

A-143

Discussion Paper:
**Northern Alberta
Airports and Aviation**

for the Northern Alberta Development Council

June 17, 2000

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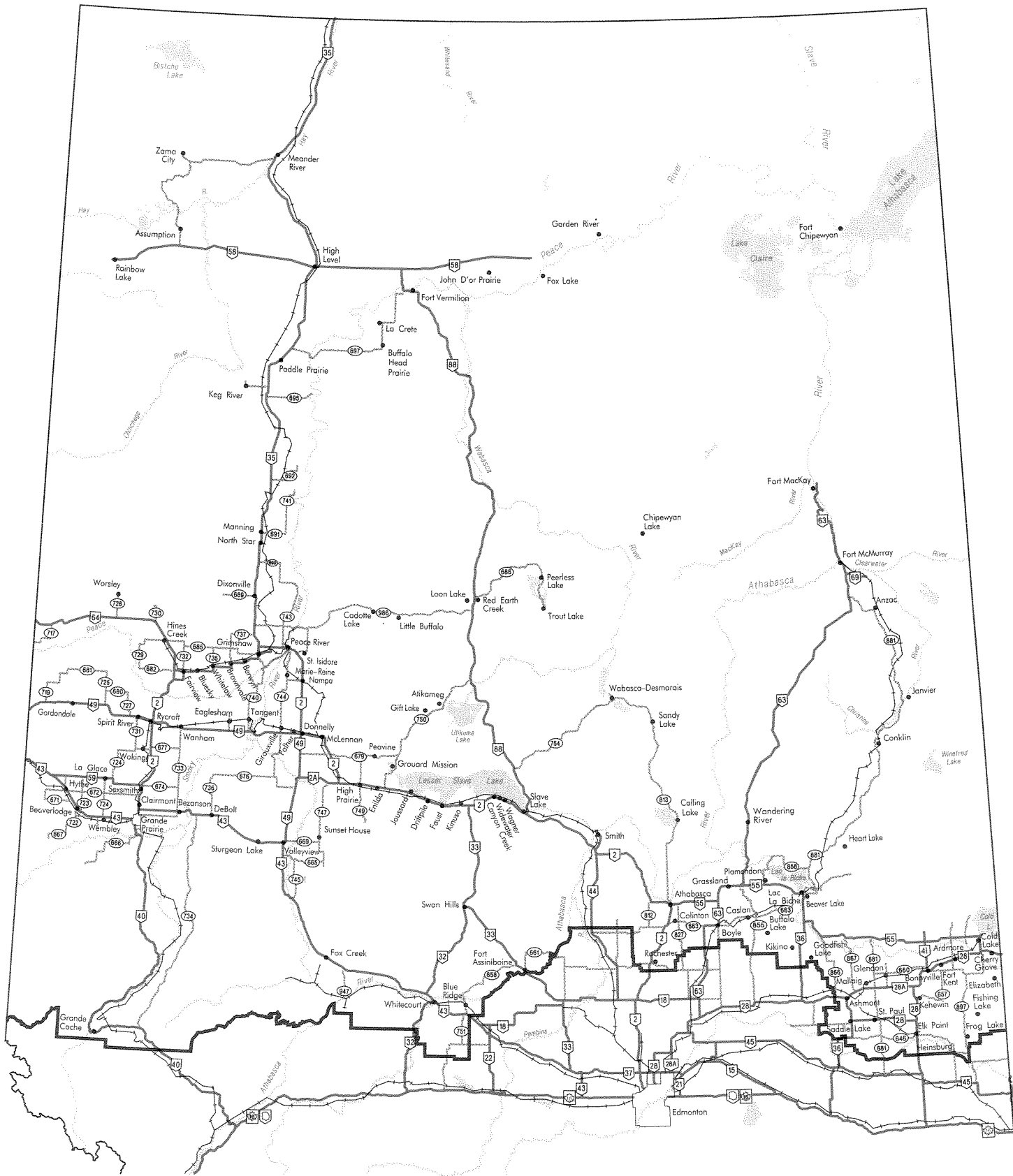
Dear :

Re: Acknowledgments

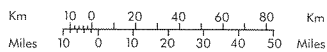
We want to acknowledge the organizations and members of the advisory committee who assisted with this project. These acknowledgments must include the individuals who provided input through surveys and by attending the workshops. Through their assistance of these organizations and individuals, we have prepared a study that should provide the basis for further action by stakeholders to improve the viability of northern airports and aviation.

Yours truly,

Rob Beynon



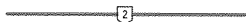
NORTHERN ALBERTA DEVELOPMENT COUNCIL AREA



PRIMARY HIGHWAY

SECONDARY HIGHWAY

RAILWAY



Executive Summary

Overview

The Northern Alberta Development Council (NADC) commissioned this study to review trends in aviation and airports in northern Alberta and to recommend steps to ensure the continued viability of this aspect of the economic and social fabric of northern communities. The NADC wanted to address the long-term viability of these airports and how to keep them operational in very challenging times. As well, there was a desire to keep a good level of scheduled airline service in northern Alberta. The availability of aviation services will have a major impact on the economic development of northern Alberta. The project therefore focuses on the impacts and change in the aviation and the airport industries on the communities and businesses within the area that the NADC represents.

The 1990s were a tumultuous decade for aviation and airports in Canada, and the period of change is continuing into the new millennium. Key examples of change in the 1990s were the introduction of the National Airports Policy (NAP) and the devolution of federal airports, the creation of Nav Canada, the closure of Edmonton's City Centre Airport to major, scheduled air services, and the development of the so-called third-tier air carriers like Central Mountain Air. The purchase by Air Canada of a controlling interest in Canadian Airlines International in late 1999 was probably the greatest change of the entire decade, and has ushered in a period of rapid change and uncertainty.

During this period, the impact of changes in regulations, policies and business trends on regional communities has been hotly discussed. For example, during the closing days of the Air Canada/Canadian purchase discussions, the federal Transport Minister released a policy paper aimed in part at ensuring that regional communities would have guaranteed air services. At a conference of northern communities in Prince George in October 1999, many community leaders expressed concerns that airport devolution and air carrier changes will have a negative impact on small, northern communities.

The relative scale of passenger airports within the region is shown in **Table ES-1**. This table is prepared using site data and the most recent Stats Can numbers publicly available. Stats Can ranks the top 100 scheduled passenger airports in Canada. These numbers show that the scale of operations of the airports in the region vary considerably.

Comparable sites in B.C. and the N.W.T. are also shown in Table ES-1 because air carrier routes between these sites exist and because they are good comparisons with the Northern Alberta sites. It should be noted that the site numbers kept by airport managers often do not agree with the Stats Can numbers because they are kept using different methodologies, but these statistics will provide a good overview of the comparative size of these airports.

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Economic and corporate trends have also been key to aviation. The 1990s has been a period of prolonged economic growth with the development of low cost and third tier air carriers, and aviation industry restructuring in Canada. On the airport side, the 1990s saw the devolution of federal airports to local organizations and the rise of professional airport operators. Airports and aviation in Northern Alberta, and all of regional Canada, fall under the direct and indirect control of outside agencies, the *Controlling Forces*. These organizations set systems, policies, and regulations that impact aviation and airports. Three of these controlling forces are discussed here – Nav Canada, Transport Canada, and airport authorities.

Probably the most important immediate issue facing regional airports is the potential reimposition of Emergency Response Services (ERS) at airports that eliminated these services in the early 1990s under Transport Canada's direction. The financial impact on these airports could be substantial, in some case as much as an additional 50 percent of their existing operating budget. A great deal of study has been conducted to show that ERS has had a limited impact on safety at Canadian airports. Some community leaders, such as mayors, have accused Transport Canada of bargaining in bad faith when it transferred regional airports with no ERS, and then attempts to reimplement these requirements.

This process of change has created numerous issues for communities, airports, and regional air carriers. These include the following issues, concerns and opportunities:

- Airport capital requirement concerns
- Emergency services provision costs
- Need for changes to fees and revenue generation approaches
- Search for scheduled air services to unserved communities
- Concerns regarding industry restructuring and a potential monopoly of connecting air services
- Potential changing environmental legislation
- Fears of continuing, expensive regulatory change
- Airport access concerns
- Impact on medevacs and economic development

Project Survey

One activity in the project was surveying airports, communities, and air carriers to determine the issues they are struggling with and the concerns they have identified. The survey received a high response rate, with over 50 percent of those contacted responding, indicating a strong interest in the issues.

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requirements. The third scenario assumes that airport/air carrier issues are resolved amicably, that the overall system grows, and that capital is replaced in a timely manner.

Recommendations

This project has covered a wide area and numerous issues. The following recommendations were developed with input from the steering committee and the community workshops. The recommendations are:

1. Encourage Alberta Infrastructure to solely or jointly examine the role of the airport infrastructure within Northern Alberta and its potential loss. Some communities are considering closing airports now and many airports have reached a serious point of degradation. This examination could take different forms:
 - A transportation study on the role of airports covering medical, community, educational, business and recreational purposes. This could include comparisons with other modal options, cost-benefit analysis, a matrix defining sites to receive priority attention, or other forms of research. This would include determining if medevac services at northern communities are at risk as a result of changes to the aviation and airport systems.
 - An inventory of capital needs at airport sites in Northern Alberta including some or all sites.
2. Monitor aviation and airport-related issues and their impact on Northern Alberta communities.
3. Act as an advocate for Northern Alberta airports including:
 - Promote no new Transport Canada regulations for airports and aviation unless a valid cost-benefit analysis can prove the utility of the new regulation.
 - Demand that Transport Canada pay the capital and operating expenses related to any new Emergency Response Services (ERS) regulations, if they are enacted.
 - Champion the concerns of small and regional airports with airport authorities, the federal and provincial government, and air carriers belonging to the major air carrier group.
4. Encourage the development of capital plans at all small and regional airports.
5. Host a northern communities airports symposium for communities with airports. Workshop attendees recommended a number of different formats and approaches.

1. Overview: Airports, Aviation and Northern Alberta

The 1990s were a tumultuous decade for aviation and airports in Canada, and the period of change is continuing into the new millennium. Key examples of change in the 1990s were the introduction of the National Airports Policy (NAP) and the devolution of federal airports, the creation of Nav Canada, the closure of Edmonton's City Centre Airport to major, scheduled air services, and the development of the so-called third-tier air carriers like Central Mountain Air (CMA). The purchase by Air Canada of a controlling interest in Canadian Airlines International in late 1999 was probably the greatest change of the entire decade, and has ushered in a period of rapid transition and uncertainty.

During this period, the impact of changes in regulations, policies and business trends on regional communities has been hotly discussed. For example, during the closing days of the Air Canada/Canadian purchase discussions, the federal Transport Minister released a policy paper aimed in part at ensuring that regional communities would have guaranteed air services. At a conference of northern communities in Prince George in October 1999, many community leaders expressed concerns that airport devolution and air carrier changes will have a negative impact on small, northern communities.

The Northern Alberta Development Council (NADC) commissioned this study to review trends in aviation and airports in northern Alberta and to recommend steps to ensure the continued vitality of this aspect of the economic and social fabric of northern communities. The NADC wanted to address the long-term viability of these airports and how to keep them operational in very challenging times. As well, there was a desire to keep a good level of scheduled airline service in northern Alberta. The availability of aviation services will have a major impact on the economic development of northern Alberta. The project therefore focuses on the impacts and change in the aviation and airport industries on the communities and businesses within the area that the NADC represents.

This area is shown in a map in **Figure I-1**. As the map shows, the NADC begins approximately 100 km north of Edmonton and covers Northern Alberta. The map shows all of the area that the NADC represents and the major highways. It shows many of the communities in this region included in the survey.

Since the end of the recession in the early 1990s, the study area has in general experienced significant growth and economic diversification. Economic growth has included major oil, gas and forestry projects, as well as related services and development.

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Comparable sites in B.C. and the N.W.T. are also shown in Table I-1 because air carrier routes between these sites exist and because they are good comparisons with the Northern Alberta sites. It should be noted that the site numbers kept by airport managers often do not agree with the Stats Can numbers because they are kept using different methodologies, but these statistics will provide a good overview of the comparative size of these airports. By comparison, Edmonton International (2.4 million) and Calgary International (5.8 million) were the fifth and third largest airports in Canada, respectively, measured by enplaned and deplaned passengers.

Table I-1
Relative Scale of Airports, 1999
Measured by Passengers

Airports	1999 passengers
<u>Alberta</u>	
Grande Prairie	156,000
Fort McMurray	123,000
Peace River*	29,837
Rainbow Lake*	19,784
<u>B.C.</u>	
Fort St. John	94,000
Fort Nelson*	20,389
Prince George	352,000
<u>N.W.T.</u>	
Hay River*	25,448
Fort Smith*	16,783
Yellowknife*	218,000

Source: Site Numbers; * 1997 e&d passengers,
Statistics Can catalogue 51-203-XIB

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Although there is not enough data available at this time, it will be interesting to see if the closure of Edmonton's City Centre Airport to scheduled passenger aircraft with more than 10 seats will have an impact on northern origin-destination traffic to that city. In May 1996 Edmonton Airports consolidated passenger traffic at Edmonton International Airport, causing northern communities some concern. The present Edmonton Airports "Passenger Access Policy" allows only aircraft with 10-passengers to use the Edmonton City Centre Airport. This precludes the practical use of 19-seat aircraft such as the Beech 1900 commonly used by third tier air carriers.

Edmonton Airports indicated that it has changed this policy to allow larger aircraft embarking or disembarking only 10 passengers at a time to land, but recently, a regional air carrier claims that Edmonton Airports had backed away on this written promise. Northern residents have preferred not to fly to the International Airport because it is approximately a half-hour from the city centre and because taxis and other related expenses from the International add to the total trip cost. While some northern leaders advise that they would shift their business to Calgary from Edmonton because of the airport consolidation, it is extremely difficult to measure if there has been an impact in more than a loss of good will.

The regional context of Northern Alberta is also important to understand. While the dominant relationship is north-south between Alberta's major urban centres and the north, the region has active relationships to the west and north. The Peace Region of B.C. - Dawson Creek, Ft. St. John, and Ft. Nelson - is closely tied to northern Alberta by commercial, geographic, and social similarities. The absence of an Alberta provincial sales tax and a low fare air service in Grande Prairie attract many British Columbians from this region. These links are supported by scheduled air carrier connections. To the north, northern Alberta has always had a strong relationship with the N.W.T. because of common interests and a shared highway link. Ft. Smith-based Northwest Air Lease also offers scheduled air services in much of Northern Alberta, and connections to Yellowknife. Growing business ties with the N.W.T. appears to be a major opportunity for Northern Alberta and more study in this area should be considered.

2. Context and Trends

In aviation, it seems that nothing is constant but change. Since 1980, the Canadian aviation industry has gone through deregulation, "Open Skies," the rise and fall of Wardair, the demise of CP and the rise of Canadian, the creation of airport authorities, the devolution of airports, the birth of WestJet, the creation of Nav Canada and the purchase of Canadian by Air Canada. Despite all the changes, it would appear unwise to assume that the changes are over. This section discusses the influencing factors; business and aviation trends; controlling forces; and, finally, issues, concerns and opportunities.

a. Influencing Factors

The federal government regulates aviation and airport related issues and it has been an active participant in the many changes within the industry in the past 20 years. The federal governments policies and legislation create the key influencing factors that overshadow change in the aviation and airport industry. For this project, the related issues examined include the National Airports Policy (NAP), the impending air carrier restructuring legislation, the Canadian Aviation Regulations (CARs), the Canadian Transportation Agency (CTA), and the Competition Bureau.

i. The National Airports Policy (NAP)

The National Airports Policy (NAP) was implemented in 1994 under the Mulroney government in order to define the Federal Government's role in Airports and to change that role from owner/operator to landlord/regulator. In 1994 Transport Canada owned, operated and regulated almost all airports with scheduled service in Canada.

Under the NAP, The Federal Government retains ownership of the twenty-six largest airports in the country, measured by total passengers. These airports handle 94 percent of Canada's air traffic, and they include all national, provincial, and territorial capitals. Together they make up the National Airports System (NAS). The Federal Government leases these airports to Canadian Airport Authorities (CAAs), who are responsible for their operation and financial management. CAA are not-for-profit corporations headed by a board of directors. The CAAs are required to operate self-sufficiently. In Alberta, Calgary and Edmonton airport authorities are both members of the National Airport System (NAS).

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Air Service to small communities will be protected in the proposed legislation through a legally binding commitment by Air Canada to continue to service all communities that are currently being served by Air Canada, Canadian, and their subsidiaries, for the next three years. Air carriers will also be required to give 120 days notice if they decide to discontinue, or reduce service by more than 50 percent to a community. Additionally, air carriers must provide the elected officials of a community affected by reduction or cessation of air service an opportunity to meet with the air carrier to discuss the impact on the community of the proposed service changes.

Issues of fairness in air transportation pricing – especially in monopoly routes— will be addressed by increasing the powers of the Canadian Transportation Agency (CTA). The Canadian Transportation Agency is the branch of Transport Canada responsible for implementing the *Canadian Transportation Act*. The *Canadian Transportation Act* currently gives the CTA the power to investigate and take action against price gouging on monopoly routes only on complaint, and then only on regular fares.

When the restructuring legislation passes, the CTA will have the power to initiate investigations into price gouging rather than having to act on complaint. Also, the authority, which the CTA now has to disallow, roll back, or refund fares, will be extended to cover all fares, including economy fares, and also cargo rates. Furthermore, the CTA will be given the authority to order additional fare options on monopoly routes where a carrier's range of fares is deemed inadequate when compared to similar routes elsewhere in the country.

A major focus of this legislation is in protecting small and new entrant carriers from being driven out of markets by larger or more established air carriers undercutting their prices. Cease and desist orders to stop such 'predatory pricing' may be given by the Commissioner of Competition. The Commissioner of Competition is the head of the Competition Bureau, the federal agency responsible for safeguarding a competitive Canadian marketplace.

Further measures to foster competition require Air Canada to sell surplus aircraft to Canadian operators, try to sell Canadian Regional Airlines Limited, and refrain from starting any discount air carriers for a specified period of time.

Fair treatment of employees will be addressed under the proposed legislation by making Air Canada's promise, that none of its unionized employees will be involuntarily laid off or relocated, legally binding.

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The CTA has seven members who are appointed by the Governor in Council. Chairman Marion L. Robson heads the agency. Members are appointed for a term of 5 years and may be reappointed at the end of that term.

There are four branches in the agency: The Air and Accessible Transportation Branch, The Rail and Marine Transportation Branch, the Legal Services and Secretariat Branch, and the Corporate Management Branch. Each branch reports to the chairman.

iv The Competition Bureau

The Competition Bureau was formed in 1985 with the purpose of fostering competition in the Canadian marketplace, regulating mergers, and preventing anti-competitive practices. The Bureau is responsible for administering and enforcing the *Competition Act* (1985), the *Consumer Packaging and Labeling Act*, the *Precious Metals Marking Act*, and the *Textile Labeling Act*. The Competition Bureau is a department of Industry Canada.

The *Competition Act* prohibits anti-competitive business practices like price-fixing, price maintenance, and deceptive advertising. It also prohibits companies from abusing their dominant position in the market, and it legislates against mergers that significantly affect competition.

There are six branches of the bureau consisting of: Civil Matters, Criminal Matters, Mergers, Fair Business Practices, Compliance and Operations, and Economic and International Affairs. The Competition Bureau is both a law enforcement agency and a public educator. Each year the Bureau engages in outreach programs to inform businesses about the law relating to matters of competition and ethical business practices. The Compliance and Operations Branch is responsible for developing these programs and communicating with the media. This branch also creates policies governing enforcement procedures.

The Civil Matters Branch investigates cases scheduled to be brought before the Competition Tribunal. The Tribunal is an independent federal court with the power to order prison terms of up to 5 years per count and to impose fines of up to \$10 million for criminal offenses.

Anti-competitive behavior, such as conspiracies to fix prices, price maintenance, and predatory pricing are handled by The Criminal Matters Branch.

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The financial impact on these airports could be substantial, in some case as much as an additional 50 percent of their existing operating budget. In addition, airports that did not formerly require ERS would now be required to implement it. A great deal of study has been conducted to show that ERS has had a limited impact on safety at Canadian airports. Many aviation observers have said that in their opinion the proposed regulation shows that Transport Canada is not committed to the CARAC process. Beyond that, some community leaders, such as mayors, have accused Transport Canada of bargaining in bad faith when it transferred regional airports with no ERS, and then attempts to reimplement these requirements.

b. Trends

While the influencing factors and regulatory environment has changed, so have trends in the economy and aviation. This has included a prolonged period of economic growth since the earlier 1990s, new types of air carriers, and aviation industry restructuring.

i. Continued Economic Growth

Since approximately 1992, depending on the industry or region you look at, North America has experienced one of the longest periods of economic growth in modern history. This has had a solid impact on Alberta and its northern regions, as well as on aviation in general. Although there are fluctuations, there is no sign that the North American economy is going to slow down quickly. One interesting note is that the major American carriers made profits while the Canadian air carriers had difficulties despite the growing economy.

ii Low Cost Air Travel

The rise of the low cost air travel options was one of the most important trends of the 1990s and the present. This includes the development of the "Charter Carriers" and low cost air carriers. The "Charter Carriers" operate as charters with scheduled service between major, long-haul city pairs such as Calgary-Toronto. These air carriers provide a substantial portion of the seats with low cost tickets and basic service.

Modelled after U.S. carriers like Southwest and Morris Air, Canada has seen the development of one low cost air carrier, WestJet, and it has had a profound impact on

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v Airport Commissions, Societies, and Municipalities

In response to airport devolution, municipalities and communities have responded in different ways to structure the governance of their site. The three most common methods are an Airport Commission, an Airport Society, and direct control by municipal or regional government. The City of Grande Prairie took over the airport and then set up as an Airport Commission as a not-for-profit company, with an at-arms-relationship with the municipality. The City appoints Commission members but the airport is not directly responsible to the City. A society is similar in structure to a commission. A local example of a society is the North Peace Airport Society that governs the Ft. St. John Airport.

Another common form of governance is to set the airport up as a function of municipal or regional government. For example, the Peace River Airport is a function of the municipality. In this type of situation the airport is responsible to the local government and it in turn makes all major decisions.

vi Airport Operators

With the devolution of airports in Canada, a new type of company has emerged – the airport operator. The two best known examples in Western Canada are ATCO Airports (owned by Frontec and WASCO, a Winnipeg Airport Authority subsidiary) and YVR Airport Services, a subsidiary of the Vancouver International Airport Authority. These companies operate regional airports including Dawson Creek and Ft. Nelson by Frontec, and Ft. St. John by YVR Airport Services. These operators take on management responsibilities for a site for a fee, usually providing the airport manager.

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iii Airport Authorities

Alberta's major airports were two of the first four in Canada to transfer from Transport Canada to Local Airport Authorities (LAAs) in 1992, largely under the direction of then Transport Minister Don Mazankowski. While Calgary was basically unencumbered, the Edmonton Regional Airports Authority (ERAA) was almost immediately locked in battle for the control of city-owned Municipal Airport in downtown Edmonton. Arguing that Edmonton International Airport could not compete with Muni and that the regional economy was suffering from traffic splitting, ERAA led referendums in 1992 and 1995. After a win in the second referendum, the City of Edmonton transferred the airport to Edmonton Airports under a long-term lease in 1996.

Both of these airport authorities have been very successful in raising capital to invest in airports, something Transport Canada would not do. This has allowed the airports to develop their infrastructure in a timely manner. On the other hand, many travellers have complained about Airport Improvement Fees where the passengers paid it directly at the gate before boarding.

Airport Authorities are included in the controlling factors section because their decisions on airport access in particular can have a controlling influence on travel to and from Northern Alberta.

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ii. Airport Emergency Services

Changes to CARs, that would require airports to reintroduce some form of Emergency Response Services (ERS), have also raised capital and operational financing concerns. An all-terrain fire-fighting vehicle can cost half a million dollars to purchase and financing a fire department at many regional sites could greatly increase operational expenses.

iii. Fees and Revenue Generation

Fees are already a source of debate between airports and air carriers, and the reduction in air services as a result of the Air Canada purchase of Canadian, is going to refocus this debate at many sites. As most flights charge for landing and terminal fees, flight reductions will reduce their annual revenue. To reduce this revenue loss, airports will either increase fees or change to a per passenger fee.

This is a user-pay era. Politicians, and the public generally, expect airports to be financially self-sufficient. Mayors and councils are not willing to consider new funds for airports at a cost to local rate payers. This means that airport budget shortfalls will have to be made up through fee increases or the introduction of new fees. The aviation industry can justly complain that this approach would be more reasonable if municipal and provincial governments did not subsidize ground transportation, such as roads, so heavily.

The larger regional sites will have other revenue opportunities, but these are limited in Northern Alberta excepting for special cases. Air services are essentially a derived economic demand. If the economy is strong, air service demand is strong, and vice versa. As airports grow, opportunities for secondary and support services and businesses also grow. These opportunities are unlikely to develop fast enough to avoid fee increases or changes at many sites.

iv. Scheduled Air Services

Many communities want to obtain, improve or reinstate scheduled passenger services. Examples include Slave Lake and Hinton. In the past, communities wanted air services to increase business and support the community, but as capital costs become more of an issue, communities are seeking scheduled passenger air services to ensure federal ACAP funding.

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ix. Airport Access

Airport Access is an issue at two levels. The primary level is whether many airports will continue to exist into the future. For example, the Regional Municipality of Wood Buffalo is considering closing two airports for financial reasons. It appears probable that within a decade many of the small sites will be closed. Access is an issue at a second level as many community leaders continue to want access to Edmonton City Centre Airport for scheduled passengers services with 19-seat aircraft if it did not negatively impact their existing air services, i.e. result in other flight reductions to their communities.

x. Medevacs and Economic Development

The provision of medevacs was a major consumer for northern communities. Infrastructure degradation has affected some communities. Further analysis is required on medevac service in northern Alberta.

All of the issues raised in this section affect economic development for related stakeholders and residents. Without a stable airport and aviation system, the economic development of the entire region will be compromised. In this age, air services are considered as important a service as internet connections. Nobody wants to do business somewhere that requires four days to make a trip to.

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- 36% offer courier services
- 27% offer scheduled passenger or cargo service
- 27% offer FBO services

Question 3 *How many enplaned / deplaned passengers did you have in calendar year 1999?* The responses show how wide the variation in airport operations are. Of the respondents who answered this question,

- The median response was 10,500 passengers
- The highest response was 155,733 passengers
- The lowest response was 1,000 passengers

Question 4 asked *How many enplaned / deplaned passengers do you project for calendar year 2000?* Of the respondents who made projections,

- The average was a 10.2% increase in passengers from 1999
- The highest was a 30% increase
- The lowest was 0% increase
- The median response was 7.5%

Question 5 asked *Please prioritize the uses of your airport by passengers* (where 1 is the most important use and 5 is the least important service):

- Business ranks as the highest priority. 54% of airports rated business as the first priority and 72% of airports ranked business as either number 1 or 2.
- Government usage is the second highest priority. 45% of respondents ranked government usage as number 1 or 2.
- Social/holiday uses and education/medical uses were ranked equally. 36% of respondents stated that these uses were first or second priority.

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Respondents were encouraged to include comments attached to their surveys. A number of respondents wrote comments, and these can be read in **Appendix A**. The following summarizes their comments. Their concerns focus on the lack of revenue to cover capital expenditures, particularly at airports with no scheduled passenger services. Most of the airports surveyed cited provision of emergency services, such as emergency medical evacuations and forest fire fighting, as a high priority, and some small airports are concerned that they will not have the funds to maintain airports for emergency services. Other airports mentioned that they have no way of charging landing fees because they are not able to track aircraft movements.

c. Communities

Twenty-four representatives from municipal governments in Northern Alberta were sent surveys to gather facts about their relationships with local and regional airports, as well as to determine what they view as the key issues facing the airports that serve their communities. The response was excellent. Sixty-six percent (16 out of 24) of the communities returned surveys.

In question 1, respondents were asked *What relationship does the municipality have with the local airport?*

- 62.5% of municipalities own and control the airport
- 25% have an arms length relationship through a Commission or Society
- 12.5% have no direct connection

In question 2, respondents were asked *What are the main reasons for having an airport in your town?*

- 94% of respondents said that Medevac was a main reason
- 81% cited business reasons
- 44% cited cargo/mail purposes
- 37.5% cited social/holiday reasons
- 18% added forest fire fighting purposes to this list
- agricultural and forestry applications were also mentioned

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d. Aviation Service Providers

In order to receive input from air carriers serving Northern Alberta, surveys were sent to 16 carriers operating in the region. A 44% response rate was received (7 out of 16 air carriers answered the survey).

In question 1, respondents were asked *How many people does your company employ?* The responses show a wide range of company sizes, though all would technically be classified as small companies:

- 14.3% of those surveyed employ four persons or less
- 28.5% employ 5 to 9 persons
- 28.5% employ 10 to 19 persons
- 28.5% employ 20 to 49 persons

Question 2 asked *Please prioritize the importance of the following services to your air carrier?* (where 1 is the most important revenue generating service and 5 is the least).

- 71% of the air carriers rated charter passenger services as the highest source of earnings.
- 43% indicated that scheduled passenger services were first or second priority
- 43% rated helicopter services as the first priority
- 14% rated courier/cargo services as first or second priority
- 14% rated contract services and private/industrial aviation as first or second priority

Question 3 asked *Please prioritize the 5 issues that concern you most* (where 1 is the greatest concern and 5 the least).

- 100% of respondents replied that *airport fees* were either their first or second greatest concern
- 57% identified *Nav Canada fees* as their first or second priority
- 57% replied that *changing government regulations* was the first or second greatest concern.
- 43% rated *competing with a major monopoly* as first or second priority
- 28.5% stated that *industry restructuring* was first or second priority
- 14% rated *provision of emergency services* as first or second priority

4. Scenarios

In the next five years, there are three basic scenarios for aviation, airports and their development in Northern Alberta. These scenarios are system decline, status quo, and system growth. As aviation and airports are so closely linked, the future of each will shape the other. This section describes what the activity in the next five years for each of these scenarios might look like and then discusses potential consequences. It must be noted, however, that a scenario building discussion cannot predict the future. The intent here is to outline a range of possible futures.

a. Decline

Many observers are discussing the potential for a system-wide deterioration of the system, particularly among small airports which have no scheduled service or may lose scheduled service.

i Activity

This sub-section discusses the activity that might precede or accompany system decline.

- Air carriers and airports conflict over fees. Air carriers and airports are increasingly aggressive with each other, and can't reach compromises.
- Increased fees at some sites directly result in reduced air carrier operations.
- Major air carrier family withdraw scheduled service from some regional sites after transition period in legislation ends. All major, dominant air carrier decisions are made in Central Canada making regional input difficult
- Airports have difficulty changing fees and become marginal operations and require increasing subsidies.
- Federal government increases costs through regulatory changes, e.g. ERS.
- Federal government tightens up on ACAP and airports have difficulty accessing capital for major projects like runway resurfacing.
- Communities seek air carrier service changes by working through the CTA and/or the Competition Bureau
- Communities turn to the Province for help with funding for capital expenditures

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ii Consequences

The following points reflect the possible consequences of the activity in the scenario above:

- Airports are perceived as a financial burden
- Airport infrastructure deteriorates
- Air fares increase to unacceptable levels
- Airports operate marginally
- The public develops safety concerns regarding air travel as airport deterioration becomes clear

c. Growth

This system assumes that overall airport and aviation system grow together and find mutually acceptable ways of solving problems and managing fees.

i Activity

This sub-section discusses the activity that might precede or accompany system growth.

- Air Carrier changes create new market opportunities
- Existing air carriers and new entrant carriers capitalize on these opportunities
- Regional communities maintain a reasonable level of competition and market choices
- Airports develop new sources of revenue
- Communities work with air carriers to improve services and to develop new markets
- Airports can introduce reasonable fee increases as required

5. Workshop Input and Alternatives

In the last week of April 2000, airport and aviation workshops were held in Ft. McMurray, Cold Lake and Peace River to discuss the findings of this project. Time was booked for a workshop from 10 a.m. to 3 p.m. in each community. Despite being held on a weekday, attendance was strong, with 16 at Ft. McMurray, 10 at Cold Lake, and 29 at Peace River. A brief overview of the project was also given to municipal administrators at a presentation in Falher. For the benefit of those who could not attend, the sections below are broken down into comments and recommendations.

α. Comments

- Small and regional airports are an aspect of the province's infrastructure. Therefore Alberta Infrastructure should include airports in their planning.
- Many small airports are in rough shape and communities may not be able to continue operating them in the long-term.
- With no staff on site, many smaller communities did not have a good understanding of use at their site.
- Infrastructure degradation is impacting Medevac at small communities. This showed up in two concrete examples: 1) The Regional Municipality of Wood Buffalo is considering closing two airports that are used for medevac at remote communities. 2) A Medevac aircraft landed at Bonnyville Airport in 2000 to transfer a patient to Edmonton, but the runway lighting would not operate despite having been checked the day before. The pilot would not take off with the patient unless the lighting worked, and the patient was transferred to an ambulance for ground transportation to Edmonton.
- Helicopter operations will not be able to cover all medevac needs in the foreseeable future.
- Small and regional communities want to examine how to develop revenue opportunities at airports but are unsure how to do it.
- The idea of tying the provincial fuel tax to airport infrastructure development was raised but received little support. Participants thought that the province did have a role at small airports, but did not generally support tying fuel funding to this need.
- Participants strongly supported the NADC acting as an advocate for Northern Alberta airports to the provincial and federal government, air carriers, airport authorities, and other organizations.
- Many participants said that the combination of changes now made it critical that the Province review its role in airports.

NADC: Northern Alberta Airports and Aviation

1. Recommendations

This project has covered a wide area and numerous issues. The following recommendations were developed with input from the steering committee and the community workshops. The recommendations are:

- 1 Encourage Alberta Infrastructure to solely or jointly examine the role of the airport infrastructure within Northern Alberta and its potential loss. Some communities are considering closing airports now and many airports have reached a serious point of degradation. This examination could take different forms:
 - A transportation study on the role of airports covering medical, community, educational, business and recreational purposes. This could include comparisons with other modal options, cost-benefit analysis, a matrix defining sites to receive priority attention, or other forms of research. This would include determining if medevac services at northern communities are at risk as a result of changes to the aviation and airport systems.
 - An inventory of capital needs at airport sites in Northern Alberta including some or all sites.
- 2 Monitor aviation and airport-related issues and their impact on Northern Alberta communities.
- 3 Act as an advocate for Northern Alberta airports including:
 - Promote no new Transport Canada regulations for airports and aviation unless a valid cost-benefit analysis can prove the utility of the new regulation.
 - Demand that Transport Canada pay the capital and operating expenses related to any new Emergency Response Services (ERS) regulations, if they are enacted.
 - Champion the concerns of small and regional airports with airport authorities, the federal and provincial government, and air carriers belonging to the major air carrier group.
- 4 Encourage the development of capital plans at all small and regional airports.
- 5 Host a northern communities airports symposium for communities with airports. Workshop attendees recommended a number of different formats and approaches.

NADC: Northern Alberta Airports and Aviation

The town manages the operation of the airport. All maintenance, repairs and improvements are cost-shared 50-50 with the M.D.

The regional airport is critical to the economic well-being of the community. Airport services are essential to supply industry needs, medevac, and forest-fire protection. The reintroduction of scheduled air service would greatly benefit the community, as a transportation hub and regional service centre.

AIR CARRIERS

Airport fees are structured for fixed-wing users who rely heavily on the services provided. Helicopter operators are not restricted by the need for runways and expensive facilities. As a result, fees for helicopters don't reflect their needs and operators are encouraged to move their businesses off the airport.

We have difficulties paying bills, but we have no problems dealing with airports, in fact, we find the administration very helpful in most cases.

