000 to 24,999**	**25,000 to 49,999**	**50,000 +**	
NAS/Large airports	-	6 (6)	7 (7)	16 (15)	**29 (28)**
Other (South)	64 (22)	51 (43)	16 (14)	5 (3)	**136 (82)**
Other (Remote)	115 (15)	25 (15)	-	-	**140 (30)**
Total	179 (27)	82 (64)	23 (21)	21 (18)	**305 (140)**

N.B.: *Airports for which no data was available have been excluded. Numbers in brackets are the number of National Airports Policy airports.

Utilizing the known seating capacity of the aircraft cited in the 2003 aircraft movements statistics, the maximum number of seats offered during the course of the year at the 305 airports was estimated (Table 5). Not all of these seats would have contained a revenue-generating passenger. Airports with a capacity of less than 10,000 seats would

be expected to have a viability challenge, as this would represent an annual volume of less than 10,000 passengers.

Table 5
Airports* and Total Annual Maximum Number of Seats Offered in 2003

	Annual Maximum Number of Seats				*Total*
	0 to 9,999	**10,000 to 99,999**	**100,000 to 499,999**	**500,000 +**	
NAS/Large airports	-	-	8 (7)	21 (21)	**29 (28)**
Other (South)	53 (16)	53 (42)	29 (25)	-	**135 (83)**
Other (Remote)	62 (5)	72 (21)	7 (6)	-	**141 (32)**
Total	115 (21)	125 (63)	44 (38)	21 (21)	**305 (143)**

N.B.: *Airports for which no data was available have been excluded. Numbers in brackets are the number of National Airports Policy airports.

5.2.3. Airport Missions

The Task Force adopted an "airport system" approach leading to the delineation of missions/roles of airports. This meant that any given airport was not considered in isolation from the other airports in the Canadian airport system.

Missions were broken down into two main categories: commercial and non-commercial.

A **commercial** mission includes commercial scheduled and/or non-scheduled air services offered at, or from, a certified airport. Commercial missions were broken down into 'regional', 'commuter' and 'other' and were defined on the basis of the airports with which it enjoys regular dominant commercial air services. Commercial missions were further distinguished as:

- *Commercial - Regional – Type A,* i.e., an airport with regular air services with one of Canada's international airports.
- *Commercial - Regional – Type B,* i.e., an airport with regular services with Canadian certified non-international airports in a given region and a threshold number of regular flights or passengers.
- *Commercial - Feeder – Type A*, i.e., an airport with regular air services with a Regional Type A airport.
- *Commercial - Feeder – Type B***,** i.e., an airport with regular air services with a Regional Type B airport.

- *Commercial – Other,* i.e., an airport which did not fit the criteria of "regional" or "feeder" commercial mission.

Non-commercial missions include general aviation operations (with a differentiation between Medivac, forest fire fighting base, flight training and other general aviation), military flight operations, flights in support of judicial/policing functions, or other non-commercial aviation activities.

The meaning of the word "commercial", as used here, relates to reported aircraft movements associated with air access to the general public, i.e. either for passenger services or to shippers for air cargo activities. At any given airport, there might be other aircraft movements associated with a non-commercial mission, which can generate revenues for the airport.

5.2.4 Determination of "Dominant" Mission of Airports

Many airports are used for a broad range of air transportation needs and therefore can serve many missions. From a viability perspective, it is important to determine whether the "commercial" or the "non-commercial" mission dominates for each airport, and then determine which sub-category is most appropriate. Airports with similar dominant missions can be grouped together, allowing for further assessment of whether they have other factors in common and facilitating consideration and sharing of best practices.

Airports for which information was not available were classified under "other" as this lack of information meant that they were not serving either a "regional" or a "feeder" commercial mission. From an airport-system perspective, the commercial role of an airport classified under the "other" category would be a "local" role between two points with minimal service connectivity to the country's other airports. As indicated in Table 6, of the 362 airports under review, 204 airports studied fell into the "other" category.

Table 6
Dominant Commercial Mission of Airports

	Dominant commercial mission					*Total*
	Regional Type A	**Regional Type B**	**Feeder Type A**	**Feeder Type B**	**Other***	
NAS/Large airports	22 (22)	2 (1)	5 (5)	-	-	**29 (28)**
Other (South)	15 (12)	28 (23)	28 (25)	4 (3)	87 (28)	**162 (91)**
Other (Remote)	3 (1)	4 (1)	30 (16)	17 (2)	117 (11)	**171 (31)**
Total	40 (35)	34 (25)	63 (46)	21 (5)	204 (39)	**362 (150)**

N.B.: * Airports for which no data was available are reported under the column "other". The numbers in brackets and in red are the number of National Airports Policy airports.

A summary overview of the information gathered on non-commercial missions of airports is presented in Table 7. Over 131 airports did not have any reported non-commercial flights, while another 156 had only one reported non-commercial mission activity. The remaining airports served at least three non-commercial missions.

Table 7
Number of non-Commercial Missions of Airports

	Number of non-commercial missions				*Total*
	None*	**1**	**3**	**3+**	
NAS/Large airports	4 (4)	10 (10)	12 (11)	3 (3)	**29 (28)**
Other (South)	34 (14)	74 (37)	41 (30)	13 (10)	**162 (91)**
Other (Remote)	93 (12)	72 (16)	5 (2)	1 (1)	**171 (31)**
Total	131 (30)	156 (63)	58 (43)	17 (14)	**362 (150)**

N.B.: Airports for which no data was available were classified under the column "None". Numbers in brackets are the number of National Airports Policy airports.

5.2.5. Catchment Areas

The catchment area of an airport is of particular relevance to the question of viability. If two airports have overlapping catchment areas, they are competing for the same traffic. Using a radius of 200 kilometres to designate a catchment area, Table 8 shows that all but 26 of the airports under review overlapped with at least one other airport. A total of 111 airports had at least 7 airports within a 200-kilometre radius, while 98 airports had between 4 and 6 airports with a 200-kilometre radius. This information suggests excess airport capacity but does not take into account "access" and "topography", two key factors in delimiting the degree of isolation and remoteness of the community served by an airport.

Table 8
Airports with other Certified Airports within a 200 Km Radius

	Number of certified airports within a 200 radius				***Total***
	None	**1 to 3**	**4 to 6**	**7+**	
NAS/Large airports	2 (2)	9 (9)	7 (6)	11(11)	**29 (28)**
Other (South)	4 (4)	42 (23)	57 (34)	59 (30)	**162 (91)**
Other (Remote)	20 (5)	76 (16)	34 (8)	41 (2)	**171 (31)**
Total	26 (11)	127 (48)	98 (48)	111 (43)	**362 (150)**

N.B.: Numbers in brackets are the number of National Airports Policy airports.

Census data for 1996 and 2001 were used to classify airports according to the change of population in their catchment area as well as changes in aircraft movements (Table 9). Information to conduct this analysis was available for 187 of the airports under review. Of these, 53 faced drops in both population and aircraft movements, and most of these were in southern Canada.

Table 9
Changes in Population and in Aircraft Movements at Airports

	Population and aircraft movements changes					***Total***
	Pop. ↘ Mov. ↘	**Pop. ↘ Mov. ↗**	**Pop. ↗ Mov. ↘**	**Pop. ↗ Mov. ↗**	**Info. N.A.**	
NAS/Large airports	6 (6)	2 (2)	10 (10)	10 (9)	1 (1)	**29 (28)**
Other (South)	34 (24)	20 (16)	18 (13)	22 (13)	68 (25)	**162 (91)**
Other (Remote)	13 (8)	17 (6)	7 (2)	28 (5)	106 (10)	**171 (31)**
Total	53 (38)	39 (24)	35 (25)	60 (27)	175 (36)	**362 (150)**

Legend: Pop. = Population; Mov. = Aircraft Movements; ↘ = decrease; ↗ = increase; Info. N.A. = Information Not Available.
Numbers in brackets are the number of National Airports Policy airports.

5.2.6. Airport Safety Regulations

Transport Canada is cognizant of the possibility that safety regulations may impose a burden on airport operators and is therefore committed to ensuring such regulations be developed so as to minimize this burden, while at the same time enhancing safety of operations at Canadian airports. To this end, Transport Canada, Civil Aviation has in place an open and transparent consultation process for regulatory changes. Transport Canada has been consistently moving towards performance-based regulations to provide aviation industry stakeholders such as airport operators with optimum flexibility in meeting regulatory safety requirements.

The airport specifications document, "TP312 Aerodrome Standards and Recommended Practices", is being reviewed with the participation of industry representatives to identify areas where the current requirements need to be adjusted. One major objective of this review is to align the regulatory safety requirements with the type and level of operations that are being conducted at an airport. Transport Canada views this approach, also applied in other countries, as the most flexible and appropriate for providing a regulatory framework that is conducive to safe air operations at Canadian airports, while minimizing the burden of regulatory requirements on airport operators.

Small airports should participate in the review of aerodrome standards and practices, either directly or through their associations, as a means of permitting jurisdictions to assess the financial impact of airport regulations.

6.0 The Way Forward

6.1 Support for Small Airports

Many jurisdictions own and operate remote airports. The federal government still owns 7 regional/local airports, of which Transport Canada operates 5 and funds the operational deficits of the others. The federal government also owns 10 remote airports, of which Transport Canada operates 7 (2 with its own employees and 5 under contract) and subsidizes the operational deficit of the other three.

Newfoundland and Labrador owns and operates 22 airports; Quebec, 27 airports; Ontario, 29 airports; Manitoba, 24 airports; Saskatchewan, 18 airports; British Columbia, 2 or 3 airstrips; Yukon, 29 airports; Northwest Territories, 27 airports; and Nunavut, 25 certified airports and 3 additional airstrips. For provinces and territories, the physical location of the airport, e.g., "remote" area, is an important determinant of the decision to own and operate airports (airstrips). There are also instances where a particular function played by the airport facility, e.g., forest fire protection, justifies its ownership and operation.

In addition to ownership, many jurisdictions have supported, and continue to support, small airports in various ways, including through specific funding programs and tax relief. Appendix E provides an overview of past and existing public support for airports. Information on public financial support available and provided to small airports should be broadly disseminated in order to help optimize the use of limited public resources.

Existing support programs should continue to be available to small airports. Examples of such programs include provincial tax reductions on aviation fuel, the federal ACAP, and British Columbia's Transportation Partnerships Program.

Options for future action to address the small airports viability question should complement what is already in place, and should align the airports' missions with the appropriate jurisdictional responsibility.

Property tax exemptions should be considered as a potential measure to assist airports. These could range from a total exemption across all airports to selective, conditional, partial or temporary exemptions.

Small airports should be eligible under appropriate new or renewed infrastructure programs. For small airports, these programs should:

- focus on the aviation aspects of an airport's business, such as runways and navigational aids.
- not be used to support airport operations;
- not duplicate financial support to specific projects from other federal, provincial, territorial or joint airport programs;
- consider competitiveness concerns for other airport(s); and
- exclude federally-owned airports.

6.2 Best Practices

While the main purpose of the Task Force's work was to develop an improved information base to better understand small airport activity (missions), in the course of discussions over the last two years considerable experience has been shared about the best practices that have contributed to successful small airport activity. The view has been expressed on a number of occasions that best practices are generally well understood. However, at the same time, it is clear from actual practice and ongoing challenges at some small airports that the lessons and approaches of successful operators are not always applied. Notwithstanding the unique situation of each airport, the following general observations are provided as a basis for discussion and continuous refinement.

Characteristics of successful small airports tend to include:

- Early engagement of and support from the local business community as users of the air service. Assured demand and customer loyalty are critical to sustained operations.

- Early engagement of and support from local governments – whether through preferential tax treatment, or other creative approaches of support (see separate section, Support for Small Airports). Local jurisdictions are best placed to support a local airport if it represents a community asset and priority.

- Engagement of municipal and/or provincial/territorial governments – this is especially important in some regions where catchment areas overlap among airports. Some coordination of plans and assistance may be necessary to ensure a sustainable level of operations for the longer term.

- Early and active engagement of and support from a carrier(s). Assurances of loyalty help to plan with some degree of stability. Recognition that carriers are not there to "do any favours" – if there are better commercial opportunities they will leave.

- Rightsizing of operations with a view to balance costs and revenues. This may involve downsizing assets, reducing hours of operation to minimize operating costs, or changing the status of the airport from "certified" to "registered" when prolonged absence of scheduled air services has been observed and is expected for the foreseeable future.

- A commercially based business plan, which has the buy-in of the business community and local governments. Have a big vision but act based on reality.

- A realistic assessment of challenges and the recognition that services have to be used or will be lost/closed. Local financial support may be for a pilot initiative that has to prove itself within a limited period of time; sustainable operations are driven by the marketplace.

- An entrepreneurial attitude. Recognising that airport operations may take time to build, a good business plan seeks to "make the most" of the assets available. This may include creative land development of excess lands. It may include related business services such as pilot training. It may include the airport operator providing limited services off site based on personal marketing and opportunity (even internationally).

- Continuous reassessment of circumstances and nurturing of partnerships. Situations change creating new opportunities and new challenges.

Some small airports have benefited from the establishment of partnerships with users who have vested interests in the introduction or maintenance of air services at particular airports. These partnership approaches are aimed at creating bridges between demand and supply of air services in order to either attract or retain a carrier at a particular airport, share the risk with a carrier, offset partly the costs to users of remote air services, or simply invite the community to use air services. Examples of such partnerships are set out below.

Creation of a Travel Bank

More than 250 enterprises banded together, under the leadership of the Fredericton Airport Authority and the Chamber of Commerce, to create a $2.5 million Travel Bank, a monetary guarantee of a minimum level of spending on airfares.

Assuming Ground Handling Services for Air Carriers

Bathurst airport offered to assume responsibility for ground handling services on behalf of Air Canada Jazz.

Public Awareness Campaign

The Bathurst Airport Authority has used a public awareness campaign to showcase the importance of the airport.

Government and Community Support

After losing its international flights from Frankfurt, the Yukon government guaranteed Air Transat the revenue equivalent of 150 passengers per flight (for 20 flights). Yukon agreed to pay the difference in case of a shortfall in passengers, and it invested to help the airport obtain an air start, a container loader and dollies as well as a push back tug. The Yukon tourism industry, municipalities and the German speaking market worked with the Yukon government before the commitment was made.

There is a need to develop, document and disseminate information on best practices so that small airports can be informed of initiatives adopted at other airports that might provide potential opportunities. This could be done through airports associations, with the help of jurisdictions.

6.3 Airport Planning

Airport operations require effective and adequate planning, based on a realistic long-term vision with the aim of achieving pre-defined objectives. Previous studies have found that a significant number of airports are without a capital plan, a business plan, a strategic plan or a development/master plan. "*The lack of such plans hinders the long-term viability of these airports … airports without adequate planning are in a reactive mode. They run the risk of turning from viable to nonviable due to inability to anticipate and respond to change."* (BC Study p.13-14)

The Task Force sees the need for all airports, irrespective of size, to generally undertake commercially based airport planning reflecting best practices. If a small airport does not have adequate resources to undertake the development of a business plan, support could be made available to allow for a plan to be developed. This support can take many forms ranging from the development by airport associations of a "template airport plan" approach to public funding support to develop a plan.

Recognizing the importance of cost containment, airports should be encouraged to reduce operational costs to a level in line with actual activity and realistic projections. In this regard, there may be a need for training to improve financial planning and management capabilities.

Regional planning is also vital. The British Columbia study on regional airports released in 2005 provides a number of useful observations that support and encourage regional planning.

> "*Airports have high fixed infrastructure costs and exhibit returns to scale and yet airport planning has historically been done on an individual community basis. Some airports recognize that under certain circumstances, there are* ***potential synergies to be gained from planning on a regional basis****."* (BC Study, p.16)
>
> *"Even in a future where enhanced airport operating and capital support is available, and airport viability is not directly an issue, communities could find that an airport system approach is still the preferred course of action. In situations where two or more airports are determined to effectively share a common catchment area, splitting traffic among the two (or more) airports may lead to a situation where none of the airports has the necessary critical mass to support a level of service (frequency, size of aircraft, level of fare) that reaches the threshold to support a truly viable local and regional economy. While all airports in the system may attract a certain level of activity, the region as a whole suffers from sub-optimal traffic levels (and hence revenues) and higher than necessary infrastructure and operating costs.*

> *The experience with low cost carriers is that people will drive two and half or more hours to access the air service of their choice. Thus communities within this range of each other could readily combine their respective market demand to attract a higher level of service at one selected facility than could be supported at separate facilities. Rationalization of service at one facility could lead to higher frequency of service, and/or service by larger aircraft than could be otherwise supported, both of which could have a market simulation effect."* (BC Study, p. 17)

Airport planning should be conducted or cooridinated at the regional level to take into account overlapping catchment areas resulting from geography, topography and/or surface transportation access.

6.4 Options for Future Action

Like others that have examined this issue, the Task Force has concluded that, because the root causes of viability concerns vary from one airport to another, there is no "one-size-fits-all" solution. Recognizing the changing market dynamics, options for future action must provide flexibility, must factor in the specific causes of the un-viable airport and must reflect the role of the airport for the community and region, and the role of the airport in the relative context of the country's airport system.

Options for future action must take into account the realities of the region's transportation network and the role of the airports within it. Conversely, the mission played by the airport in recent years should be considered relative to continuously evolving community and regional needs as well as relative to other local/regional transportation priorities.

This assessment has led the Task Force to offer the following options for future action:

<u>General Principles</u>

- Future actions should complement existing initiatives;
- Future actions should align the airports' missions with the appropriate jurisdictional responsibility;
- Information on public financial support available and provided to airports should be broadly disseminated to help optimize the use of limited public resources; and
- Future actions should acknowledge that small airports are key infrastructure for many Canadian communities and funding requirements need to be considered in the context of infrastructure priorities.

<u>Actions to Enhance Small Airport Viability</u>

- Small airports should be eligible under appropriate new or renewed infrastructure programs. For such small airports, these programs should:

    - focus on the aviation aspects of an airport's business, such as runways and navigational aids;
    - not be used to support airport operations;
    - not duplicate financial support to specific projects from other federal, provincial, territorial or joint airport programs;
    - consider competitiveness concerns for other airport(s); and
    - exclude federally-owned airports.

- Existing support programs should continue to be available to small airports. Examples of such programs include provincial tax reductions on aviation fuel, the federal ACAP, and British Columbia's Transportation Partnerships Program;
- Jurisdictions should consider property tax exemptions ranging from total exemption for all airports to selective, conditional, partial or temporary exemptions;
- Recognizing the importance of cost containment, airports that have not already done so should be encouraged to reduce operational costs to a level in line with actual activity and realistic projections. This may mean "rightsizing" operations to reflect local or regional demand. This may also require training to improve financial planning and management capabilities;
- Airports, irrespective of size, should generally undertake commercially based airport planning reflecting best practices. If a small airport does not have adequate resources to undertake the development of a business plan, support could be made available for a plan to be developed. Options include the development by airport associations of a "template airport plan" or public funding support in the development of such plans;
- Airport planning should be conducted or coordinated at the regional level to take into account overlapping catchment areas resulting from geography, topography and/or surface transportation access;
- Airports' associations, with the assistance of jurisdictions, should develop, document and disseminate small airport best practices, including the consideration of workshops as a vehicle for sharing best practices within and between jurisdictions; and
- Small airports should participate in the review of aerodrome standards and practices, either directly or through their associations, as a means of permitting jurisdictions to assess the financial impact of airport regulations.

APPENDIX A

RECENT STUDIES ON SMALL AIRPORTS

Four key studies have been conducted on small airports in recent years.[12] Two were national in scope while the others were regional/provincial in scope. A summary of these studies, as well as two which are currently underway, is presented below.

Sypher:Mueller International – *Study of the Viability of Smaller Canadian Airports* (August 2002)[13]

This study, commissioned by the provincial departments responsible for transportation, was completed in 2002. Data was collected from on-site interviews conducted at 26 airports with less than 200,000 annual enplaned/deplaned passengers. The objectives of the study were threefold: to identify the airports' current financial situation and how that situation had evolved over the past few years; to forecast the future financial position and viability of these airports; and to identify potential problem areas for these airports.

The study found that substantial efficiency gains had already been achieved at these small airports and were reflected in the current financial positions of the airports. Revenue growth (aeronautical and commercial) at many of the airports included in the study had already been significant. However, given the history of declining traffic levels, significant traffic growth appeared to be unlikely for most of the smaller airports.

Based on 2001 data, airports were grouped according to whether they were *viable* (with sufficient revenues to cover operating costs and debt service), *self-sustaining* (with sufficient revenues to cover cash operating costs) and *not self-sustaining* (with insufficient cash flow). Four airports were found to be *viable*, nine *self-sustaining* and 13 *not self-sustaining*.

Passenger traffic volume was identified as the most significant factor affecting viability, followed by the magnitude of the Airport Improvement Fees (AIF) / Passenger Facility Charges (PFC), and labour costs which, for non self-sustaining airports, could not be reduced enough to achieve self-sufficiency. Property tax was found only to somewhat affect viability, however, at some airports the property taxes were found to be a "substantial" cost element. Commercial revenues at *not self-sustaining and self-sustaining* airports were greater, per enplanement, than at *viable* airports, indicating that it was not a failure to generate commercial revenues that contributed to a lack of viability.

The study concluded that local operation of airports was efficient and there was a need to continue the transition of airports to a business-like footing. However, the study also

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[12] Other studies related to small airport viability have been summarized by the Canadian Airports Council. These summaries can be found in the following document: Canadian Airports Council. *Consolidated Review of Small Airport Viability Studies* (March 2006): http://www.cacairports.ca/news2/ReviewofSmallAirportStudies.pdf

[13] The full text of this report can be found online at: http://www.comt.ca/english/smallairports-final.pdf

concluded that external financial support for capital and operations would be required for many small airports over the long term.

Transport Canada – *Regional and Small Airports Study* (July 2004)[14]

In 2004, Transport Canada published an analysis of Transport Canada airports outside the National Airports System that had been transferred at the time the study was conducted. Of the 93 target airports, 66 provided data from their audited financial statements and completed questionnaires.

The study aimed to identify systemic drivers and key factors influencing the current and future viability of regional and small airports in order to understand the impact of divestitures on the communities served by these airports.

According to the study, most airports with more than $500,000 in annual revenue, over 30,000 enplaned/deplaned passengers and over 13,000 revenue aircraft movements had operating surpluses. Salaries and other operating costs were found to represent over 75% of total costs and it was noted that other costs such as property taxes and insurance had started to increase. Roughly 25% of capital requirements could be financed for airports with positive cash flows. Airports with deficits were not in a position to finance capital. Approximately 52% of the airports with an operational surplus had significant passenger and aircraft movement levels, and were located in more densely populated catchment areas.

The study also examined the catchment areas of the airports using five indicators (population, average annual income, average family income, employment level and sector of employment) and comparing the resulting values to their mean values for all airports under study. In general, airports with two or more indicators that exceeded the average for all airports studied had surpluses.

The study also considered the distance to other airports as an indicator of competition among airports and with surface transportation. Most airports with surpluses were located more than 250-km from a National Airport System (NAS) airport and more than 250-km from an airport served by a low-cost carrier (LCC). Airports with deficits were often within a 250-km radius of a NAS airport and/or an airport with a LCC.

As price is important to consumers, the proximity to a competing airport offering discount service offered appeared to contribute to financial difficulties of other airports. The level of service offered at an airport was also found to be a determinant of financial performance: a higher level of service at an airport relative to its competitors located within a 250-km radius led to better financial results. Light aircraft (general aviation) movements were not found to translate into significant revenues.

[14] The full text of this report can be found online at:
http://www.tc.gc.ca/programs/airports/RSAS/Docs/TP14283ENG.pdf

The study concluded that airports currently running operating deficits almost all have the same obstacle – insufficient potential passenger base to attract or support significant air carrier service. The demography of each catchment area (population, income, employment, and industry) has a direct impact on the operational and financial opportunities that might be available to an airport operator.

ADI Limited – *Atlantic Canada Airports Economic Impacts Study Policy Framework* (July 2003)[15]

This study was commissioned by the Atlantic Canada Airports Association (ACAA) and covered its 17 member airports in Atlantic Canada. The study examined the economic impacts of the airports in terms of the value and importance of airports to the national and international transportation networks and to commercial and regional economic development.

The study found that the local control of airports has a positive impact on how the airports conduct themselves. Airports are better able to align their business plans with their community and business air access needs. They are also able to attract customers by providing the best possible service at the best possible price.

The study concluded that the success of any airport depends on many factors and many players. A range of factors, including economic and social links, distances to destinations and other airports, catchment population and seasonality, determine the specifics of the air services offered at each airport.

The study also outlined an effective and collaborative policy framework as key to the success of small airports. The recommended components of this framework included: reducing the tax and fee burden on airports, airlines and passengers; creating reasonable regulations; making airports partners in public policy creation; supporting airport roles in economic development; establishing appropriate roles for other levels of government and departments; increasing public awareness and support; and ensuring airports have the right training tools and skills.

InterVISTAS Consulting, Inc. - *B.C. Regional Airports: A Policy Guide to Viability* (2005)[16]

Released in 2005, the focus of this study was the economic viability of "regional airports" in British Columbia previously operated by Transport Canada.[17] The study was commissioned by the Airline Industry Monitoring Consortium of British Columbia (AIMBC).

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[15] The full text of this report is not available online, but may be available by contacting the Atlantic Canada Airports Association (http://www.acairports.ca)

[16] The full text of this report can be found online at: http://www.intervistas.com/4/reports/BCregionalAirports.pdf

[17] Note that this study did not examine the four National Airport System (NAS) airports in British Columbia.

The study indicated that there was indeed a viability issue for regional airports, and that this issue arose in part from the manner in which the National Airports Policy (NAP) was implemented, and had been exacerbated by recent developments including industry shocks, increased fees and charges and creeping regulatory burden. A number of internal and external factors were identified as needing to be addressed in order for regional airports to achieve long-term financial viability:

- The federal government's policy framework;
- Inadequate federal funding through ACAP;
- Services provided by others on which airports rely;
- Airport management/governance practices regarding training and planning; and
- Regional infrastructure issues.

The study presented a review of governmental programs to assist regional airports, both federal and provincial (western Canada), as well as American federal and state programs, and Australian and European Union programs. The programs identified in the study provided significant direct and/or indirect support for small and regional airports. The study found that, compared to these other jurisdictions, Canada differs in that its federal government has a net disinvestment taking place in the airport system, as it withdraws in rent from the airport system a far greater amount that it returns through ACAP.

The proposed actions involved all key stakeholders, the Province of British Columbia, the Government of Canada, the tourism industry, the British Columbia airport industry, and the aviation support industry.

Other Airport Studies Currently Underway

Ontario Municipal Airports Study[18]

The Airports Management Conference of Ontario (AMCO), with assistance from a Steering Committee composed of representatives from the Ontario Ministries of Transportation, Economic Development and Trade, Northern Development and Mines, and Natural Resources and a representative from FedNor (Industry Canada), are conducting a study of municipal airports in Ontario. The purpose of this study is fivefold:

- to identify the trends, issues, challenges and unique issues facing municipal airports in Ontario;
- to identify the socio-economic importance of municipal airports to regional communities;
- to identify the sustained viability of municipal airports in Ontario;

[18] Airport Management Conference of Ontario (AMCO) Website: http://www.amco.on.ca

- to determine the key short-term (1-2 years) and long-term (5-10 years) needs of municipal airports in Ontario; and
- to identify possible solutions (private and public sector) to address the key challenges and issues affecting the sustained viability of municipal airports in Ontario.

The results of this study, to be completed in October 2006, will be used to provide Ontario municipal airports, collectively, with a tool to communicate the role and importance to the regional communities, and to identify the sustained viability (and business case) for them.

Alberta – British Columbia Northern Airport Strategy

Following direction from an Alberta-British Columbia (B.C.) joint Premiers and Ministers meeting, the B.C. and Alberta Ministers of Transportation are collaborating with aviation stakeholders on the development of a northern airports strategy. The network of airports to be covered in the Strategy is generally defined as those public use land airports along the Highway 16 corridor and points north.

The Strategy will examine the opportunities for strengthening the role of the aviation sector (airports and air services) to further contribute to northern economic development. The intent is to develop a balanced strategy that can be driven by stakeholders -- the airport community and air carriers.

In January 2006, two stakeholder workshops were held in Prince George and Edmonton to develop the elements of a strategy. Extensive consultations with many more stakeholders including Economic Development Offices and Chambers of Commerce were also conducted. A third workshop was held in Edmonton in March 2006 where over 40 representatives reviewed strategic issues, actions and champions that will become the main elements of the final Strategy.

Despite the Strategy being identified as a "Northern Airports Strategy", the actions that have been developed by stakeholders as part of the Strategy were developed with the consideration that airports operate as a system that is more complementary than competitive. As a result, the Strategy contains actions that are not specific to northern airports, but are applicable to any airport regardless of geographic location. Airports in central and southern locations will be able to utilize the Strategy to achieve their own successes, as will airports in northern locations.

A final Northern Airports Strategy is expected by early Fall 2006.

APPENDIX B

LIST OF AIRPORTS BY JURISDICTION COVERED BY THE WORK OF THE TASK FORCE

Alberta

Calgary International
Camrose
Cold Lake Regional
Edmonton City Centre (Blatchford Field)(Municipal)
Edmonton International
Edson
Fort Chipewyan
Fort McMurray
Grande Prairie
High Level
Hinton/Jasper-Hinton
Innisfail
Lethbridge
Lloydminster
Manning
Medicine Hat
Peace River
Rainbow Lake
Red Deer Regional
Slave Lake
Springbank, Calgary (Satellite)
Vermillion
Villeneuve, Edmonton (Satellite)
Wetaskiwin

British Columbia / Colombie Britanique

Abbotsford
Anahim Lake
Bella Bella Community (Campbell Island)
Bella Coola
Boundary Bay (Satellite)
Campbell River
Castlegar
Chilliwack
Comox
Cranbrook
Dawson Creek
Fort Nelson
Fort St. John
Grand Forks
Kamloops
Kelowna
Langley
Lytton
Mackenzie
Masset
Midway
Nanaimo
Penticton
Pitt Meadows (Satellite)
Port Hardy
Powell River
Prince George
Prince Rupert
Princeton
Qualicum Beach
Quesnel
Salmon Arm (Shuswap Regional)
Sandspit
Smithers
Terrace (Northwest Regional, Terrace-Kitimat)
Texada/Gillies Bay
Tofino
Vancouver International
Vanderhoof
Vernon
Victoria International
Williams Lake

Manitoba

Berens River
Bloodvein River
Brandon Municipal
Brochet
Churchill
Cross Lake (Charlie Sinclair Memorial)
Dauphin (Lt. Col W.G. Billy Baker)
Flin Flon
Gillam
Gimli Industrial Park
Gods Lake Narrows
Ilford
Island Lake / Garden Field
Lac Brochet
Little Grand Rapids
Lynn Lake
Norway House
Oxford House
Pikwitonei
Pine Dock
Portage La Prairie/Southport
Pukatawagan
Red Sucker Lake
Shamattawa
Shoal Lake
South Indian Lake
St. Andrews, Winnipeg (Satellite)
St. Theresa Point
Swan River
Tadoule Lake
The Pas
The Pas / Grace Lake
Thicket Portage
Thompson
Winnipeg International
York Landing

New Brunswick / Nouveau Brunswick

Bathurst Regional
Charlo
Fredericton
Grand Manan
Miramichi (Chatham)
Moncton/Greater Moncton International
Saint John
St. Leonard

Newfoundland-Labrador / Terre-Neuve - Labrador

Black Tickle
Cartwright
Charlottetown
Churchill Falls
Clarenville
Deer Lake
Exploits Valley (Botwood)
Gander International
Goose Bay
Hopedale
Makkovik
Mary's Harbour
Nain
Natuashish
Port Hope Simpson
Postville
Rigolet
St. Anthony
St. John's International
St. Lewis (Fox Harbour)
Stephenville
Wabush
Williams Harbour
Winterland

Nova Scotia / Nouvelle Écosse

Digby
Halifax International
Halifax/Shearwater
Sydney
Waterville/Kings Co. Municipal
Yarmouth

Northwest Terriroties / Territoires du Nord-Ouest

Aklavic
Deliné
Fort Good Hope
Fort Liard
Fort McPherson
Fort Providence
Fort Resolution
Fort Simpson
Fort Simpson Island
Fort Smith
Hay River
Holman
Inuvik (Mike Zubco)
Lutsel k'e
Norman Wells
Paulatuk
Rae Lakes
Sachs Harbour
Tuktoyaktuk
Tulita (Fort Norman)
Wekweti (Snare Lake)
Wha Ti
Wrigley
Yellowknife

Nunavut

Arviat
Baker Lake
Cambridge Bay
Cape Dorset
Chesterfield Inlet
Clyde River
Coral Harbour
Gjoa Haven
Hall Beach
Igloolik
Iqaluit
Kimmiruk/Lake Harbour
Kugaaruk (Pelly Bay)
Kugluktuk (Coppermine)
Nanisivik
Pangnirtung
Pond Inlet
Qikitarjuaq
Rankin Inlet
Repulse Bay
Resolute Bay
Sanikiluaq
Taloyoak
Whale Cove

Ontario

Angling Lake/Wapekeka
Attawapiskat
Bearskin Lake
Big Trout Lake
Bonnechere
Brampton
Brantford
Burlington Airpark
Carp, Ottawa
Cat Lake
Chapleau
Chatham-Kent

Cochrane
Collingwood
Cornwall Regional
Deer Lake
Dryden Regional
Earlton-Timiskaming Regional
Elliot Lake Municipal
Emsdale
Fort Albany
Fort Frances Municipal
Fort Hope
Fort Severn
Gananoque
Geraldton (Greenstone Regional)
Goderich
Gore Bay-Manitoulin
Hamilton
Hearst Rene Fontaine Municipal
Hornepayne Municipal
Iroquois
Kapuskasing
Kasabonika
Kashechewan
Keewaywin
Kenora
Kingfisher Lake
Kingston
Kirkland Lake
Kitchener/Waterloo
Lansdowne House
Lester B. Pearson International, Toronto
London
Manitouwadge
Manitowaning/Manitoulin East Municipal
Marathon
Moosonee
Muskoka
Muskrat Dam
Nakina
North Bay
North Spirit Lake
Ogoki Post
Orillia-Mara
Oshawa
Ottawa / Macdonald-Cartier International
Ottawa/Rockcliffe
Owen Sound/Billy Bishop Regional
Peawanuck
Pelee Island
Pembroke
Peterborough
Pickering
Pickle Lake
Pikangikum
Poplar Hill
Red Lake
Round Lake (Weagamow Lake)
Sachigo Lake
Sandy Lake
Sarnia (Chris Hadfield)
Sault Ste. Marie
Sioux Lookout
Slate Falls
Smith Falls - Montague (Russ Beach)
St. Catharines / Niagara District
St. Thomas Municipal
Stratford Municipal
Sudbury
Summer Beaver
Terrace Bay
Thunder Bay
Timmins
Toronto City Centre (Island)
Toronto/Buttonville Municipal
Toronto/Downsview
Wawa
Webequie
Welland
Wiarton
Windsor
Wunnummin Lake

Prince Edward Island / Île du Prince Édouard

Charlottetown

Quebec / Québec

Aéroport International de Montréal (Mirabel)
Aéroport International Jean-Lesage, Québec
Akulivik
Alma
Aupaluk
Bagotville
Baie-Comeau
Bonaventure
Bromont
Charlevoix
Chevery
Chibougamau/Chapais
Chisasibi
Eastmain River
Forestville
Gaspé
Havre St-Pierre
Île d'entrée
Île-aux-Grues
Îles-de-la-Madeleine
Inukjuak
Ivujivik
Kangiqsualujjuaq (Georges River)
Kangiqsujuaq (Wakeham Bay)
Kangirsuk
Kégashka
Kuujjuaq
Kuujjuarapik (Great Whale)
La Grande Rivière (LG-2)
La Romaine
La Tabatière
Lourdes-de-Blanc-Sablon
Mont-Joli
Montmagny
Montréal/Mascouche
Natashquan
Ottawa/Gatineau
Pierre-Elliott-Trudeau International,(Dorval) Montréal
Port-Menier
Puvirnituq
Quaqtaq
Rimouski
Rivière-du-Loup
Roberval
Rouyn-Noranda
Salluit
Schefferville
Sept-Îles
Sherbrooke
St. Hubert, Montréal (Satellite)
St-Augustin
St-Jean
Tasiujaq
Tête-à-la-Baleine
Trois-Rivières
Umiujaq
Val d'Or
Waskaganish
Wemindji

Saskachewan

Buffalo Narrows
Fond Du Lac
John G. Diefenbaker, Saskatoon
Kindersley
La Loche
La Ronge (Barber Field)
Meadow Lake
North Battleford (Cameron McIntosh)
Points North Landing
Prince Albert (Glass Field)
Regina
Stony Rapids
Swift Current
Uranium City
Weyburn
Wollanston Lake
Yorkton

Yukon

Dawson
Old Crow
Watson Lake
Whitehorse International

APPENDIX D

AIR SERVICES AT SMALL AIRPORTS

The material covered in the following paper was originally prepared in early 2005 and was meant to give a description of the state of air services to small airports at a specific point in time. While this is a reasonable approach when describing the general structure of the industry, many details can quickly become dated in a country as large and dynamic as Canada.

First and foremost, the role of Jazz has changed substantially since 2005. With the addition of over 60 new regional jet aircraft over the past three years, Jazz has taken over several mainline routes that had previously been served only by Air Canada. Although the role of Jazz within Air Canada has evolved, nearly all of these changes have been to services at the National Airports System (NAS) airports. In contrast, Jazz service to small airports has been remarkably stable over the past two years and remains unaffected by recent events. With the newfound stability, traffic at many of the regional airports served by Jazz has stopped decreasing.

A climate of rising fuel prices, reduced demand and intense competition continue to place considerable pressures on the regional airline industry. Some airlines like Regional 1 Airlines and Northern Hawk Aviation have ceased service altogether while others such as Hawkair and Pascan Aviation have reduced operations considerably over the past two years. By and large, alternative air service did exist in most of the affected communities but two, Charlo and St.-Leonard in New Brunswick, have lost all air service. On September 5, 2006, Canjet announced that it would discontinue scheduled air services on September 10, 2006 and would focus on its charter business.

The main point of the paper, that small airports in the southern regions of Canada have evolved much differently than the NAS airports or small airports in remote regions, remains as valid today as it was two years ago. The many changes in the system since then reinforce the fact that many small airports continue to face the challenges posed by static or declining traffic and air services.

Introduction

Many forces over the past decade have reshaped the Canadian airline industry. With the deregulation of the domestic air service industry in 1988, both Air Canada and Canadian Airlines saw the need to provide a full range of services in Canada and abroad. As part of this goal, both airlines sought to establish affiliated regional airlines to serve points that were too small to support regular jet service and feed traffic to long-haul domestic and international routes. As a by-product of this competition, both airlines developed regional networks that were overly competitive with each other. This process was not unique to Canada. Other airlines, particularly those in the United States, had established regional affiliates as a competitive tool, while airlines in Europe had used affiliates to expand their presence in secondary markets.

The domestic situation was fairly stable until the mid-1990s, when both airlines realized that their regional affiliates were not living up to their initial promise. Canadian Airlines regional services in the eastern part of Canada were compromised in 1994 when Air Atlantic ceased service. Inter-Canadien succeeded Air Atlantic, but subsequently failed in 1999. In addition, Air Canada was forced to consolidate its four wholly owned regional affiliates into Jazz, partly as a result of their poor financial performance. Both airlines undertook efforts to rationalize their regional networks to improve profitability, but the cuts were not deep enough because of the excessive competition between the two airlines.

The competitive landscape began to change when WestJet introduced service in western Canada in 1995. WestJet's fare structure undermined those offered by the major airlines, forcing them to match fares and capacity in competitive markets. Although WestJet first concentrated its efforts in major markets in western Canada, its services gradually spread eastward and to smaller markets.

The full impact of low-cost airlines like WestJet in other countries was not felt until 2000/2001. The difficulties that full-network airlines have faced since then have been well documented. Demand in North America collapsed after the events of September 11, concerns about aviation security heightened, and revenues remained depressed because of low-cost carrier expansion. The outbreak of the Severe Acute Respiratory Syndrome and high fuel prices would place a further burden on the airline industry. In Canada, these changes led to the failure of Canada 3000 in 2001 and forced Air Canada to enter into creditor protection in 2003.

While a discussion of these incidents may seem like a digression, it is important to describe their profound effect on air service to small airports. In the early 1990s, major airlines were able to absorb losses from their regional operations because they were realizing profits elsewhere in their networks. However, events over the past few years have forced these airlines to become more profit-conscious and to evaluate each route on its own merits. Another effect is that, with the expansion of the low-cost airlines, travellers have come to expect low fares in all markets even though this may not be economically viable.

The main objective of this annex is to look at what has happened to regional air services from a national perspective. Complaints about poor service and high fares abound while airlines are coming under increasing pressure to operate regional air services profitably. Most small airports depend heavily on the regional airlines as a source of revenue and have been negatively affected by reductions in regional air service. This annex will not examine the financial impact on airports, since this has already been done in other studies, but will concentrate instead on air services.

Traffic at Small Airports

In this type of discussion, it is important to frame a discussion of local changes in air services within the national context. For this reason, key indicators and traffic statistics are provided in the tables below.

Canada
Key Indicators

Total Area (km^2)	Population (as of July 1, 2004)	GDP (2003- in millions)
9,984,670	31,946,300	$1,214,211

Enplaned/Deplaned Passengers at Canadian Airports

Airport Category	Number of Airports	Passengers 1992	Passengers 2002	Percent Change	Percent of Canada 1992	Percent of Canada 2002
NAS airports*	29	56,657,600	73,902,100	30.4%	91.3%	94.0%
Non-NAS airports: southern	110	4,264,000	3,655,200	-14.3%	6.9%	4.6%
Non-NAS airports: remote	202	1,144,000	1,137,400	-0.6%	1.8%	1.4%
Total	341	62,065,600	78,694,700	26.8%	100.0%	100.0%

*- Includes 26 NAS airports plus Abbotsford, Edmonton City Centre and Hamilton.
Note: Passenger figures have been estimated for certain airports and may differ from official figures.
Source: Transport Canada, Regional Summaries

A quick inspection of the tables reveals that 94 percent of passenger traffic is concentrated at the NAS airports. This means that the vast majority of air traffic does not involve service to small communities. Secondly, traffic in small communities has evolved differently than at large airports and the most remote airports. Moreover, this trend can be observed in all regions of Canada.

The table above includes traffic statistics for the domestic, transborder and international sectors. The airports examined are categorized roughly according to their status in the 1994 National Airports Policy. These categories are only meant to show how regional traffic has evolved over the past decade and do not refer to any official classification of airports. A brief description of the airport categories follows:

- *NAS airports: includes all the National Airports System (NAS) airports plus Abbotsford, Hamilton and Edmonton City Centre. NAS airports are defined as those airports serving the national, provincial and territorial capitals or airports with more than 200,000 enplaned and deplaned passengers. Abbotsford and Hamilton have been added to the group because their present traffic volumes far exceed the 200,000-passenger threshold. Edmonton City Centre airport is included in the group because the airport was closed to most passenger flights shortly before 1994 and flights were transferred to Edmonton International Airport. As a group, these airports serve the most populous cities in Canada and saw their traffic levels increase by 30 percent between 1992 and 2002.*

- Non-NAS airports in southern Canada: includes airports in the non-remote regions of southern Canada. All the airports in this category enjoy good access to the highway network. The largest airports in this group tend to be served by Air

Canada Jazz and only very few of the airports – namely Comox, Deer Lake, Fort McMurray and Grande Prairie – are served by low-cost airlines. Airports with less traffic may be served by an independent, third-tier airline operating on behalf of Air Canada, such as Central Mountain Air, or may not be served by Air Canada at all. Total traffic at this group of airports decreased by 14 percent between 1992 and 2002.

- Non-NAS airports in remote regions: includes all non-NAS airports in the territories as well as those airports in the southern regions of Canada that do not enjoy good, year-round access to highways. In practice, this group includes a few airports that are connected to highways, but these are so distant from major urban centres that air travel is the only practical alternative. Air Canada Jazz does not serve most airports in this group. Traffic at this group of airports has been fairly stable; it decreased by one percent between 1992 and 2002.

Several factors have contributed to the decrease of traffic at the non-NAS airports in southern Canada. The low-cost airlines – namely CanJet, Jetsgo and WestJet – have made significant inroads in domestic markets, but their efforts are focused on linking the NAS airports with the most demand. In many cases, residents of smaller communities near the large airports are choosing to drive to airports with low-cost service, to the detriment of small airports. This process has been aided by major improvements to highway networks like the construction of the Confederation Bridge to Prince Edward Island and of the Coquihalla Highway in British Columbia.

Another factor was the major airlines' failure to control regional airline capacity and costs during the 1990s. Both Air Canada and Canadian Airlines justified the addition of short-haul, turboprop flights as a means of reducing operating costs and contributing feed to long-haul flights but paid scant attention to profitability. With the restructuring of the industry complete, the airlines' new focus has been to restrict capacity in an effort to improve profits. This new focus also means that the parent firm is insisting that regional flights make a positive contribution to the overall network. This implies that routes with insufficient demand or those that contribute little in terms of connecting traffic have become vulnerable. As a result, Air Canada Jazz has had to change the way it serves many small airports. In some cases, it has been able to maintain service at some small airports by transferring routes to independent third-tier airlines. In others, it has been forced to abandon service. In the majority of cases, other airlines immediately replaced the discontinued service. However, some communities, most notably Charlo, Miramichi, St.-Leonard and Yarmouth, have permanently lost air services.

Using small aircraft to provide short-haul services is a very expensive proposition. There is a tendency to think that costs are incurred on a per-mile basis, but a surprisingly high proportion of airline costs are non-distance related. Booking reservations, issuing tickets, checking in passengers and handling baggage are all activities that cost roughly the same regardless of the trip distance. Crew expenses and aircraft ownership costs are incurred even while aircraft are sitting on the ground, and must be recovered. Considerable crew, aircraft, operating and fuel expenses are incurred during taxiing and manoeuvring after takeoffs and before landings. In general terms, the total cost of providing a 1,000-kilometre flight is not much more than that of a 300-kilometre flight.

Atlantic Canada

The geography of Atlantic Canada lends itself well to the development of air transport. Air services provide the most efficient link to the rest of Canada. Long distances and time-consuming ferry services often make the air mode the best choice for travel within the region. Air services are also perceived as a boon to the local economy, bringing in needed tourism revenues during the peak summer travel season.

Atlantic Canada
Key Indicators

Province	Total Area (km^2)	Population (as of July 1, 2004)	GDP (2003 - in millions)
New Brunswick	72,908 (0.7%)	751,400 (2.4%)	$22,358 (1.8%)
Newfoundland and Labrador	405,212 (4.1%)	517,000 (1.6%)	$18,015 (1.5%)
Nova Scotia	55,284 (0.6%)	937,000 (2.9%)	$28,813 (2.4%)
Prince Edward Island	5,660 (0.1%)	137,900 (0.4%)	$3,883 (0.3%)
Total	539,064 (5.4%)	2,343,300 (7.3%)	$73,069 (6.0%)

Note: The figures in parentheses indicate the percent share of the Canadian total.

As in all other regions of Canada, air services in Atlantic Canada have undergone considerable change over the past decade. As shown in the table below, this has resulted in growth at the largest airports but not at the mid-sized and the most remote ones. The decrease in traffic at mid-sized airports has also been accompanied by a significant reduction of intra-regional flights.

Enplaned/Deplaned Passengers at Atlantic Canada Airports

Airport Category	Number of Airports	Passengers 1992	Passengers 2002	Percent Change	Percent of Canada 1992	Percent of Canada 2002
NAS airports	7	3,864,700	4,192,100	8.5%	6.2%	5.3%
Non-NAS airports: southern	10	570,600	442,400	-22.5%	0.9%	0.6%
Non-NAS airports: remote	15	40,200	32,800	-18.5%	0.1%	0.0%
Total	32	4,475,500	4,667,300	4.3%	7.2%	5.9%

Note: Passenger figures have been estimated for certain airports and may differ from official figures.

Source: Transport Canada, Regional Summaries

The continued decrease in air traffic at small airports has resulted in several changes over the past few years. First, Jazz stopped service to St.-Leonard, NB; Stephenville, NL; and Yarmouth, NS in January 2003. At the same time, Jazz stopped service on internal routes in Newfoundland and Labrador. Another strategy Air Canada used to cope with decreasing traffic was to transfer some flights from Jazz to independent, third-tier, code-share partners operating smaller turboprop aircraft. In this manner, Air Canada transferred the Gander-St. John's route first to Air Labrador in 2001, then to Exploits Valley Air Services in December 2004. In addition, several regional flights involving Halifax were transferred to Air Georgian during 2004. The transferred flights involved all services to Fredericton, Moncton and Saint John as well as some flights to Charlottetown and Sydney.

Several years of instability at Canadian Airlines preceded these changes at Air Canada. Air Atlantic had served the region as Canadian's regional affiliate until it ceased

operations in 1994. Montreal-based Inter-Canadien replaced Air Atlantic in the region, but it too was forced to cease service in November 1999. Canadian's regional services more or less overlapped with those provided by Jazz, with a few exceptions. Canadian Airlines had been serving northern New Brunswick through Charlo and Miramichi, while Air Canada served Bathurst and St.-Leonard. In addition, Canadian had been providing service to Stephenville. After acquiring Canadian Airlines, Air Canada reintroduced service to Charlo and Miramichi through Air Labrador; however, the service was stopped a few months later because of poor traffic loads. Jazz itself took over the Halifax-Stephenville route, but this service was discontinued as part of the service cuts in 2003.

This reduction in regional air services created new opportunities for local service airlines. Air Labrador and Provincial Airlines were able to replace much of the intra-Newfoundland and Labrador routes vacated by Jazz. In addition, Pascan Aviation briefly introduced a new service linking Charlo and St.-Leonard with Montreal's St.-Hubert airport but ceased service in April 2005 because of poor traffic loads. Of the communities affected by the recent cutbacks, Charlo, Miramichi, St.-Leonard and Yarmouth have been left without air service. All of the airports had been handling fewer than ten passengers per day.

The replacement of Air Canada on intra-Newfoundland and Labrador routes was aided by the fact that Air Labrador and Provincial Airlines had already been providing service in the region. In addition, Air Labrador and Innu Mikun Airlines, the latter operating as a joint venture with Provincial Airlines, had already been active along the north Labrador coast, serving seven remote communities from bases at Goose Bay (the development of the Voisey Bay nickel deposits will further boost air activity in this region). In addition to its northern Labrador services, Air Labrador serves six communities on the south Labrador coast from Goose Bay and St. Anthony. Some of the communities on the southern route are now accessible by a combined ferry and highway system through Blanc-Sablon. Air Labrador ceased service to the six communities in April 2004.

Air Canada remains the most important airline serving the region but uses multiple strategies in serving small airports. Regional jets are used to link Toronto directly with Charlottetown, Fredericton, Moncton and Saint John, as well as on a Moncton-Montreal route. Air Canada intends to transfer its regional jet services to Jazz in 2005 as part of its new network strategy. Intra-regional service is provided through a hub at Halifax, and additional access to the national network is available through Montreal.

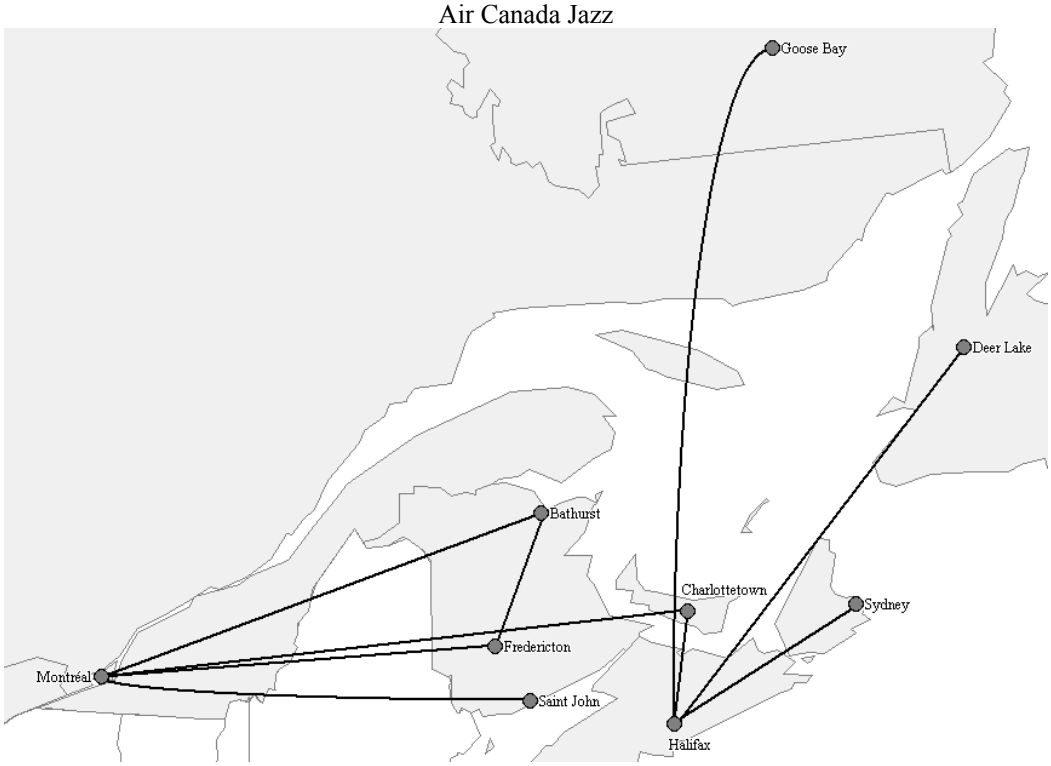
The Atlantic region has been successful in attracting new services from low-cost airlines, but services are limited to the most populous communities. CanJet provides year-round service at Deer Lake, Halifax, Moncton and St. John's; and WestJet to Gander, Halifax, Moncton and St. John's. WestJet service to Gander was discontinued in the spring of 2005.

Some communities have been active in attempting to attract or improve air services. In an effort to attract new service to Boston, Fredericton businesses set up a travel bank committed to purchasing tickets for the proposed service. This initiative was instrumental in convincing Delta Airlines to introduce a route in 2003. Similarly, local

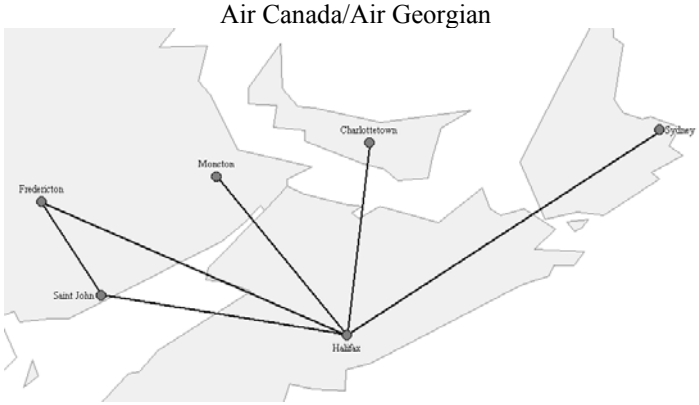
businesses and the province undertook efforts to promote traffic and guarantee revenues at the Bathurst airport during the summer of 2004.

Figure 1
Air Services in Atlantic Canada
Status as of January 1, 2005

Air Canada Jazz

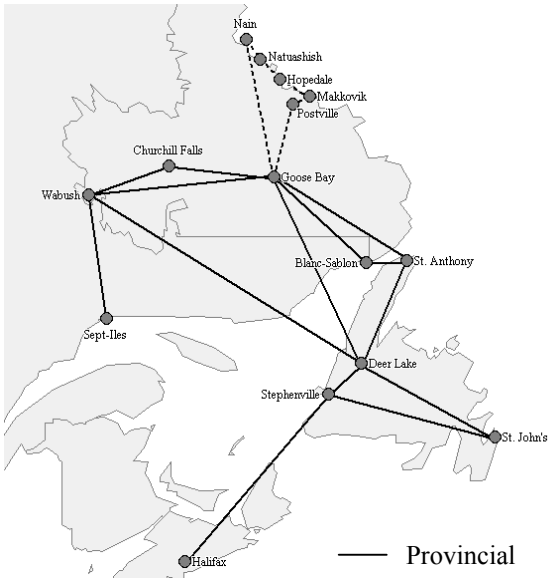


Air Canada/Air Georgian



Air Canada/Exploits Valley Air Services

Provincial Airlines



Air Labrador (Atlantic Canada services only)

Québec

As Canada's largest province, Québec offers unique challenges for the air transport industry. Its large expanse means that many residents of small communities have come to rely on air service. By far the highest level of activity is related to providing service to remote communities in the Nunavik and James Bay region. Further to the south, communities in the Abitibi, Saguenay and easternmost regions of the province rely on regional services to link small communities with distant Montreal and Québec City. However, the southernmost communities enjoy a good highway system, which has discouraged the development of air transport in small cities.

Québec
Key Indicators

Total Area (km^2)	Population (as of July 1, 2004)	GDP (2003 - in millions)
1,542,056 (15.4%)	7,542,800(23.6%)	$254,263 (20.9%)

Note: The figures in parentheses indicate the percent share of the Canadian total.

Over the past few years, concerns have been raised about the deterioration in quality of the regional air services provided by Air Canada Jazz within Québec. Critics have pointed out that high fares and poor schedules have discouraged air travel, thus impeding economic development in the province's outlying regions. More recently, concerns have also been raised about the future of regional services as Air Canada emerges from creditor protection and Québecair Express ceases service.

Enplaned/Deplaned Passengers at Québec Airports

Airport Category	Number of Airports	Passengers 1992	Passengers 2002	Percent Change	Percent of Canada 1992	Percent of Canada 2002
NAS airports	3	8,668,300	9,182,800	5.9%	14.0%	11.7%
Non-NAS airports: southern	18	582,400	342,800	-41.1%	0.9%	0.4%
Non-NAS airports: remote	30	264,300	219,900	-16.8%	0.4%	0.3%
Total	51	9,515,000	9,745,500	2.4%	15.3%	12.4%

Note: Passenger figures have been estimated for certain airports and may differ from official figures.

Source: Transport Canada, Regional Summaries

As shown in the table above, Québec has been the province most affected by the downturn in regional air traffic, registering a 41 percent decrease in traffic between 1992 and 2002. Many of the trends that have been depressing regional air traffic in Canada are exaggerated in Québec, such as the high cost of providing regional air service in small markets and the financial difficulties of regional airlines, including the cessation of service by Inter-Canadien. Serving Québec is even more difficult than serving other regions because much of the demand for air services is divided between Montreal and Québec City. In comparison with the regional airports in the south, traffic at airports in remote regions has fared better. The 17 percent decrease can be attributed to the results of just one airport, and traffic has been increasing at most airports in this category.

Air Canada has maintained service to all ten of the airports it serves in Québec but has had to reduce frequencies on all routes in an effort to improve profitability. In particular,

Jazz has had to realign its services in many markets, such as withdrawing service from Québec City to Baie-Comeau and Mont-Joli. In 2004, Air Canada made more cuts to frequencies in a further attempt to reduce cost. Even with these changes, continued service by Jazz remains at risk. Jazz serves many small airports with a bare minimum of flights and through the expensive commingling of multiple airports on a single flight. In addition, few of these routes contribute much feed to Air Canada's domestic and international routes, making them even more vulnerable. If the downward trend continues, Air Canada will have little choice but to cease operations to most points or transfer services to other airlines.

Air Canada and the Province of Québec have a three-year agreement to promote regional air services. The current agreement, which was signed in January 2003, stipulates that Air Canada offer Internet-based fares on 15 regional routes within Québec. In exchange, the Province committed to purchase an unspecified amount of employee travel from Air Canada. Because of the agreement, Québec agreed to forgo future provincial funding for new startup airlines on competitive routes. At the time, several new startup airlines had been lobbying the provincial government for financial assistance.

Other airlines are significantly competitive with Jazz on routes within Québec. Pascan Aviation, which started service in 1999, focuses on 11 destinations in Québec with a fleet of nine-seat, single-engine aircraft. In addition, Air Labrador now serves the north shore of the Saint Lawrence River and operates a route joining Sept-Îles with Québec City and Montréal. Québecair Express was serving 14 destinations with a fleet of three aircraft until it ceased service in January 2005, whereupon several airlines responded by adding frequency or capacity to these routes.

In contrast to the south, air service in the northern regions has been stable. Part of this stability comes as a direct result of the settlement of land claims involving the James Bay project between the provincial government and Aboriginal groups. The Makivik Corporation, which represents the Inuit in the Nunavik region, purchased First Air and Air Inuit. Similarly, the Cree Nation now wholly owns Air Creebec. The First Air/Air Inuit group serves a total of 21 airports in the region (two of the airports, Sanikiluaq and Wabush, are not in Québec). Air Inuit's service patterns are fairly complex, but in general, the far northern regions are served through a base in Kuujjuaq while most communities along Hudson Bay are directly linked directly with Montréal. Air Creebec has adopted a similar strategy in the James Bay region, relying on direct services to Montréal for the ten communities it serves in Québec. Air Creebec also serves five communities in Ontario from a base in Timmins.

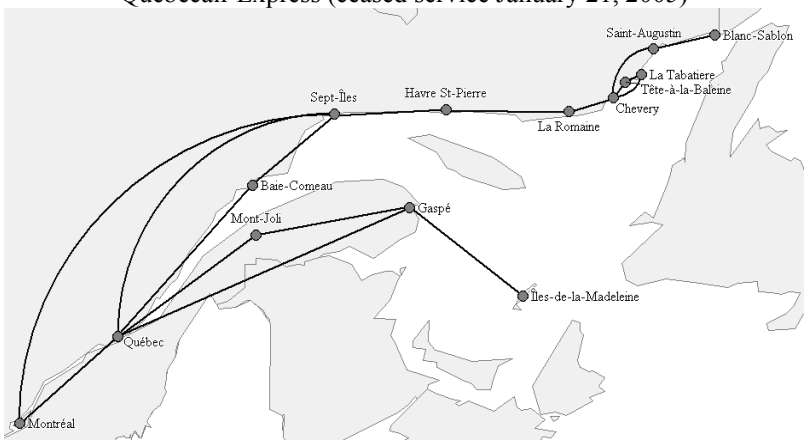
The low-cost airlines do not yet serve small airports in Québec, mostly because few of these communities generate enough demand to support frequent jet service. Jetsgo did try to initiate a single daily flight between Montreal and Bagotville but abandoned its plans without ever starting service. The airline cited poor bookings and unfavourable treatment under the Air Canada-Québec regional air agreement as reasons for its decision. However, the number of seats offered by Jetsgo would have exceeded Jazz's current capacity in the market.

Figure 2
Air Services in Québec
Status as of January 1, 2005

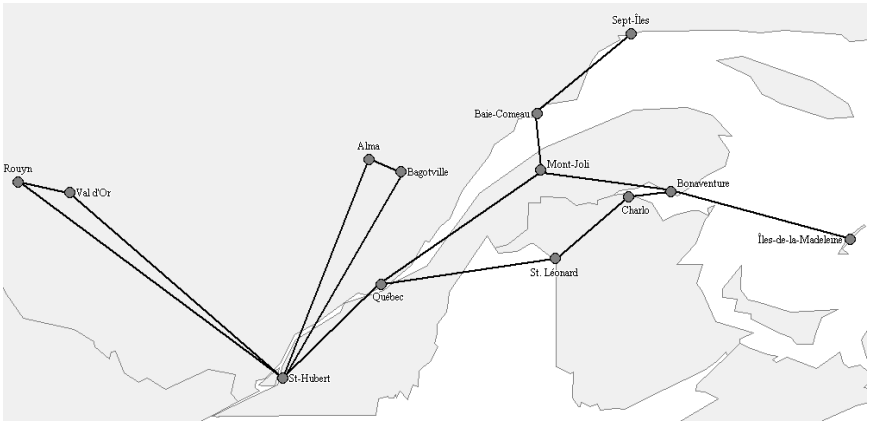
Air Canada Jazz

Air Labrador

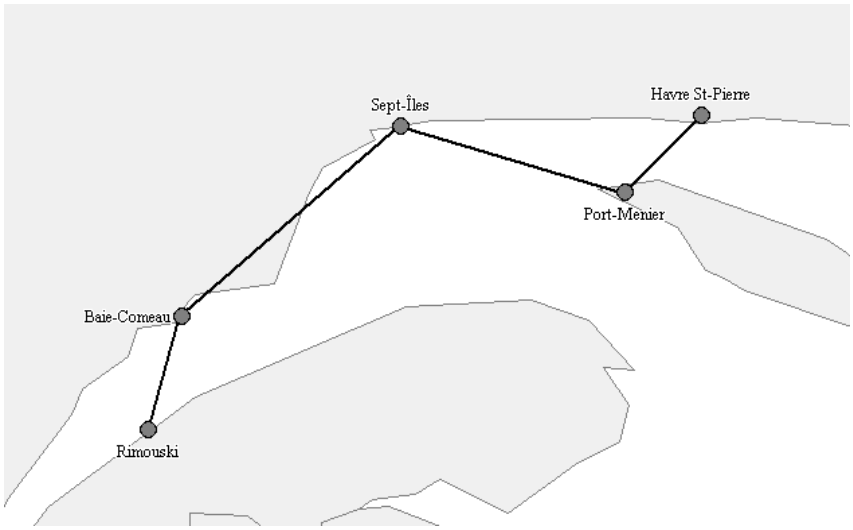
Québecair Express (ceased service January 21, 2005)



Pascan Aviation

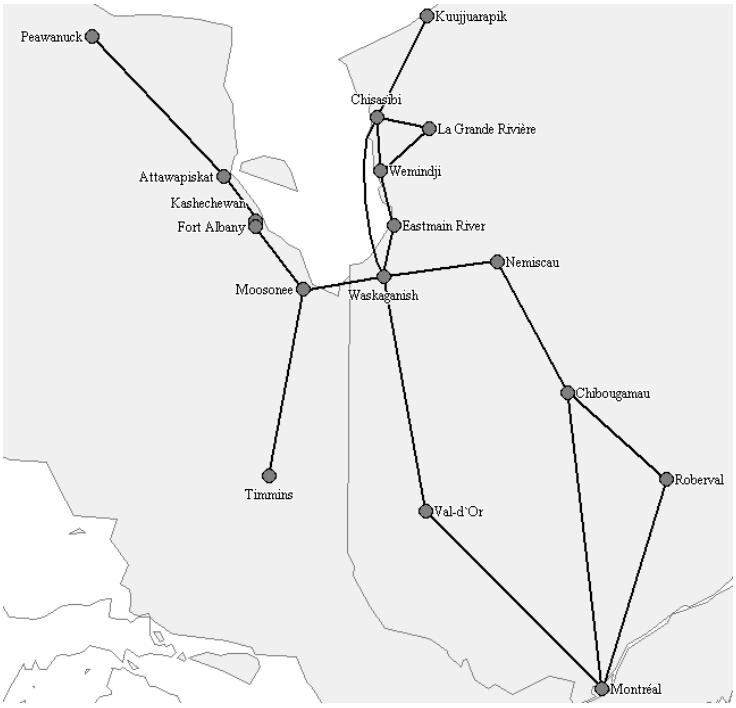


Air Satellite

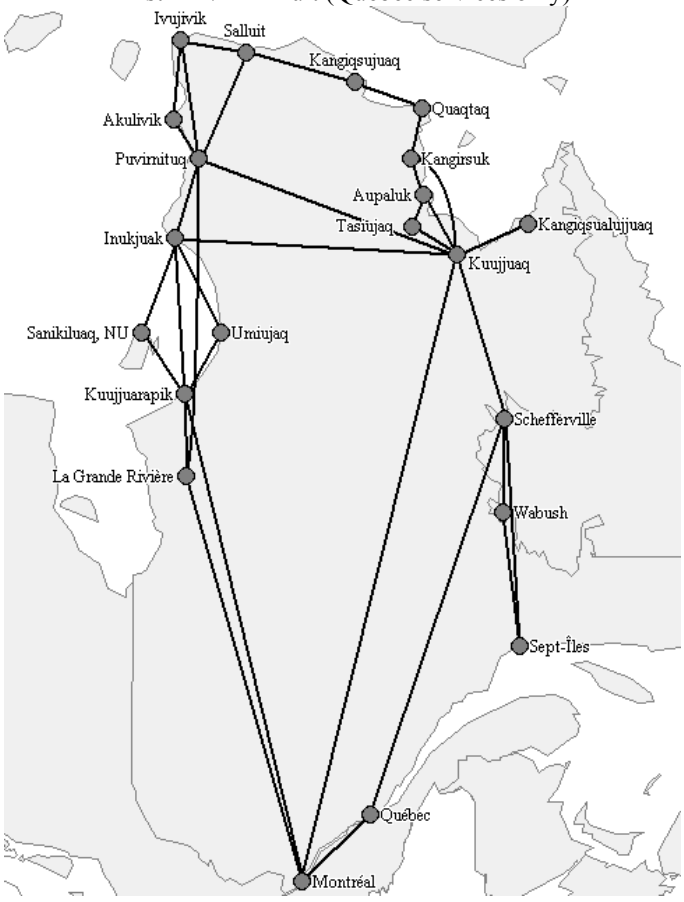


Expresso

Air Creebec



First Air / Air Inuit (Québec services only)



Ontario

Being the most populous province in Canada, Ontario is home to some of the country's busiest airports. All the cities in the province's southern regions enjoy good access to the provincial highway system, although congestion can be a problem. The largest urban centres in the northern part of the province also have access to the highway network, but long trip distances are a factor. In the northwestern and James Bay regions, the air mode is the only reliable, year-round mode of transport.

Ontario
Key Indicators

Total Area (km^2)	Population (as of July 1, 2004)	GDP (2003 - in millions)
1,076,395 (10.8%)	12,392,700 (38.8%)	$493,416 (40.6%)

Note: The figures in parentheses indicate the percent share of the Canadian total.

The traffic results in Ontario closely follow those at the national level, with a decrease of 27 percent registered at southern non-NAS airports. This decrease reflects the impact of the end of provincial subsidies to Norontair in 1996. At the time, Norontair had been serving 17 destinations, 11 of which had no other airline service. Other airlines tried to operate to several of the airports, but their efforts ultimately failed at all but two sites: Fort Frances and Kapuskasing. Norontair had also served routes linking northern Ontario's largest cities and Bearskin Airlines continues to operate them without subsidy.

Enplaned/Deplaned Passengers at Ontario Airports

Airport Category	Number of Airports	Passengers 1992	Passengers 2002	Percent Change	Percent of Canada 1992	Percent of Canada 2002
NAS airports + Hamilton	5	22,418,600	28,841,500	28.7%	36.1%	36.6%
Non-NAS airports: southern	30	1,184,900	869,300	-26.6%	1.9%	1.1%
Non-NAS airports: remote	30	239,900	292,900	22.1%	0.4%	0.4%
Total	65	23,843,400	30,003,700	25.8%	38.4%	38.1%

Note: Passenger figures have been estimated for certain airports and may differ from official figures.

Source: Transport Canada, Regional Summaries

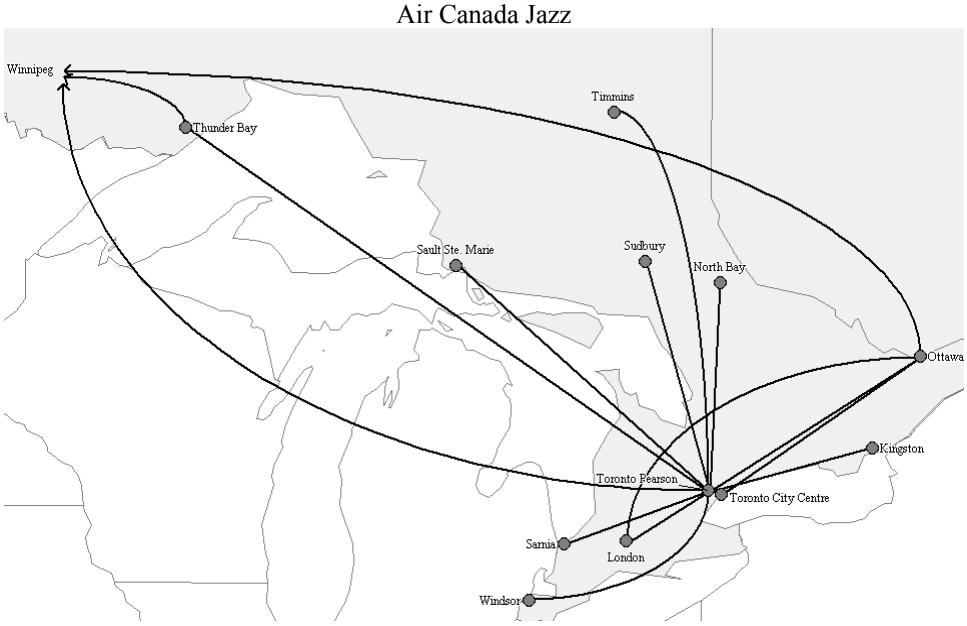
The low-cost airlines have enjoyed some success in Ontario's largest markets but have had difficulty penetrating smaller markets in the province. WestJet entered the Sault Ste. Marie and Sudbury markets in December 2001 but withdrew service in September 2003 because of poorer than expected results. Similarly, Jetsgo served Timmins briefly between December 2002 and April 2003. At present, Windsor is the only small airport to be served by a low-cost airline, with three weekly WestJet flights to Calgary during the winter travel season. Additional flights are offered during the summer. WestJet has announced that it will pull out of Windsor on October 30, 2005, redeploying to London. Canjet, which had started a service to Hamilton in April 2004 when WestJet moved its eastern hub to Toronto, announced that it will be pulling out on July 18, 2005.

Air Creebec provides services to communities along James Bay and Hudson Bay from a base in Timmins. Wasaya Airways, in cooperation with Bearskin Airlines, provides service to 25 communities across northwestern Ontario from bases in Red Lake and Sioux Lookout. Most of the communities that Air Creebec and Wasaya Airways serve either have no roads or are accessible only by ice roads during the winter months, and

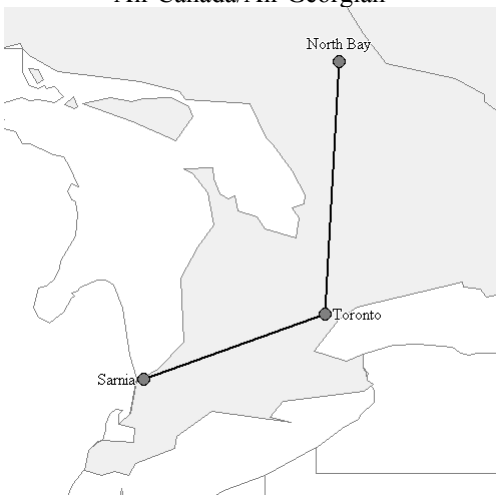
traffic at these airports increased by 22 percent between 1992 and 2002. Local Aboriginal groups wholly own both airlines.

Figure 3
Air Services in Ontario
Status as of January 1, 2005

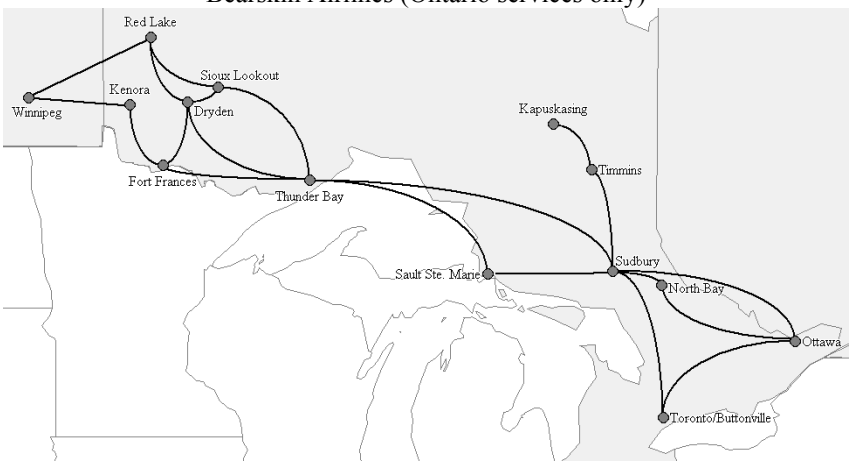
Air Canada Jazz



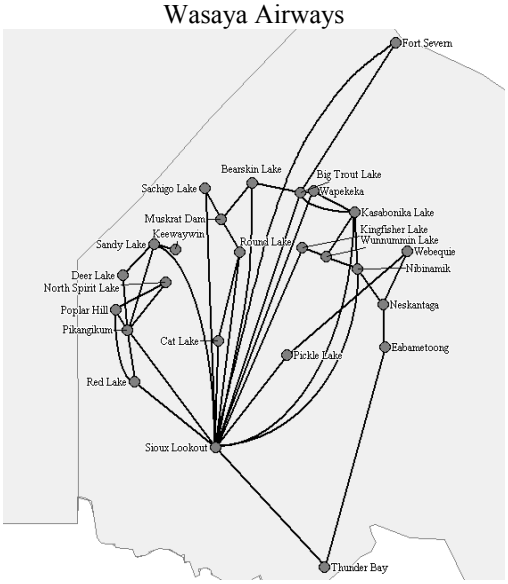
Air Canada/Air Georgian



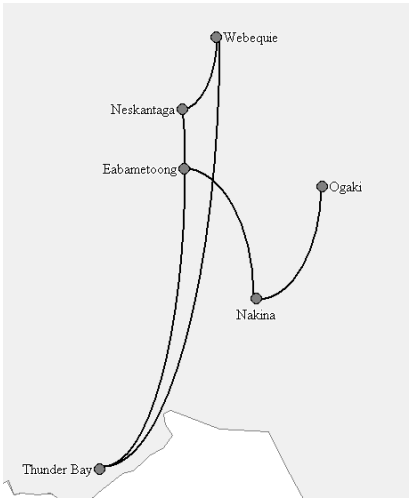
Bearskin Airlines (Ontario services only)



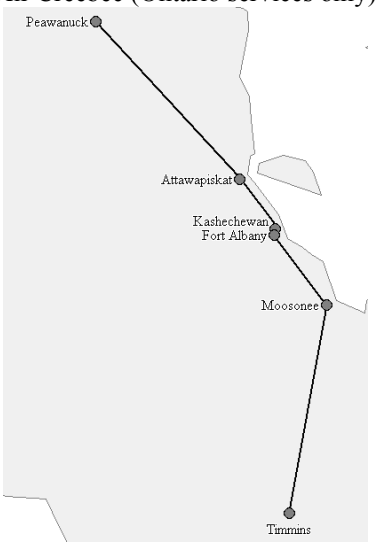
Wasaya Airways



Nakina Air Services



Air Creebec (Ontario services only)



Prairie Provinces

Regional air services in the Prairie Provinces have evolved differently from those in other parts of Canada. The regional affiliates of Air Canada and Canadian Airlines never served the southern regions of Manitoba and Saskatchewan except for the largest cities. However, extensive local services have developed in the northern regions of the two provinces, which are almost entirely dependent on air services. In contrast, highways are better developed in the northernmost parts of Alberta, reducing that area's need for air services to remote communities.

Prairie Provinces
Key Indicators

Province	Total Area (km^2)	Population (as of July 1, 2004)	GDP (2003 - in millions)
Alberta	661,848 (6.6%)	3,201,900 (10.0%)	$170,631 (14.1%)
Manitoba	647,797 (6.5%)	1,170,300 (3.7%)	$38,078 (3.1%)
Saskatchewan	651,036 (6.5%)	995,400 (3.1%)	$36,778 (3.0%)
Total	1,960,681 (19.6%)	5,367,600 (16.8%)	$245,487 (20.2%)

Note: The figures in parentheses indicate the percent share of the Canadian total.

On the surface, the southern, non-NAS airports did not appear to follow the national trend, with a 28 percent increase in traffic between 1992 and 2002. However, all the growth was registered at two airports: Fort McMurray and Grande Prairie. If the results from these two airports are disregarded, total traffic at the other sites actually decreased by 27 percent. As in other parts of Canada, traffic at airports in remote Prairie communities has been relatively stable over the past ten years.

Enplaned/Deplaned Passengers at Prairie Provinces Airports

Airport Category	Number of Airports	Passengers 1992	Passengers 2002	Percent Change	Percent of Canada 1992	Percent of Canada 2002
NAS airports + Edmonton City Centre	6	10,629,100	14,950,600	40.7%	17.1%	19.0%
Non-NAS airports: southern	21	514,000	656,500	27.7%	0.8%	0.8%
Non-NAS airports: remote	35	181,100	181,300	0.1%	0.3%	0.2%
Total	62	11,324,200	15,788,400	39.4%	18.2%	20.1%

Note: Passenger figures have been estimated for certain airports and may differ from official figures.

Source: Transport Canada, Regional Summaries

In general, air services in the Prairie Provinces are very competitive, with Air Canada and WestJet competing head-to-head in most large markets. As a result of this competition, Air Canada has had to restructure most of its regional services in western Canada. Service to Lethbridge was transferred from Jazz to Central Mountain Air in July 2002 with operations continuing under the Air Canada code. Air Canada has a similar arrangement with Central Mountain Air on the Calgary-Medicine Hat route since 2000. Air Canada transferred other routes in Alberta to Central Mountain Air but suspended code-shares. Routes to Peace River were transferred to Central Mountain Air in November 2001, followed by routes to High Level and Rainbow Lake in July 2002. In addition, Jazz continues to serve Fort McMurray and Grande Prairie, as does WestJet.

A number of local service airlines in Alberta have moved to fill the void left by Jazz. Peace River-based Peace Air serves 11 cities in Alberta as well as Fort Nelson and Fort St. John in British Columbia. Integra Air provides service between its Lethbridge base and Edmonton. QuikAir provides frequent shuttle service between its Calgary base and Edmonton. Corporate Express, also based in Calgary, provides scheduled service to Fort McMurray. Regional 1 Airlines, a recent entrant in the market, began flights in October 2004, linking Lethbridge and Red Deer with Kelowna and Vancouver.

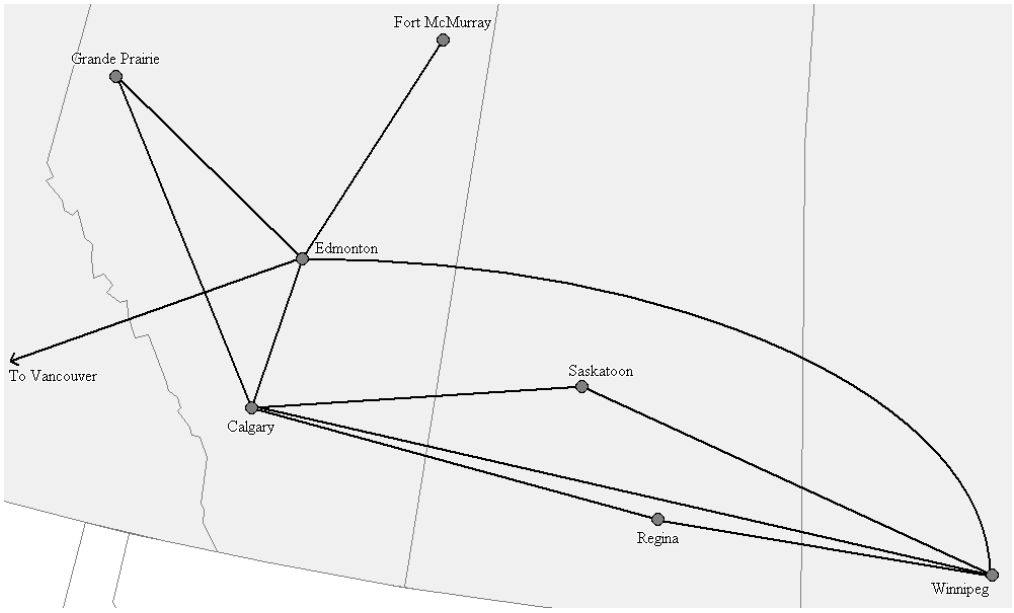
The geography of northern Manitoba lends itself will to air transport. The largest communities in this area – Flin Flon, The Pas and Thompson – have year-round access to the highway system, but long travel times by road encourage the use of air transport. Similarly, Churchill and Gillam, further to the north, have access to passenger rail but also face long travelling times. In addition, air transport is the only practical, year-round means of access to First Nations communities in the northern regions.

Calm Air, the largest airline in the region, has adopted a two-tiered approach to providing service. It serves the largest airports directly from Winnipeg with 34-seat, turboprop aircraft. At the second level, smaller aircraft are used to serve more remote communities from a base in Thompson. All of Calm Air's flights carry the Air Canada code for connecting flights. Skyward Aviation provides comprehensive service to remote communities from its base in Thompson as well as some direct flights from Winnipeg. Skyward suspended operations on January 31, 2005 when its operating certificate was revoked by Transport Canada. Perimeter Airlines provides direct service from Winnipeg to the region and also operates several routes from a base in Thompson under the name of Dene Cree Air. Bearskin Airlines offers service to Flin Flon and The Pas, in competition with Calm Air.

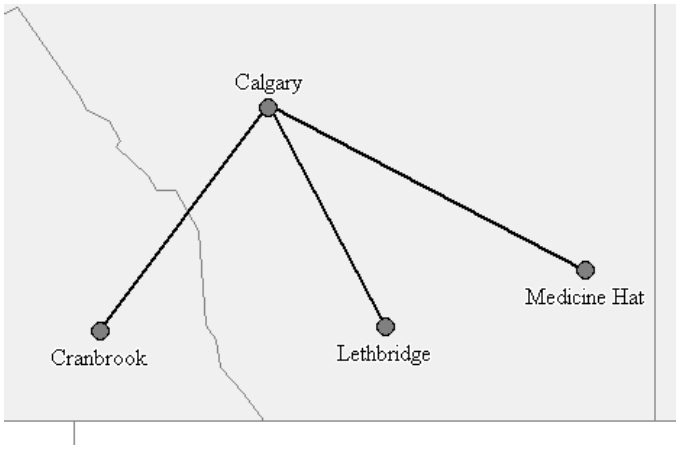
Most communities in the northern regions of Saskatchewan are accessible by road only during the winter, and long distances make air the only practical means of transport. Transwest Air is currently the only airline serving these communities. Flights to the north originate in Saskatoon, stop at Prince Albert, and continue northward to six communities. Norcanair, which ceased operations in February 2005, had been serving a similar network. In addition to these services, both Transwest Air and West Wind Aviation provide regular service between Regina and Saskatoon.

Figure 4
Air Services in the Prairie Provinces
Status as of January 1, 2005

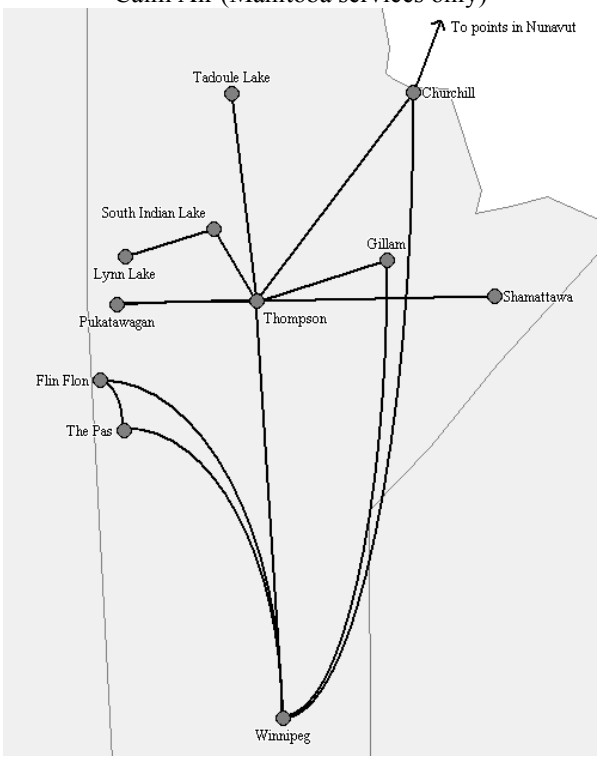
Air Canada Jazz



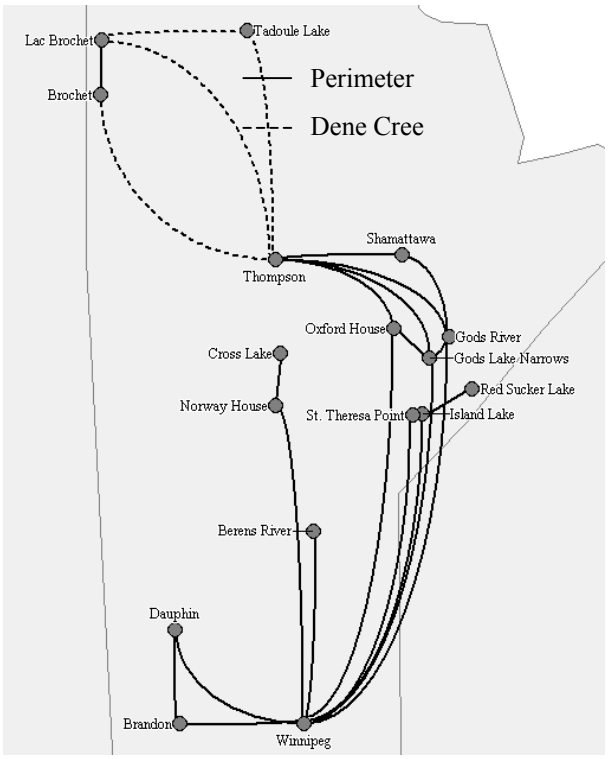
Air Canada/Central Mountain Air



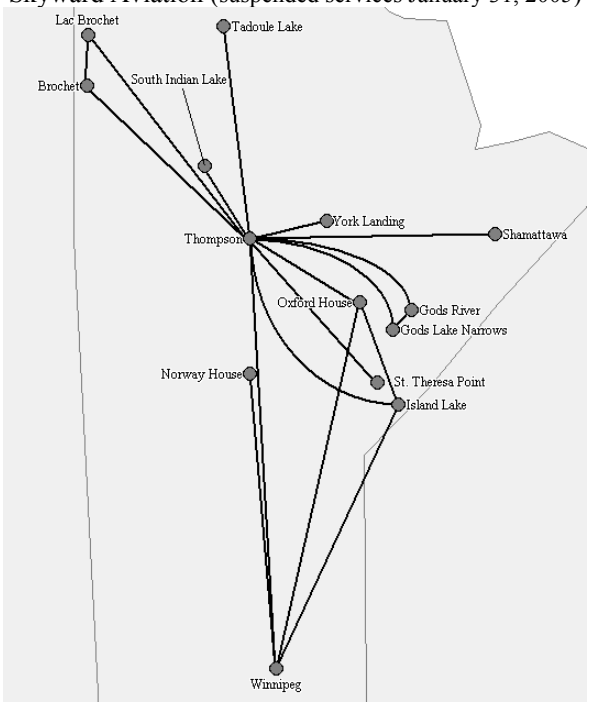
Calm Air (Manitoba services only)



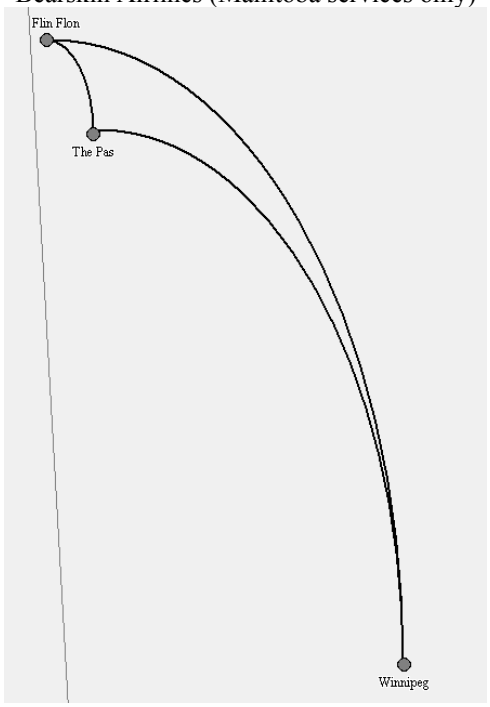
Perimeter Airlines



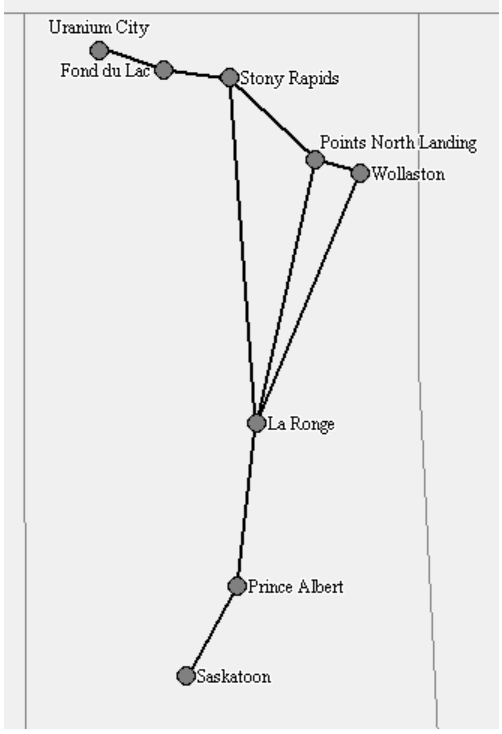
Skyward Aviation (suspended services January 31, 2005)



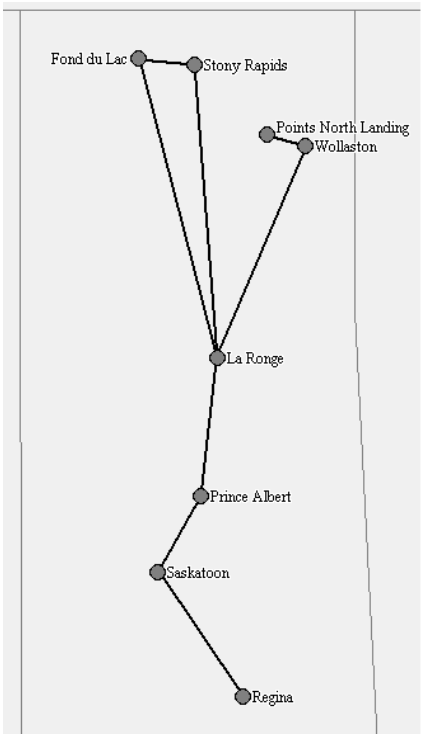
Bearskin Airlines (Manitoba services only)



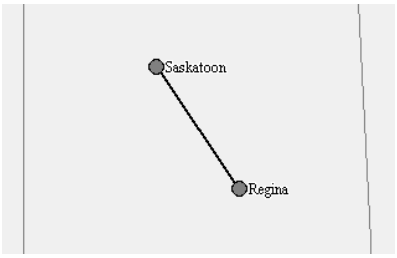
Norcanair (suspended services February 21, 2005)



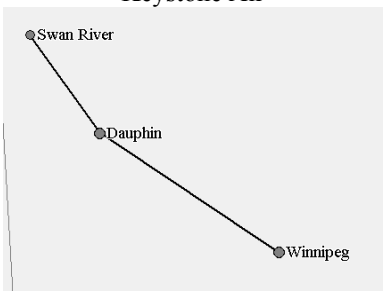
Transwest Air



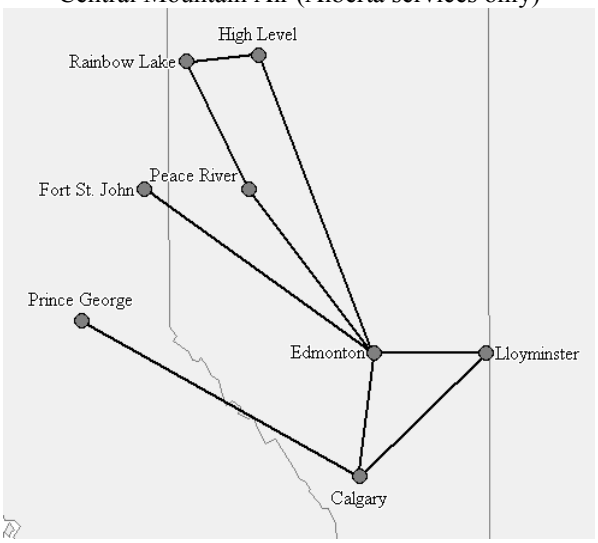
West Wind Aviation



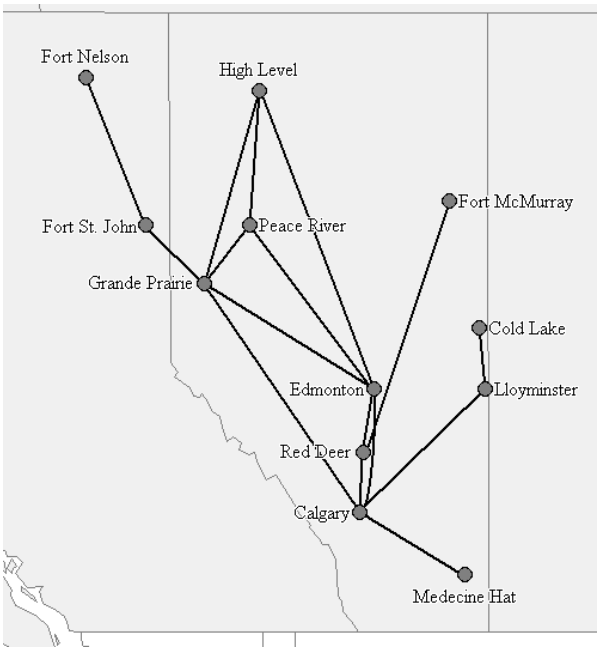
Keystone Air



Central Mountain Air (Alberta services only)



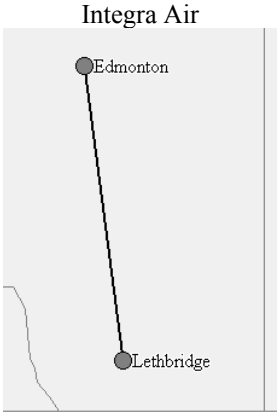
Peace Air



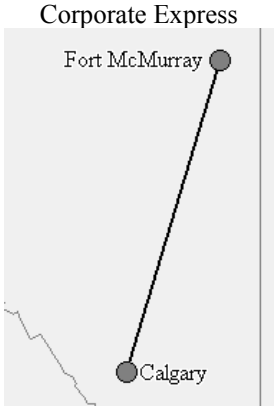
Regional 1

QuikAir

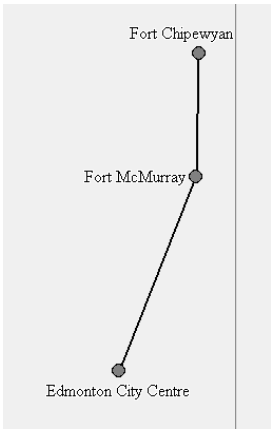
Integra Air



Corporate Express



Air Mikisew



British Columbia

British Columbia provides unique opportunities for regional airlines. Flights to the interior of the province can be up to two hours in flying time, while those to Vancouver Island can be as short as 15 minutes. The other distinguishing feature of air service in British Columbia is its heavy reliance on seaplane bases in coastal areas.

The definition of remoteness breaks down in British Columbia. Southern coastal communities can be considered remote even though they may be located a short distance away from cities. Even with good ferry service, routine travel becomes difficult. The highway system in the northern regions of the province is more highly developed than in other parts of the country, but travel remains difficult because of long travel times and circuitous routings. Communities in the northern regions enjoy good year-round access to highway systems but are separated from large urban centres by long distances. There is no clear distinction between remote and non-remote airports, as there is in other provinces.

British Columbia
Key Indicators

Total Area (km^2)	Population (as of July 1, 2004)	GDP (2003 - in millions)
944,735 (9.5%)	4,196,400 (13.1%)	$142,418 (11.7%)

Note: The figures in parentheses indicate the percent share of the Canadian total.

In general, traffic at the non-NAS airports reflects national trends. Much of the decrease in traffic at remote airports can be explained by a drop in air activity associated with logging and mining operations across the province. Many of these sites can now be accessed by road, eliminating the need for air service.

Enplaned/Deplaned Passengers at British Columbia Airports

Airport Category	Number of Airports	Passengers 1992	Passengers 2002	Percent Change	Percent of Canada 1992	Percent of Canada 2002
NAS airports + Abbotsford	5	10,698,400	16,208,900	51.5%	17.2%	20.6%
Non-NAS airports: southern	31	1,412,100	1,344,300	-4.8%	2.3%	1.7%
Non-NAS airports: remote	43	89,400	58,300	-34.8%	0.1%	0.1%
Total	79	12,199,900	17,611,500	44.4%	19.7%	22.4%

Note: Passenger figures have been estimated for certain airports and may differ from official figures.

Source: Transport Canada, Regional Summaries

Air Canada remains the most important regional player even though it pared down its routes considerably during its restructuring. Jazz serves a total of 13 destinations from its base in Vancouver. Four of these destinations are also served from Calgary. In addition, Air Canada is partnering with Central Mountain Air to extend its presence, with the Calgary-Cranbrook route operated fully on behalf of Air Canada. The Air Canada code is carried from Vancouver to four other points for connecting purposes. Central Mountain Air itself is responsible for marketing on the local segments. Four airports were formerly served by Air Canada; Jazz withdrew service from Campbell River and Comox in July 2002 and Quesnel and Williams Lake in November 2004. Besides the

services that it operates in conjunction with Air Canada, Central Mountain Air is also active in 13 communities in British Columbia, including a small hub in Prince George, and replaced Jazz on the route to Fort Nelson in June 2004.

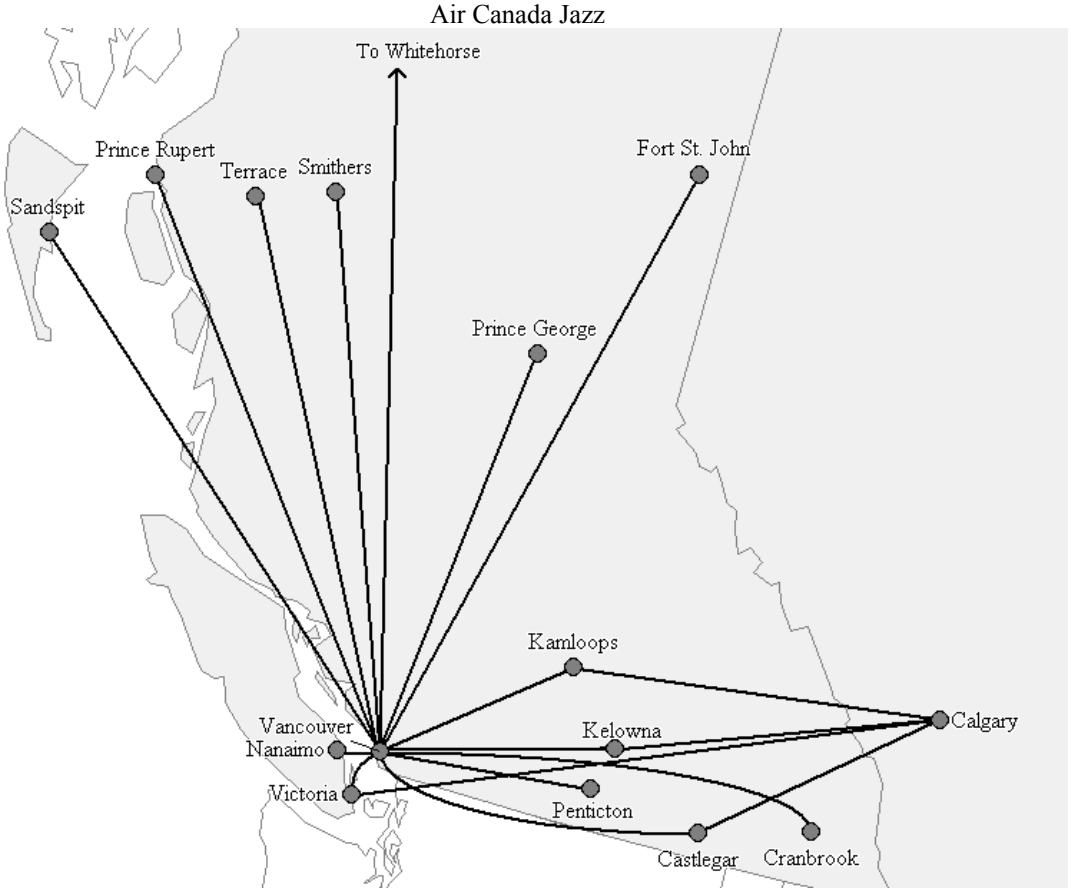
Regional air markets as a whole remain very competitive in British Columbia. WestJet is well established at several of the busiest regional airports, including Comox, Kelowna and Prince George. Terrace-based Hawkair, which operates a fleet of four Dash 8 aircraft, serves eight destinations across Alberta and British Columbia, including several of the regional markets in the northern parts of British Columbia. Pacific Coastal Airlines provides service to 12 communities across the province, consisting of frequent flights in regional markets such as Campbell River, Cranbrook and Williams Lake as well as flights to more remote communities such as Anahim Lake and Bella Coola in the central coast region.

Several airlines offer specialized short-haul services across the Strait of Georgia, with heliports and seaplane bases located near the downtown cores in Victoria and Nanaimo on Vancouver Island and Vancouver on the mainland. Four carriers – Amigo Airways, Harbour Air, HeliJet and West Coast Air – offer about 60 roundtrip flights on weekdays, making these routes among the busiest in Canada. Other airlines, such as Salt Spring Island Air and Seair Seaplanes, provide floatplane service between Vancouver and the Gulf Islands.

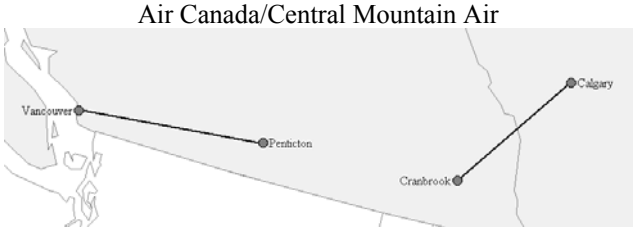
Certain airlines specialize in providing service to remote communities in British Columbia. Northern Thunderbird Air serves several communities in the far northern regions from its base in Prince George as well as providing regular, scheduled service between Smithers and Dease Lake. North Pacific Seaplanes, a division of Harbour Air, offers seaplane service from Prince Rupert's Seal Cove to seven remote communities along the north coast and in the Queen Charlotte Islands. In addition, several other airlines offer charter seaplane services to remote communities in the coastal areas.

Figure 5
Air Services in British Columbia
Status as of January 1, 2005

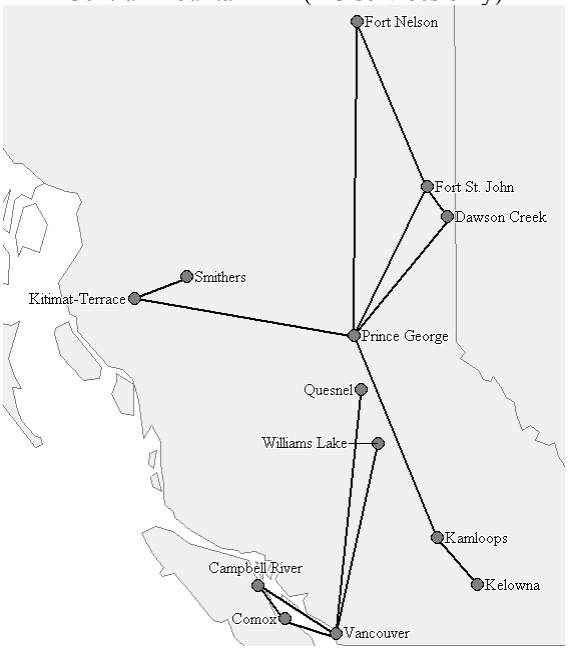
Air Canada Jazz



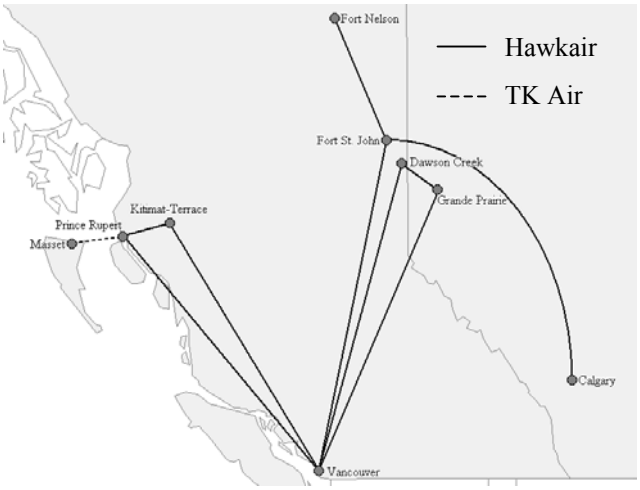
Air Canada/Central Mountain Air



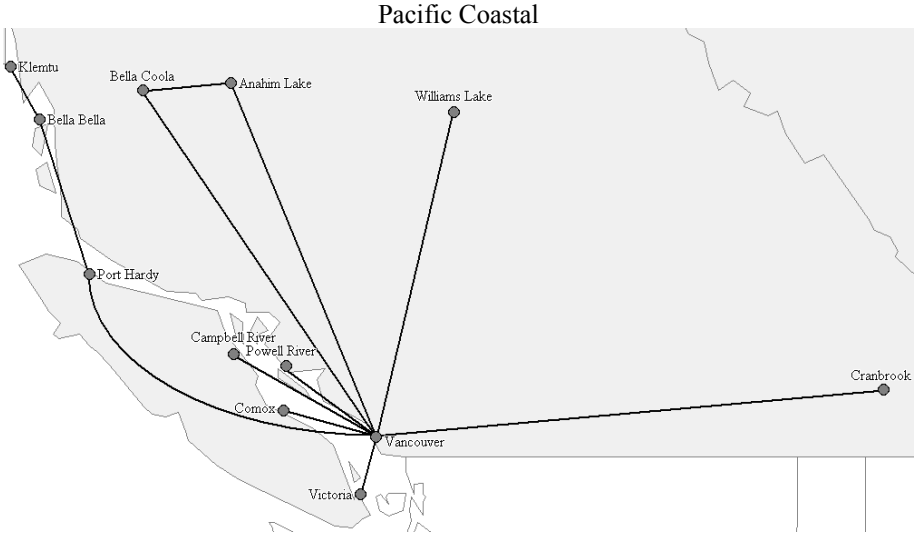
Central Mountain Air (BC services only)



Hawkair

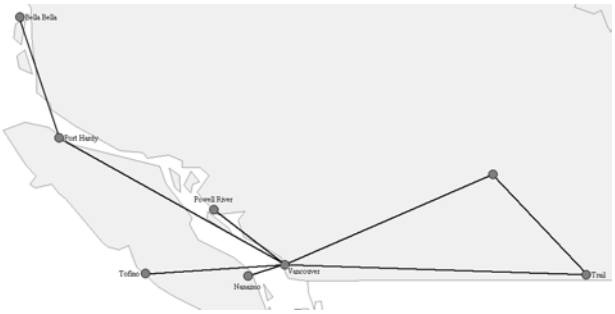


Pacific Coastal

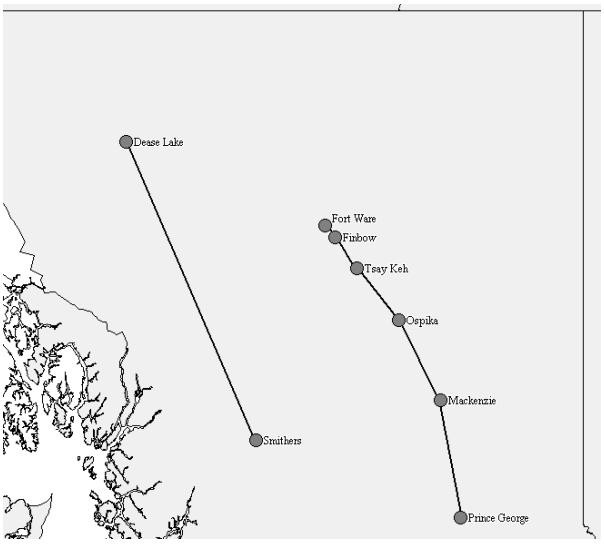


Northern Hawk Aviation

Northern Thunderbird Air



North Pacific Seaplanes



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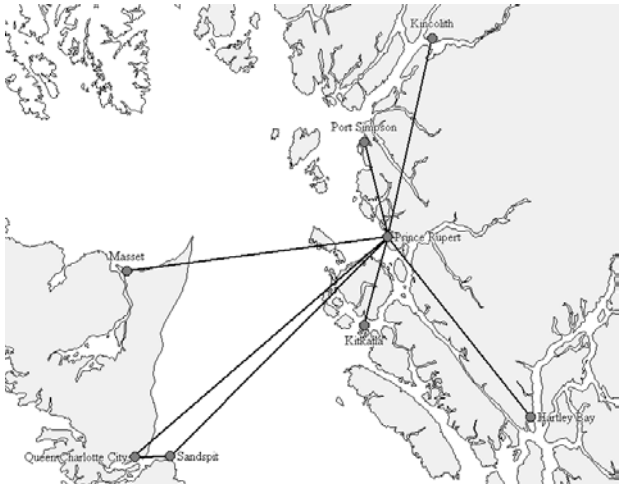

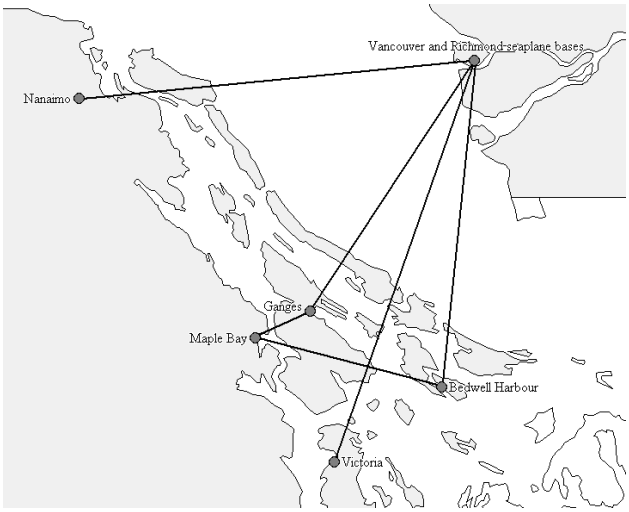

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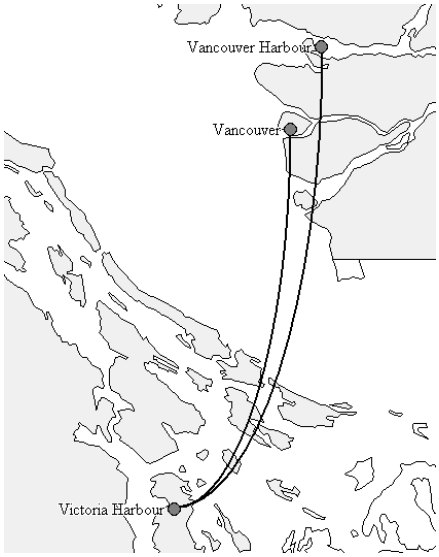

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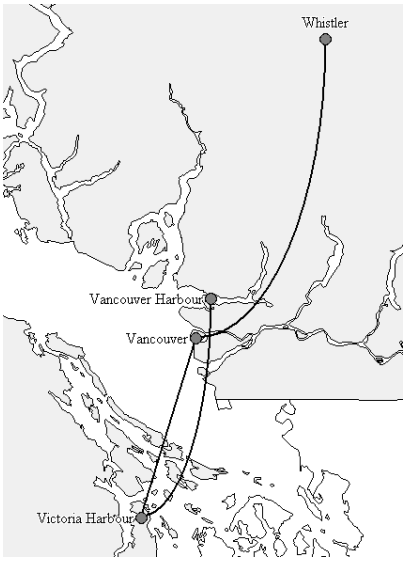

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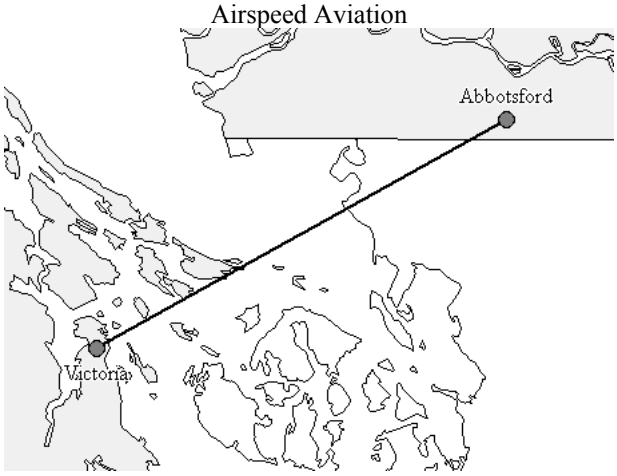

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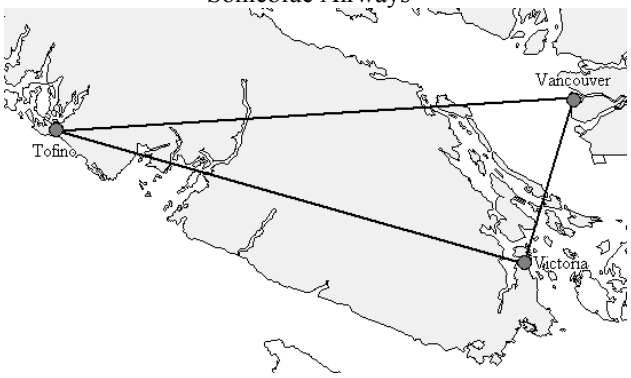

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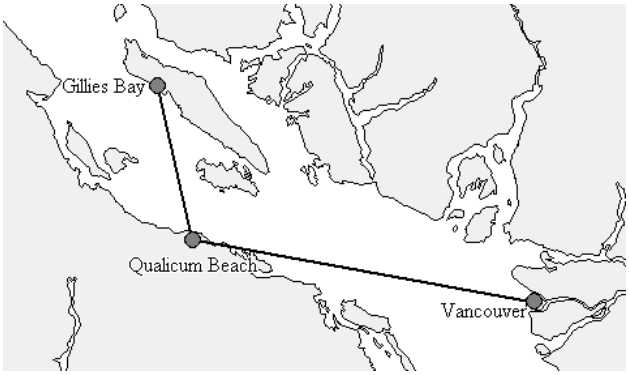

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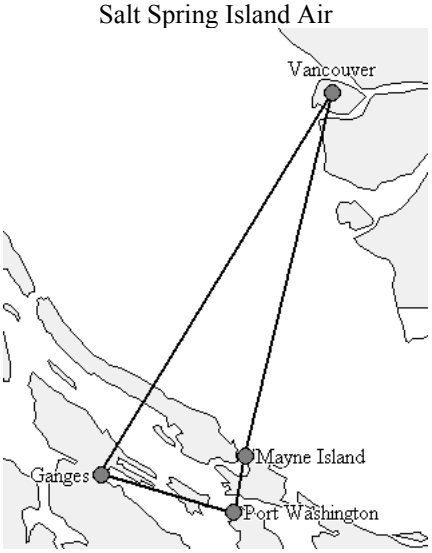
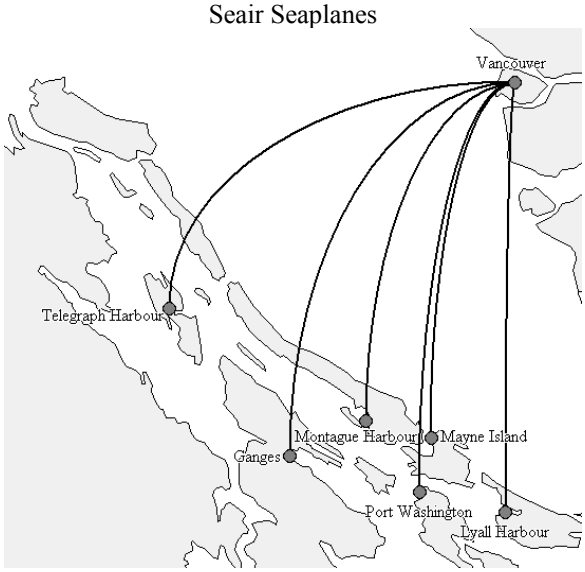
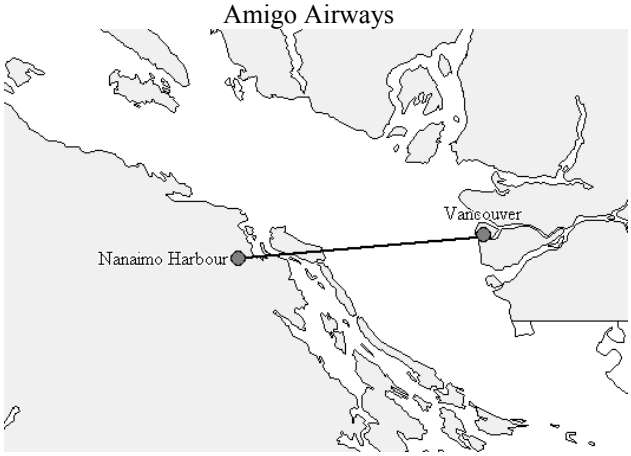


Seair Seaplanes



Amigo Airways



Tofino Air Lines

Northern Canada

Canada's three territories occupy nearly 40 percent of its land area yet make up only about three-tenths of a percent of its population. However, northerners are three times more likely to use air services than their counterparts in the rest of Canada. Vast distances, a poorly developed highway system, and a harsh climate mean that almost everyone must travel by air, even for routine reasons. For example, much of the activity related to the health and law enforcement sectors involves travel by air.

Northern Canada
Key Indicators

Territory	Total Area (km^2)	Population (as of July 1, 2004)	GDP (2003 - in millions)
Northwest Territories	1,346,106 (13.5%)	42,800 (0.1%)	$3,332 (0.3%)
Nunavut	2,093,190 (21.0%)	29,600 (0.1%)	$916 (0.1%)
Yukon Territory	482,443 (4.8%)	31,200 (0.1%)	$1,310 (0.1%)
Total	3,921,739 (39.3%)	103,600 (0.3%)	$5,558 (0.5%)

The airports in the territories handled 878,600 passengers in 2002, a little more than 1 percent of the national total. About 60 percent of the traffic passed through airports in the three territorial capitals. Some other airports act as local hubs, most notably Inuvik and Norman Wells in the Northwest Territories and Rankin Inlet in Nunavut. Traffic in the north has held up better than traffic at comparably sized airports in southern Canada.

Enplaned/Deplaned Passengers at Northern Canada Airports

Airport Category	Number of Airports	Passengers 1992	Passengers 2002	Percent Change	Percent of Canada 1992	Percent of Canada 2002
NAS airports	3	378,500	526,300	39.0%	0.6%	0.7%
Non-NAS airports: remote	49	329,100	352,300	7.0%	0.5%	0.4%
Total	52	707,600	878,600	24.2%	1.1%	1.1%

Note: Passenger figures have been estimated for certain airports and may differ from official figures.

Source: Transport Canada, Regional Summaries

Dependence on air transport varies by region. Because the Yukon has the most highly developed highway network of all the territories, commercial air carriers serve only three of its communities. In contrast, Nunavut has no highways but all 25 of its communities are served by air. Air cargo, particularly the shipment of groceries, also plays a large role in northern aviation. However, most bulk cargo is carried north on highways where possible, by ice roads during the winter in the western Arctic and by ship during the summer in the eastern Arctic.

Northern air markets remain surprisingly competitive despite relatively low demand as compared with other regions of Canada. In addition, service in the north has been relatively stable, partly because northern residents have a financial interest in most of the airlines serving that area.

Most airlines take a two-tiered approach to serving northern regions. Jet aircraft, configured to carry both cargo and passengers in the main cabin, link the largest centres in the north with gateways in the south as well as providing some internal services within the north. Canadian North and First Air both serve the Northwest Territories and Nunavut, while Air North serves the Yukon. Air Canada's presence in the north is limited to the Whitehorse-Vancouver route.

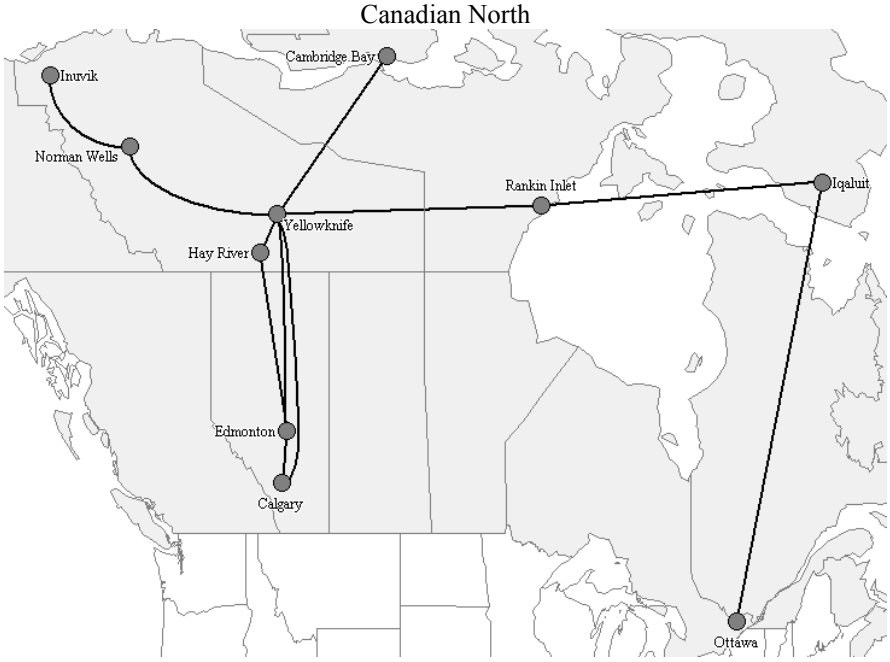
The second tier of service involves local and regional flights within the north using smaller turboprop aircraft, most of which are also configured to carry both passengers and cargo. First Air operates its own fleet of turboprop aircraft from bases in Iqaluit and Yellowknife, as does Air North from its base in Whitehorse. Canadian North does not have its own fleet of small aircraft but has allied itself with Kenn Borek Air and North-Wright Airways to extend its presence in the north. Kenn Borek Air operates bases in Cambridge Bay, Iqaluit and Resolute while North-Wright Airways is based at Norman Wells. Other airlines providing extensive local air service include Air Tindi and Buffalo Airways in Yellowknife, and Calm Air and Keewatin Air in Rankin Inlet.

Most of the airlines are also engaged in other essential activities such air taxi charters, Medivac flights and supply operations, including serving the diamond mines in the Lac de Gras region in the Northwest Territories. Construction of the Mackenzie Valley pipeline is expected to provide a boost to air traffic over the next decade.

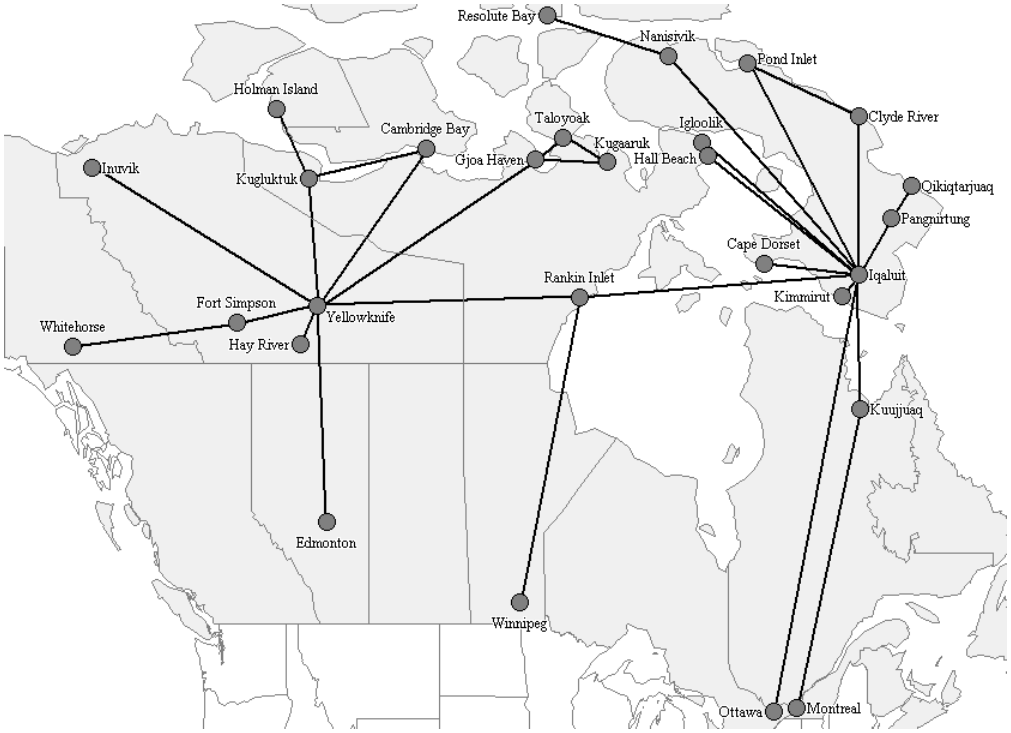
Northern residents frequently complain about the quality of air services in the region. The complaints are focused on the high costs of passenger travel and of shipping cargo as compared with costs in the south, the lack of daily service at most communities, wasteful competition between First Air and Canadian North on many routes, and the lack of convenient connections to southern destinations. However, most of these difficulties arise from the high cost of doing business in the north, the northbound-only flow of air cargo, and low traffic demand at most of the northern airports. As a result, many of the difficulties that arise are unavoidable.

Figure 6
Air Services in Northern Canada
Status as of January 1, 2005

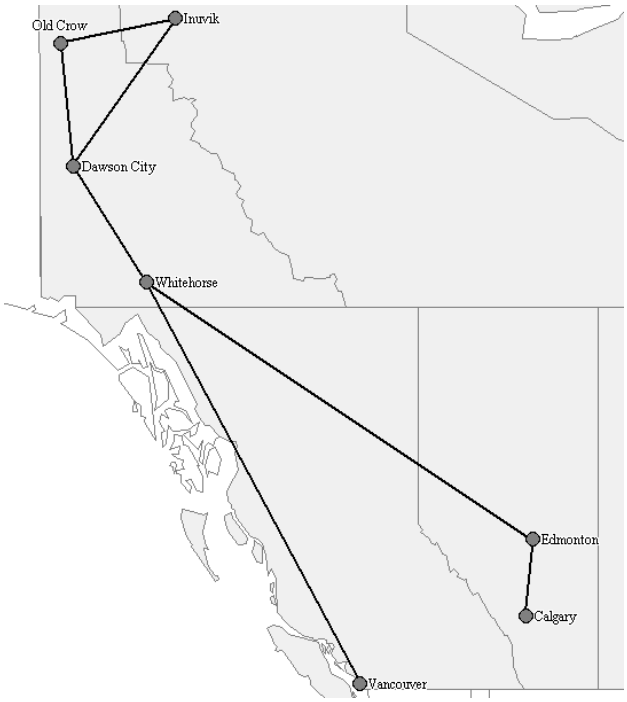
Canadian North



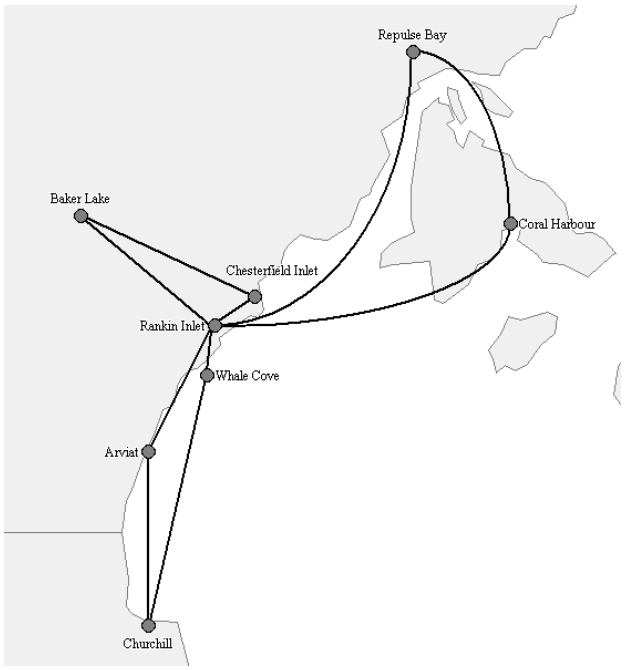
First Air



Air North



Calm Air



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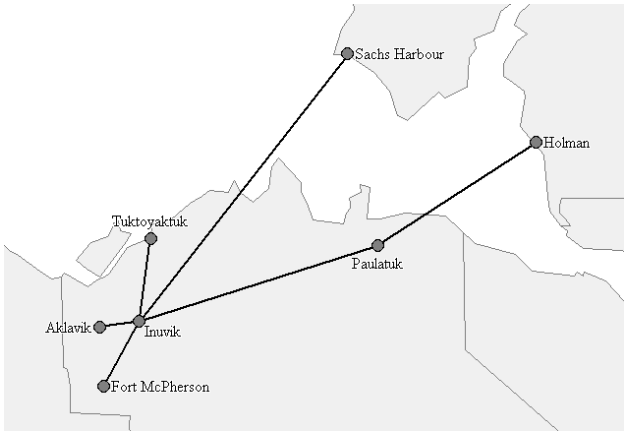
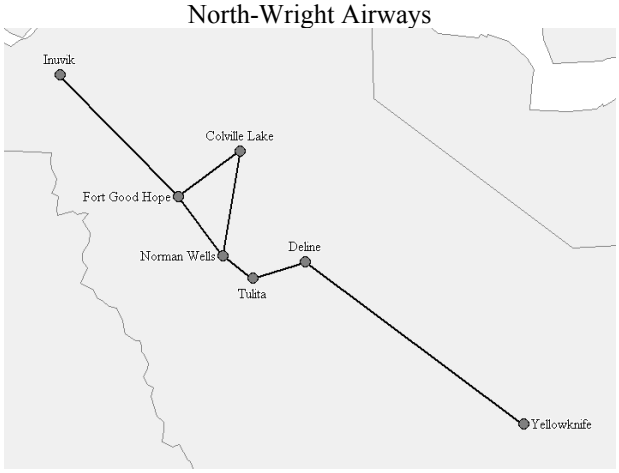
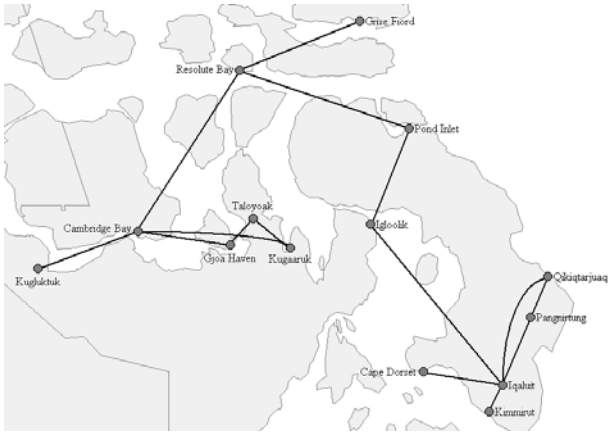


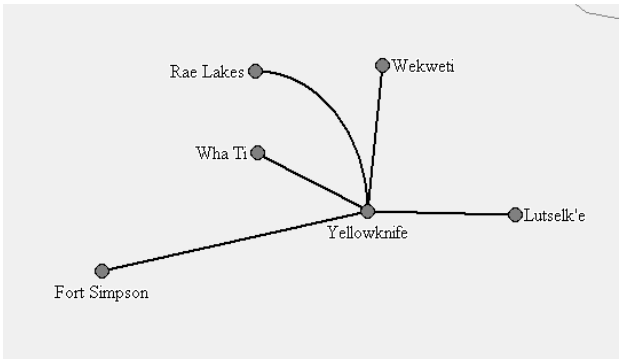
North-Wright Airways



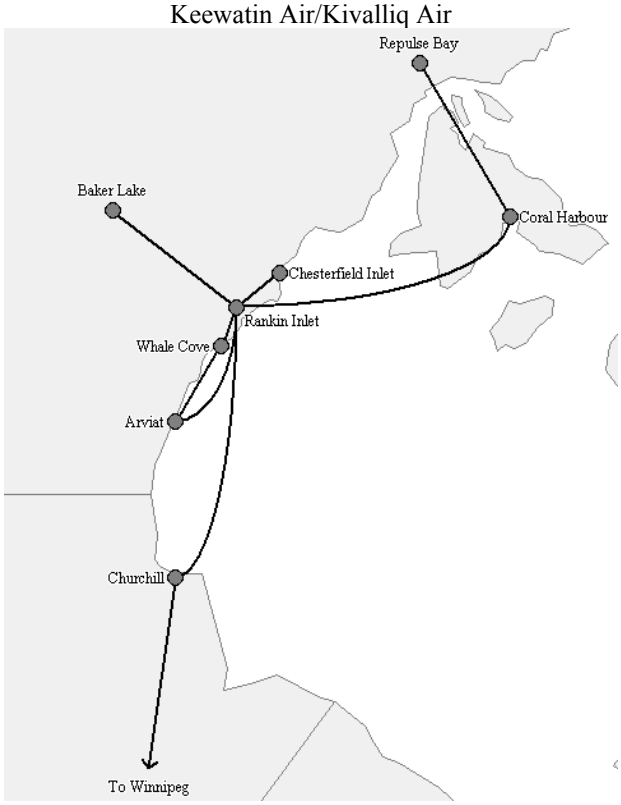
Kenn Borek Air



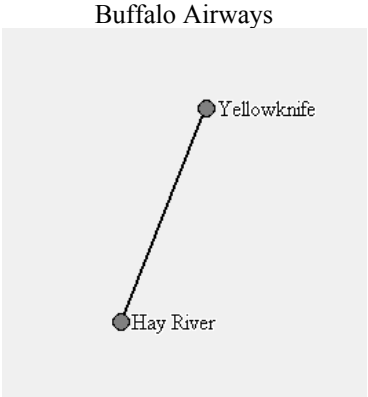
Air Tindi



Keewatin Air/Kivalliq Air



Buffalo Airways



Conclusions

It is clear that traffic at small airports has evolved differently from that at the large airports. Overall, traffic has increased at the large airports because of increased economic activity and the expansion of low-fare services across the country. Small airports have evolved differently depending on the degree of access to other modes of transport. Air services and traffic at the most remote communities have remained fairly stable over the past decade and may actually increase as the population grows in these areas. Oil and mining activities in some regions may give a further boost to air travel. In contrast, traffic at small airports with good access to the highway system and other modes of transport has been decreasing at an alarming rate.

Part of the decrease in traffic at small airports can be attributed to the changing structure of the Canadian air transport industry. Aggressive competition between Air Canada and Canadian Airlines led to the overexpansion of networks and poor control over revenues and costs of service to small communities. A lack of consistent profitability at the regional level and the need to correct the excess capacity situation have forced Air Canada to make even deeper cuts. The high cost of serving low-density, short-haul markets and the structure of fees and charges have discouraged the development of regional traffic. The situation will become even more critical because Air Canada plans to retire some of its aging turboprop aircraft in the next few years.

Not all the difficulties faced by small airports can be attributed to airline issues. Replacement air services, sometimes at a reduced scale, have been immediately offered at most communities that have lost regional service. The transition to new service has been smoother in areas where other airlines were already active. Airlines have felt more comfortable providing replacement air service where they have good knowledge of the local market and can expand without overtaxing their own resources. The difficulty at the small airports that have completely lost air service is a lack of patronage. A minimum of 25,000 passengers per year is needed to support a twice-daily, regional aircraft service. The use of smaller aircraft and less frequency can lower the threshold but results in higher per-passenger costs. All the communities that have lost air service generated traffic far lower than the minimum needed to sustain commercial air services.

More communities will be facing route transfers or discontinuation of service if the traffic decrease is not reversed. The impact of such actions on a community cannot be underestimated. The loss of convenient flights and connections discourages economic development. Small communities that rely on passenger service to support their airports will have to find alternative sources of funding to maintain airport operations that support other essential services such as Medivac flights.

APPENDIX E

OVERVIEW OF PAST AND EXISTING SUPPORT TO SMALL AIRPORTS

Canada Infrastructure Works Program

Between June 1994 and end of March 1996, the federal government share under the program totaled $2.37 million for airport-related projects totaling expenditures of $7.1 million. The scope of the projects benefiting from this federal support covered a broad range of project types, including re-roofing of terminal, airport road repairs reconstruction or upgrade, airport parkway, construction of hangars, runways.

Infrastructure Canada Program

A total of 14 airport projects benefited between 2001 and 2004 from federal funding under the cost-shared terms of the Infrastructure Canada Program – 2 projects in New Brunswick, 2 in Ontario, 2 in Saskatchewan; 4 in Alberta and 4 in B.C. A total of $1.165 million was committed to these projects. The program, for airports, was an ad hoc source of funding.

Ad-hoc Financial Support to Airports from Federal Regional Development Agencies

The federal government has a number of regional development agencies (e.g. Atlantic Canada Opportunities Agency, Western Economic Diversification). Over the years, on an ad hoc basis, some airports have received financial support to develop a business plan, a marketing strategy, etc. Details on the amounts are presented in tables found in Appendix C.

Transport Canada's Airports Capital Assistance Program (ACAP)

This federal program assists in financing capital projects related to safety, asset protection and operating cost reduction. To be eligible, airports must have year-round regularly scheduled passenger services and not be owned or operated by the federal government. Between fiscal years 1994-96 and 2006-07, a total of 154 airports benefited from ACAP funding, of which 55 had also received federal funding when they transferred to local authorities. Over that period, approximately $300 million was provided under that program.

Labrador Coast Airstrips Restoration Program

Under the *Labrador Coast Airstrips Restoration Program*, the Government of Canada provides a financial contribution of up to $5 million for the restoration of the Labrador Coast Airstrips for the period 2003/04 to 2007/08. The Restoration Program funds projects which contribute to increasing the life of airport assets, such as runways, taxiways, aprons, access roads and equipment/passenger shelters. The primary objective of the Program is to restore the airstrips along the Labrador Coast to ensure the operational capability of the airstrips is maintained at the level necessary to meet

Transport Canada Airport Certification requirements. Since 1983, close to $7 million has been invested in Labrador Coast airstrip restoration projects under this program. The restoration projects under the program are 100% funded by the Government of Canada. The Province of Newfoundland and Labrador is responsible for all costs associated with the operation and routine maintenance of the facilities. The airstrips are located in the following communities: Black Tickle, Charlottetown, Cartwright, Davis Inlet, Fox Harbour, Hopedale, Makkovik, Mary's Harbour, Nain, Port Hope Simpson, Postville, Rigolet and Williams Harbour.

Airports Assistance in Quebec and Ontario

Quebec invests $5 million per year in infrastructure at Transports Québec airports, as well as $12 million per year to operate Transports Québec's 27 airports.

Ontario dedicates $2.5 million a year to the 29 airports it owns and operates.

Manitoba Airports Capital Assistance Program (MACAP)

Manitoba dedicates a sum of $75,000 per year through the Manitoba Airport Assistance Program for certified and registered airports without scheduled services ($1,200 for airports with unpaved runways and $2,400 for airports with paved runways).

Saskatchewan's Community Airports Assistance Program (CAAP)

Saskatchewan devotes $111,800 per year to its CAAP for community airport operation and maintenance only. The province does not have a capital program for airports.

Alberta's Programs

Alberta allocates $2 million a year to its Community Airports Program (CAP), a program eligible to 72 community airports for rehabilitation projects. Airports that are eligible for Alberta's CAP program are not eligible for Transport Canada's ACAP program.

A sum of $3 billion is available over the period 2005 to 2010 under the Alberta Municipal Infrastructure Program for infrastructure projects, including community airports.

The Canada-Alberta Municipal Rural Infrastructure Fund includes as eligible projects tourism and connectivity projects that may include community airports.

British Columbia's Transportation Partnerships Program

Since 2004, B.C. has set aside $10 million per year for capital contributions to public transportation infrastructure at ports and airports. The goal of the Transportation Partnerships Program (TPP) is to provide capital contributions to those port and airport infrastructure investments that will result in significant, incremental economic benefit. The TPP is available for any public-use airport in B.C., with the possible exception of the larger NAS airports of Vancouver and Victoria. The transportation investment must be linked to economic development initiatives in the region.

The requirements of the programs are (1) that the Ministry of Transportation be a minority contributor to the project; (2) there is some investment in the project by the private sector; (3) there is a sound business case rationale.

The Ministry provides a "conditional contribution", governed by an agreement with all the financial contributors, and the contribution is normally provided on project completion or phased with project completion milestones, depending on the circumstances of each project.

Local/Regional government, airport and port authorities, and select third parties are eligible.

The TPP is a good catalyst to get communities/airport operators to develop ways to maximize the use of the airport to facilitate economic development, where there are some real opportunities. So far, most of the funding has gone to airport projects for projects such as runway extensions, air terminal building upgrades, etc. A portion of the TPP annual allotment (up to $1 million) is used to provide contributions to small community airport operators not eligible for ACAP for strictly capital rehabilitation projects. This is done on a cost-shared basis where the share of the province can go up to 75% of the funding, depending on the cost involved.

Airport Assistance in the Territories

Yukon spends $4.4 million annually on the 29 airports it owns and operates while Nunavut dedicates $5.4 million a year to its 25 certified airports.

Appendix F provides a summary chart of available support mechanisms in provinces and territories.

Ad Hoc Airport Support under Joint Programs

The B.C. Ministry of Economic Development (MED) may also provide provincial capital support through the Municipal Rural Infrastructure Fund as they did in the past through the Canada-B.C. Infrastructure Fund. The amount of these funds depends on the priorities of municipalities and also has project contribution limits.

B.C.'s Ministry of Economic Development has provided one-time contributions for airport projects, not as a predictable and sustained source of funds.

PEI's Department of Development has provided funding for capital projects at the Charlottetown Airport Business Park.

New Brunswick provided ad hoc operational and capital support funding to small airports.

Tax Relief

The provinces of New Brunswick and Prince Edward Island and Nunavut Territory exempt its airports from provincial territorial property tax. In Ontario, since 2000, a "payments-in-lieu-of-taxes" for airports is based on a throughput measure (e.g. number of passengers).

To help the air transportation industry, many jurisdictions have either removed aviation fuel taxation (Alberta, Newfoundland and Labrador, and New Brunswick, for International air services), reduced it (Yukon) or applied only GST on fuel (Nunavut). In some jurisdictions, passenger and air cargo services are treated differently from a fuel tax perspective (BC, Quebec international air cargo).

Provincial / Territorial Government Support of Airports *(Appendix F)*

	Own & Operate Airports	Capital Support	Fund Research / Studies	Tax Exemptions	Advocacy role	Support or involvement with airport authorities and associations	Other
Newfoundland & Labrador	- Own and operate 22 airstrips (13 with scheduled service in Labrador and 9 without scheduled service on the island portion of the province) - $1M / year to operate the 13 airports with scheduled service	- Under a F/P agreement signed in 1982, **Transport Canada** provides Capital Restoration (approx. $1M/yr) for the 13 Coastal Labrador airports.	- Provincial Study of the Viability of Smaller Canadian Airports - Dept. of Innovation, Trade & Rural Development have funded a number of studies addressing airport viability, marketing opportunities, and due diligence to fund business plans. This funding is under the guise of economic development.	- Fuel tax exemption on international flights.	- Act on behalf of provincial airport / airline community in dealing with various other industry participants (ie. federal government, NAV Canada, etc.) when appropriate.	- DOT contributed funds to the start-up of the newly formed Atlantic Canada Airports Association (ACAA) and retains an annual membership. - DOT representative attends airport stakeholder and annual general meetings. - NL has been requested to appoint and has put forth names for consideration for a representative to the two NAS airport and three of the Regional & Local Board of Directors.	- Funding support has been provided to cover the Trustees fees in the Stephenville Bankruptcy Protection (max. $150,000) and a repayable loan guarantee (max. $350,000) to facilitate credit settlement and restructuring costs. The funding is provided through the Department of Innovation, Trade and Rural Development.
Nova Scotia		- No specific airports capital assistance program.	- Provincial Study of the Viability of Smaller Canadian Airports - Nova Scotia Office of Economic Development has occasionally provided funding for airport marketing and business plans on an ad hoc basis		- Act on behalf of airports, airlines and community interests, including trade and tourism, in dealing with various other industry participants (ie. federal government, NAV Canada, etc.) when appropriate.	- Contributed funds to the start-up of the Atlantic Canada Airports Association (ACAA) - Retain an annual membership in the ACAA - TPW representative attends airport stakeholder and annual general meetings	- Under Canada-Nova Scotia Cooperation Agreement for Economic Diversification (EDA), the Sydney Airport Authority received $888,000 and the Yarmouth Airport Commission received $440,000 spread over two fiscal years (1998-99 & 1999-2000) for various items, including hangar construction/expansion and development of marketing plans. Funding was 70% ACOA, 30% NSOED. No similar funding has been provided since 2000. The EDA expires as of March 31, 2006 and, in reality, there is no additional funding available to applicants already.
Prince Edward Island		- Funding has been provided through Department of Development for capital projects such as the development of the Charlottetown Airport Business Park.	- Provincial Study of the Viability of Smaller Canadian Airports	- The Charlottetown Airport is exempt from provincial property taxes.		- Contributed funds to the start-up of the newly formed Atlantic Canada Airports Association (ACAA) and retains an annual membership.	
New Brunswick		- Province provides operational and capital support on an ad hoc basis to Regional/Local and municipal airports. Since 2001, this has totaled approx. $700,000. - Federal / Prov. Infrastructure Program provides funding on a cost shared basis (1/3,1/3,1/3). In 2002, $1.05M ($3.15M total) was provided for various infrastructure upgrades at the Moncton airport and $1.5M ($4.5M total) was provided for a runway extension at the Fredericton airport. In 2006, nearly $270,000 ($809,444 total) was provided for the construction of an 8,500 sq. ft. multi-use pavilion at the Fredericton airport.	- DOT supports various studies, including the Provincial Study of the Viability of Smaller Canadian Airports and a study on the viability potential of cross border air service. - DOT assisted in purchasing airline data for use in research done by the department and airports.	- Dept. of Finance offers a fuel tax rebate on international air service (2.5 cents / litre) - Province exempts airports from provincial property tax (over $1M in savings each year to NB NAS and Regional/Local airports).	- DOT act on behalf of provincial airport / airline community in dealing with various other industry participants (ie. federal government, NAV Canada, etc.) when appropriate.	- DOT contributed funds to the start-up of the Atlantic Canada Airports Association (ACAA) and retains an annual membership. - DOT representative attends airport stakeholder and annual general meetings. - Province has representation on the 3 NAS airports' board of directors.	- Province participated in the travel bank that initiated Delta Airlines service by between Fredericton and Boston. The province invested $240,000 in pre-paid air travel for a two-year period. Business NB also provided a $1M loan guarantee for this service. - 2004: Province assisted the Bathurst airport in the form of an air service revenue guarantee / marketing campaign (approx. $150,000). - The Dept. of Tourism & Parks helped secure charter services for Moncton-Paris and Moncton-Hanover for 2004 and 2005. Provincial funding was used to market these new services abroad (approx. $200,000 and $30,000, respectively). - The Province launched a $500,000 New York tourism campaign to coincide with the introduction of a new Newark-Moncton service from Continental Airlines.
	- Transports Quebec owns 27	- No specific airports capital	Provide some funding from time	- No tax exemptions	- Act on behalf of		- All agreements (ACAP funding, divestiture

Provincial / Territorial Government Support of Airports *(Appendix F)*

	Own & Operate Airports	Capital Support	Fund Research / Studies	Tax Exemptions	Advocacy role	Support or involvement with airport authorities and associations	Other
Quebec	airports, mostly in remote locations. - 7 are operated in-house and 20 are operated by contract. - 22 with scheduled service (regional / local carriers). - About $12 M / year to operate the 27 airports. - No charges or landing fees at 26 provincially owned airports. - Other governmental agencies own and operate airports (Hydro-Quebec: 5).	assistance program. - $5M / year infrastructure investments for Transports Québec airports	to time on an ad hoc basis: - Provincial Study of the Viability of Smaller Canadian Airports. - Study concerning the reliability and security of single engine airplane of new generation (Pilatus PC-12). - Study concerning air transport in Quebec. - Profile of regional air transport demand of passengers in Quebec and tendencies.		provincial airport / airline community in dealing with various other industry participants (i.e. federal government, NAV Canada, etc.) when appropriate. - Participate in CARAC meetings.	- Financially support the Conseil des aéroports du Québec, CAQ (Quebec Airport Council), participate to their development and have one observer on the board of directors. - Financially support the Assocation québécoise des transporteurs aériens, AQTA (Quebec Air Operators Association). - Financially support of the Association des gens de l'air du Québec, AGAQ (Quebec Air People Association) which promotes the use of French language in the air transport industry.	agreement, etc.) between municipal airports and the federal government must be approved by the Quebec government. Ex: the province negotiated a general agreement with CATSA for the implementation of the ''explosive detection systems'' in the concerned airports. - Produced a "Touring Quebec by Air" map. - Quebec government is well preoccupied by regional air services, and consequently provides funding to maintain and develop regional regular air services: funding on an ad hoc basis for regional air services, Air Fare Reduction Program ($650,000 / year) for isolated and remote population and Air Canada Agreement on Regional Services ($2.5M / year, ending July 6th 2006).
Ontario	- Own and operate 29 remote airports (27 service isolated aboriginal communities which are not connected to the all weather road system) - $6.0M / year to operate	- $2.5M / year for the 29 airports the province owns and operates - Municipal Airports Program which provided both capital and operating funds to 50 eligible airports terminated in 1997. - Recent capital funding for three municipal airports received through Industry Canada/FedNor and the Northern Ontario Heritage Fund.	- Provincial Study of the Viability of Smaller Canadian Airports - Variable amounts through other federal programs to develop business opportunities at airports (i.e., FedNor, Human Resources and Skills Development) - AMCO led Study of Ontario Municipal Airports. $65,000 joint funding through Ont. Min of Economic Dev, Ont. Min of Northern Dev and FedNor.	- No tax exemptions - In 2000, province passed legislation that will cause Payments-In-Lieu- of Taxes (PILTS) for airport authorities to be based on a throughput measure such as passengers.	- Act on behalf of provincial airport / airline community in dealing with various other industry participants (ie. federal government, NAV Canada, etc.) when called upon and where appropriate.	- Have provincial representatives on the 4 airport boards of directors. Minimal involvement in the appointment process. - Are members of AMCO (a provincial association representing about 60 municipal airports) and Community Airports Group Cooperative (CAGC) which represents about 20 airports. - Also members of the Canadian Airports Council (CAC).	- The Ministry of Economic Development and Trade monitors, and from time to time meets with representatives of the airline industry (i.e., ATAC, IATA, etc). The Ministry of Tourism and Recreation is part of a F/P/T group which prepares reports and lobbies the federal government on aviation issues, i.e., ATSC).
Manitoba	- Own and operate 24 northern remote airports - $10M / year to operate	- $150,000 / year through the Manitoba Airports Capital Assistance Program (MACAP) for airports not eligible for ACAP funding **(NOTE: Program discontinued 2004).** - $75,000 / year in funding for certified and registered airports without scheduled service. The operating grants go towards general revenue and are $1,200 for airports with unpaved runway and $2,400 for airports with paved runway.	- Provincial Study of the Viability of Smaller Canadian Airports - Funded one or two business planning or feasibility studies related to the divestiture of an airport in the province. - Assisted the Winnipeg Airports Authority with at least one study. - Completed an economic impact study on aviation.	Air cargo on certain international flights is exempt from provincial fuel tax		- Several department staff are members of the Manitoba Aviation Council (MAC) and attend their annual conference. - A couple of employees attend meetings with the Association of Manitoba Municipalities (AMM) Airport Operators Committee (most R/L's are members). - Member of two Winnipeg Airports Authority committees (Community Consultative and Environment Advisory) - Have attended RCACC meetings held in Winnipeg.	
Saskatchewan	- Dept. of Highways and Transportation owns and operates 18 northern airports - $1.5M / year to operate	- Current allocation of $111,800 for Community Airports Assistance Program (CAAP) for community airport operation and maintenance only. No capital program for community airport maintenance.	- Provincial Study of the Viability of Smaller Canadian Airports - Carried out an internal Study on Regional airports in Saskatchewan (2001). Study included a questionnaire survey of the airports. - Saskatchewan Airports Economic Assessment Study,	- Budget 2005-06 reduced aviation fuel tax from 3.5 cents/l to 1.5 cents/l. - Transborder and international flights exempt from aviation fuel tax (through rebate).		- Attend annual conference of the Saskatchewan Aviation Council (SAC). -Act as secretariat for the Aviation Development Forum as an adjunct to the SAC Annual conference. - Attend SAC Directors' meeting and SAC consultations. - Support development and production of the SAC Air Facilities Map. - Liaise with airport authority and associations through Aviation Development forum.	- Although Saskatchewan does not currently have a provincial capital assistance program for community airports, a couple of them were able to access funding under the former Canada-Saskatchewan Municipal Infrastructure Fund, administered by Saskatchewan Government Relations. - Airports not eligible for assistance under New Gas Tax Deal for Cities and

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			March 2002 -Supported joint study with the Saskatoon Airport Authority and WEDO on the Feasibility of Schedule on the Western Side of the Northern Administrative District. Report completed in September 2006.			- Attend meetings of the Community Consultative Committee, Saskatoon Airport Authority, Regina Airport Authority.	Communities.
Alberta		- $2M / year for community airports without scheduled service through the Community Airport Program for rehabilitation projects. There are 72 community airports that are eligible for funding. - $3B over five years (2005 to 2010) through the Alberta Municipal Infrastructure Program to all municipalities for infrastructure projects that may include community airports.	- Participated in theProvincial Study of the Viability of Smaller Canadian Airports - Completed an airport inventory project to examine conditions of existing facilities and to forecast future capital infrastructure needs for smaller airports in Alberta. - Completed a study examining the operating viability and socio-economic benefits of some selected airports that were covered in the inventory project above	- The 1.5 cents / litre fuel tax was removed for international traffic (both cargo and passenger). Fuel tax for domestic traffic is at 1.5 cents / litre.	- Act on behalf of provincial airport / airline community in dealing with various other industry participants (ie. federal government, NAV Canada, etc.) when appropriate.	- Participate in meetings with Aviation Alberta and attend their annual general meetings.	Possible non-traditional funding sources and potential roles include: - Alberta Municipal Affairs has the "Regional Partnership Initiative" program which provides funds for the development and implementation of a business plan. - Alberta Economic Development provides advice and may fund studies from time to time related to economic development opportunities in partnership with airports. - Alberta Capital Financing Authority provides loans for capital projects at the lowest possible rates to airport authorities that are recognized under the Alberta Regional Airports Authorities Act. - Aviation Alberta provides advice for member airports and acts as an advocacy group for aviation issues for its members. - Western Economic Diversification has provided funding in the past for aerospace related projects in Alberta.
British Columbia	- The Ministry of Forests operates 2 or 3 airstrips for fire protection purposes.	- $10 million per year program for ports and airports through the Transportation Partnerships Program (TPP) to contribute to projects that will result in economic benefits. - Federal/provincial infrastructure program (1/3,1/3,1/3). The provincial source of this contribution is not from the MOT. - Approx. $1M of the TPP budget is available for capital rehabilitation projects at airports not eligible for federal ACAP. There are approximately 60 small community airports in this category.	- Provincial Study of the Viability of Smaller Canadian Airports - Various other studies on a case by case basis. Example: - May fund studies related to the liberalization of Canada's international air policies - Development of a northern airport strategy in collaboration with Alberta	- Fuel tax has been reduced to 2 cents / litre for domestic and international operations (was 5 cents / litre). 100% fuel tax rebate for international all cargo flights and a proportional amount for cargo carried on international passenger flights.		- Act on behalf of provincial airport / airline community in dealing with various other industry participants (ie. federal government, NAV Canada, etc.) when appropriate, and as issues arise. - Participate in BC Aviation Council activities (although not members, per se). - Associate member of ATAC. - Provincial appointees to the Boards of the Victoria and Prince George Airport Authorities. - YVR/Provincial government consultative committee meets annually.	- Ministry of Economic Development (MED) contributes to select airport infrastructure projects, on application, as the provincial contributor on federal/provincial infrastructure works programs. MED may fund studies from time to time related to the identification of tourism opportunities, in conjunction with airport operators. - MoT, Intergovernmental relations, Tourism BC and MED participate in the activities of the Airline Industry Monitoring Consortium of British Columbia (AIM BC), formed to advocate for changes to federal air policies that will sustain and enhance the viabiiity and competitiveness of the aviation sector.
Yukon	- Territory operates 29 airports / aerodromes - $6.52M / year for operation and maintenance - There are two airport managers - one for	- $4.4M / year for the 29 airports / aerodromes the territory owns and operates (including ACAP and CATSA project recoveries); only 3 airports are eligible for ACAP funding	- Provincial Study of the Viability of Smaller Canadian Airports; Small Airport Viability Task Force; - Cost/Benefit to pave Dawson Airport; Master Plans for airports	All Yukon airports within municipal boundaries are required to pay Grants in Lieu. Yukon also charges	The Dept of Highways and Public Works owns and operates 29 public aerodromes in the Yukon Territory and represents the	Member in CAC, and support Northern Air Transport Assoc (NATA)	

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	Whitehorse; the other 28 are managed by the Supt. Of Community Airports - Achieve operational efficiencies in running the 29 airports through the sharing of resources			a fuel concession fee of $.0452/litre on all fuel sales.	government on all aviation issues.		
N.W.T.	- Owns and operates 27 airports which make up the NWT Territorial Airports system. - Airports classified as: Gateway Hub (Yellowknife), Regional Hubs (Hay River, Inuvik) and Community Airports (remaining) - 6 Airport Managers operate and maintain regional airports with own forces and manage the remaining airports through Operational - Contracts with municipalities or private sector contractors. - O & M for all 27 airports is $23.4M and revenue from landing fees, leases, concessions, etc. is $4.3M (2005/06).	- Capital support ranges from $3 to $14M annually as approved by the NWT Legislative Assembly. - NWT Airports meet the criteria to apply for ACAP funding.	- Provincial Study of the Viability of Smaller Canadian Airports - The 20-year Fiscal Needs plan through 2026. - Northwest Territories Airport Marketing Strategy (underway) - Retail Plan, Yellowknife Airport, November 2004.	- GNWT Airports located within tax based municipal boundaries pay Grants in Lieu.	The Department of Transportation supports and represents all of the territorial airports in their relations with NavCanada, Transport Canada, tenants, airport users and other stakeholders	- Member in the Canadian Airports Council (CAC) and support the Northern Air Transport Association (NATA).	- Facilitate supplementary funding agreements such as ACAP.
Nunavut	- Territory owns and operates 25 certified arctic airports and provides support to 3 additional airstrips in unorganized small communities on the Arctic Coast - O&M is $14.4M / year for operation and maintenance - There is a Manager of Transportation and an Airports Officer in each of the 3 Regions, Kivalliq, Kitikmeot, and Baffin. - Four APM's at Resolute, Iqaluit, Cambridge Bay, and Rankin Inlet - The 28 airports are operated as a system	- $5.4M / year for the 25 certified airports owned and operated by the Gov of Nunavut	- Provincial Study of the Viability of Smaller Canadian Airports. - Completed a "Nunavut Transportation Strategy - Currently in the midst of an "Air Services Study"	- All Nunavut Airports are exempt from territorial taxes, Grants in Lieu are paid to Iqaluit, the only tax based community - GST is the only tax on fuel	- The Department fully represents the territorial airports regarding all matters, whether it is wilth Transport Canada, Nav Canada, users, stakeholders, etc.	- Support the Canadian Airports Council (CAC) and the Northern Air Transport Association (NATA).	- Facilitate supplementary funding agreements such as ACAP.