



PEACE RIVER AIRPORT

STRATEGIC PLANNING WORKSHOP
SEPTEMBER 25, 2002

SUMMARY REPORT

Prepared for:

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1.0 Background and Project Issues

1.1 INTRODUCTION

On September 26, 2002, a Strategic Planning Workshop was held with various Peace River Airport stakeholders, and Town officials. Pryde Schropp McComb, Inc., in association with Sypher:Mueller International Inc. facilitated the workshop, and have been responsible for preparing this follow up Summary Report.

The intent of this report is to provide the following to the Town of Peace River:

- List of attendees
- Overview of session information provided by PSMI/Sypher
- Summary of discussion items, including action plan, and priority, for the Town to address items raised

1.2 ATTENDEES

The following Table 1 provides a listing of those in attendance at the session:

Table 1 List of Attendees	
Name	Company
Mr. Lorne Mann	Town of Peace River
Ms Iris Callioux	Town of Peace River
Mr. Don Good	Town of Peace River
Mr. Kelly Bunn	Town of Peace River
Mr. Stuart Wraight	Town of Peace River
Ms. Sally Beaven	Town of Peace River
Ms. Linda Neufeld	Town of Peace River
Mr. Larry Tutt	Peace River, Manning, Falher, and Fairview
Ms. Linda Morrow	Alberta Transportation
Mr. Allen Geary	Northern Alberta Dev. Council
Mr. Bill Blakey	Advantage Carefree Travel
Mr. Paul Guenard	Chamber of Commerce
Mr. J.G. McIlwain	Daishowa Marubeni International Ltd.

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Name	Company
Mr. Brian Fischer	Shell Canada Ltd. PR Complex
Mr. Drew Doering	Peace Regional Emergency Medical Services
Mr. Albert Cooper	Peace Air Limited
Mr. Rob King	Northern Air Charter
Mr. Darry Markle	Highland Helicopters
Mr. Rob Hutton	Highlands Helicopters
Mr. Brian McBurney	NAV Canada FSS
Mr. Patrick Wynn	Central Mountain Air
Mr. Brian Allen	Town of Grimshaw
Mr. Ray Wolfe	Village of Nampa
Mr. Bill King	Town of Manning
Mr. Brian Grant	MD of Peace No. 135
Mr. James McCracken	MD of Northern Lights
Mr. Jim Kincaid	MD of Northern Lights
Ms. Carolyn Kolebaba	Northern Sunrise County
Ms. Alana Dubeau	Grande Prairie Auto Leasing
Ms. Marlene Kunstelben	Mel's U-Drive Ltd.
Mr. Ian Gardner	Budget Rent-A-Car/Shaulayne Holdings
Mr. Rick McComb	Pryde Schropp McComb, Inc.
Mr. Mike Tubridy	Sypher : Mueller International Inc.

1.3 SESSION OVERVIEW

At the commencement of the session, PSMI/Sypher provided a brief presentation to the stakeholders. Included in the presentation was a discussion of the overall Airport Industry, including items facing smaller airports across Canada similar to Peace River. The discussion items included:

- Airport Industry Overview
- Smaller Airport Issues
- Airport Capital Investment

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- Financial Viability
- Airport Planning and Land Use
- Managing Risk
- Air Service Issues and Marketing

Following the presentation, a workshop discussion was held, providing an open environment for all issues to be discussed.

Section 2.0 of this report provides a listing of the items discussed and the comments provided during the discussion.

A copy of the presentation provided, is included in Appendix A.

2.0 Discussion Items

2.1 GENERAL

For each item which was discussed during the session, we have provided a summary of the discussion, a suggested action plan for the Town to address a particular issue (if any), and an approximation of costs if there is third party/costs associated with evaluating/implementing a particular issue.

2.2 REPRESENTATION ON AIRPORT ADVISORY COMMITTEE

2.2.1 Issue

Several of the attendees (municipal representatives) indicated although they provide a monetary contribution to the airport, there is no involvement from an Airport Advisory Committee standpoint, or any opportunity to provide insight into the direction of the airport.

External stakeholders (commercial operators etc) commented they felt they had little knowledge of the airport, nor opportunity to provide insight.

2.2.2 Action Plan

It is suggested a voluntary Airport Advisory Committee be established, as a mechanism for local municipal stakeholders, and key commercial operators, to provide input into issues the airport is faced with, governance, management direction, etc.

The Town of Peace River council will need to determine what authoritative levels the committee is provided. A mechanism for the Advisory Committee to report to Town council, must be established.

In addition, an appropriate communications plan should be implemented between the Town and adjacent MD's/municipal stakeholders.

Similar setups are in place in Prince Albert, SK, which appear to be effective in providing an opportunity for key stakeholders to provide insight, without getting involved in the day to day activities. Ultimate control and financial direction may be provided to the committee, or remain with Town council.

2.2.3 Timing/Priority

As the airport moves forward in it's progression, cooperation and input from municipal stakeholders appears to be an important aspect to ensure positive growth and viability.

It is for this reason we suggest this item be placed with a Medium priority, with a planned implementation in mid 2003.

The implantation of this item can be completed internally, however external (legal) advice will be required if formal by-laws and governance objectives are established.

2.3 IMPORTANCE OF AIRPORT

2.3.1 Issue

Several stakeholders were asked to comment on a scale of 1-10, the importance of the Peace River Airport.

Most municipal stakeholders (Town of Grimshaw, MD # 22, MD # 135) advised from a Medevac standpoint, the airport can be considered a 10. Other services the airport provides did not seem as important.

Sunrise County indicated the airport is vital for crew changes, to sustain the Oil & Gas Industry in the region.

Town officials felt that a suitable schedule passenger flight schedule/businesses was important, with frequency being a vital factor. Town officials felt professionals look at air service when considering economic development in the Town/area.

Shell felt the airport was important to provide a safe, effective, efficient, cost effective mode of travel.

2.3.2 Action Plan

It is apparent each stakeholder views different services of the airport as being important. It is suggested a detailed listing of services be compiled, and circulated to all stakeholders for comments on importance. During the session the question was posed on the importance of the airport, which generally yielded a positive response.

It is important for the Town to realize how each stakeholder views the importance of each service the airport provides.

2.3.3 Timing/Priority

It is suggested, this action item be placed as a Medium Priority, with an implementation in mid 2003.

This item can be completed internally, or as part of an Airport Development Plan. It is difficult to predict whether a more favorable response would be obtained if this was completed by an outside party, versus Town employees.

2.4 AIRPORT OPERATING FEE

2.4.1 Issue

With the reduction in passenger levels, this has had an impact on the airports revenue position.

As well, there is a perception (negative) with a charge being burdened upon the passenger at the time of check in.

2.4.2 Action Plan

A discussion is provided later within this report on an overall view of all airport fees being charged, and this item is included in that action plan.

2.5 AIR SERVICE

2.5.1 Issue

It was quite apparent, the increase in air fares, and the alterations to the flight schedule has had a negative impact on air traffic. As well, the close proximity to Grande Prairie has resulted in the 'bleeding' of passengers from the Peace River catchment area.

Insurance company policies which restrict the traveling of employees on single engine aircraft has also effected Peace Air's market. Many indicated the use of charter aircraft has become more cost effective with increasing air fares, and frequency reductions.

A discussion topic was the potential for airports in the region cooperate, and establish a 'point to point' scheduled passenger run (ie High Level-Rainbow Lake-Peace River-Edmonton-Calgary-return etc).

Lastly, the tendency to drive to Edmonton has increased with improved highway conditions, coupled with increased air fares and frequency reductions mentioned above.

2.5.2 Action Plan

As passenger service is a vital revenue source for the airport, as well as an economic engine for the community, an Air Service Analysis should be completed.

It became clear during the workshop that there was a need to obtain current air service data about the airlines using the airport in order to develop a focused marketing approach to existing and prospective airlines. It is our recommendation that the Town of Peace River undertake an air service analysis, the objectives of which are to:

- undertake a telephone survey of air travelers;
- undertake a sampling of ticket coupons;
- analyze the current market and competitive position of Peace River;
- assess potential air services opportunities; and
- outline a strategy for the airport to pursue and to obtain the opportunities identified in the analysis.

2.5.3 Timing/Priority

We consider this item to be of the highest priority, and recommend implementation in the first quarter of 2003.

An Air Service Analysis, to satisfy the objectives listed above, will cost in the order of \$20,000.

2.6 CARGO SERVICE

2.6.1 Issue

Commercial stakeholders (Shell and Mill) considered 'hot shot' charter service to be vital to their operations.

Day to day cargo activities, couriers, etc. were considered important, but not essential to the viability of the airport/region.

2.6.2 Action Plan

At the time of completion of an Airport Development Plan, the Town should complete an Air Cargo analysis to determine the operators which utilize the airport for cargo services, annual throughput, typical cargo contents, etc.

2.6.3 Timing/Priority

This is considered a low priority, and implementation is not essential for the next year (or longer). The most cost effective approach for the Town to address this item would be to add an Air Cargo analysis as part of another study being completed by the Town/airport within the next 1-2 years. This would likely be completed by external parties, with an approximate cost of \$6,000.

2.7 AMERICAN HUNTERS

2.7.1 Issue

Although the influx of American hunters provides movements into/out of the airport, it was indicated this market is relatively short, and difficult to capitalize on, more than that market which is already being captured.

2.7.2 Action Plan

It is suggested the Town liase with the local tourism office, to obtain more information related to passenger origin, length of stay, baggage requirements, etc. Communication and promotion with charter operators should take place once the Town has completed their discussions with the local tourism office.

2.7.3 Timing/Priority

We would consider this a low priority, as there is not anticipated to be any significant growth as a result of this initiative, rather ensuring the market is being captured to the best of its ability, and in the best interests of airport stakeholders.

We would suggest this be initiated within the next 1-2 years. This work can likely be completed internally by Town officials.

2.8 AIR TERMINAL BUILDING

2.8.1 Issue

A lengthy discussion took place regarding the Air Terminal Building (ATB) and its facilities. Some of the observations/comments are as follows:

- Rural dining lounge might be an opportunity for the tenant and airport
- Due to its construction method/materials, the building is difficult to renovate
- ATB is considered a 'portal' or 'gateway' to the community for outside travelers

- Potential to advertise and promote Town/Industries from within the ATB (ie static displays)
- Potential for truck/RV show (similar to that held in Grande Prairie) to give the Town an opportunity to showcase the ATB, and an opportunity for non-traveling community members to view it's facilities
- Potential for 'Equipment Rodeo' on site, to be used as a community awareness opportunity

2.8.2 Action Plan

It is suggested the Town complete an ATB Functional Planning study, to determine it's future space requirements, and surplus space that can be made available for commercial development. Renovation costs should also be accurately determined, to confirm if further retail space/commercial space development is viable.

Implement a communication plan with the community, hold an open house, and hold one outdoor event that would draw community members to the airport.

2.8.3 Timing/Priority

We would consider the ATB Functional Planning Study a medium priority, with completion targeted for late 2003. External consulting costs would be in the range of \$10,000 for this study.

The Town/Airport should institute the communication plan, and target to hold one public event the summer of 2003. We would consider this a high priority. If the event is successful, annual (or greater frequencies) should be held, to ensure constant public awareness.

Advertising of the Town, Region, and industries should be pursued. Town staff can complete this task, with one of the initial contacts being the Chamber of Commerce for information/possible advertising candidates.

2.9 AIRPORT MANAGEMENT/MANAGEMENT STRUCTURE

2.9.1 Issue

A discussion took place regarding the current airport management, and management structure.

Those who commented were quite complimentary on the operations of the airport, and the fact that not once has commercial operations been delayed as a result of airport maintenance or management.

Comments were also provided on the tidiness and cleanliness of the airport.

It was however acknowledged that due to the position being recently filled, it was quite early to obtain a 'read' on the capabilities and interaction qualities of the new Airport Manager.

2.9.2 Action Plan

It is suggested at the end of 2003, the Airport Manager obtain feedback/peer review comments, from 3-4 major airport stakeholders, who interact with airport management and maintenance on a regular basis. Peer review comments generally provide an open environment to discuss management issues which have effected a stakeholder in a positive, or negative way, to ensure both parties are aware of each others concerns/objectives. Essentially develop a harmonized approach in dealing with issues, keeping in mind the Airport Manager/Town are the ultimate decision makers.

2.10 AIRPORT FEES

2.10.1 Issue

A lengthy discussion took place regarding the present fee structure in place at the airport.

Comments from stakeholders were as follows:

- Fees need to be clearly articulated and published
- Stakeholders were not opposed to fees, however they need to be fair in comparison to other sites, and to their operations/market
- Both airlines prefer the fees and surcharges be listed separate on passenger tickets
- Collection of additional fees at time of check in causes nuisance for passenger, and negative impression
- Fees need to be established to ensure an appropriate revenue stream for the airport

2.10.2 Action Plan

It is suggested an Airport Fee Comparison/Analysis be completed.

Raising fees is not a simple solution, as airport fees cannot be considered in isolation of other airports in the catchment area, and of similar size, and the economic viability of the airlines/tenants at the airport.

Raising fees may also have a negative impact on passenger traffic, as other modes of transportation become more cost effective, or increased 'bleed' of passenger traffic occurs to nearby airports (ie Grande Prairie). Conversely, airports must generate sufficient revenues to sustain themselves operationally, and future capital and maintenance requirements over the long term.

A simpler, more apparent fee structure can likely be developed to ensure a similar revenue source, without having negative impressions on the passenger (ie extra costs at time of check in).

2.10.3 Timing/Priority

We would suggest this item be addressed as a high priority, in early 2003. Some of the aspects of this study could be completed internally. If the entire study is completed externally, it is suggested an allowance of \$6,000 be allocated for this study. If portions can be completed internally by Town staff, this amount should be reduced to \$4,000.

The Town must keep in mind the potential reaction from tenants/stakeholders with a fee increase, or modification, and whether there would be less reaction if a report was generated by a third party.

2.11 AIRPORT LAND USE

2.11.1 Issue

Based on feedback from the stakeholders, there were no major Land Use issues identified.

Two key items were raised, firstly the shifting of rotary wing operators off airport property to private helipads. Secondly, the desire by some tenants to purchase lands rather than lease them.

2.11.2 Action Plan

The Town should complete an updated Airport Land Use Plan. Part of this process would be a determination of future commercial (airside and landside and non-aviation) land requirements. This would identify any potential 'surplus' lands which could potentially be sold. A cost benefit analysis would need to be completed before any lands are sold, as there may be an initial up front benefit with the revenues from the land sale, but several long term disadvantages.

Development around the airport should be protected as well, through the Land Use Plan. This process would also involve designation of lands surrounding the airport to ensure future compatibility.

2.11.3 Timing/Priority

We would suggest this be considered a low priority. A Land Use Plan could either be completed as part of an Airport Development/Master Plan in the next 1-2 years, or as a separate assignment.

Based on the size of the airport, a Land Use Plan would cost in the order of \$10,000, assuming 1-2 public meetings.

2.12 GENERAL COMMENTS

Other general comments were provided throughout the session. Although not necessarily specific to a particular issue, the comments noted below should be read in context with the other items discussed within this report.

- Need to establish a leaseholder/stakeholder group
- Town has community profile brochure with information on the airport
- A clear marketing strategy needs to be established
- It would be advantageous for Peace Air and Central Mountain Air to provide 24hr reservation service
- NADC would like to take a more active role
- Stakeholders desire their involvement in future steps surrounding the airport

3.0 Summary

The following Table 2 provides a summary of the key issues, a notation regarding an action plan to be undertaken, timing for addressing the issue, and priority (high, medium, low).

Table 2 Summary of Issues, Action Plan, Timing and Priority					
Item	Issue	Action Plan	Timing	Priority	Internal/ External
1	Air Service	Complete Air Service Analysis	Early 2003	High	External, approx cost \$20,000
2	Airport Fees	Complete Airport Fee Comparison/ Analysis Study	Early 2003	High	External, approx cost \$6,000
3	Air Terminal Building	Initiate Communication Plan	Summer 2003	High	Internal
4	Governance/Airport Advisory Committee	Establish Framework for Airport Advisory Committee	Mid 2003	Medium	Internal (legal advice may be required)
5	Airport Importance	Compile Listing of Services Airport Provides	Mid 2003	Medium	Internal
6	Governance/Airport Advisory Committee	Establish Airport Advisory Committee	End of 2003	Medium	Internal (legal advice may be required)
7	Airport Importance	Circulate Listing of Services and Obtain Specific Feedback of Importance to Stakeholders	End of 2003	Medium	Internal
8	Air Terminal Building	Complete Functional Planning Study	End of 2003	Medium	External, approx cost \$10,000
9	Air Terminal Building	Advertising of Town/ Region/ Industries within ATB	End of 2003	Medium	Internal

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Table 2 Summary of Issues, Action Plan, Timing and Priority					
Item	Issue	Action Plan	Timing	Priority	Internal/ External
10	Airport Management/ Management Structure	Obtain feedback/ peer review comments from 3-4 key stakeholders	End of 2003	Medium	Internal
11	Airport Land Use	Complete Land Use Requirements forecast and Land Use Plan	Next 1-2 years, or as part of Airport Development/ Master Plan	Low	External, approx cost \$10,000
12	Cargo Service	Complete Air Cargo Analysis	Next 1-2 years, or as part of Airport Development/ Master Plan	Low	External, approx cost \$6,000
13	American Hunters	Promote this market, and coordinate with local operators	Next 1-2 years	Low	Internal

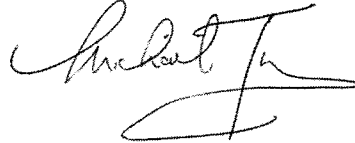
All of which is respectfully submitted,

PRYDE SCHROPP McCOMB, INC.



Rick E. McComb, B.E.Sc.
Vice President, Western Operations

SYPHER : MUELLER INTERNATIONAL INC.



Michael Tubridy, M.Sc.
Senior Manager

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PRYDE SCHROPP McCOMB INC.
AVIATION GROUP

APPENDIX A

PEACE RIVER AIRPORT

**PSMI/SYPHER WORKSHOP
PRESENTATION**



**PEACE RIVER AIRPORT
STRATEGIC WORKSHOP**

September 25, 2002

1 Sypher

INTRODUCTIONS

- **Introductions**
 - Town of Peace River
 - PSMI/Sypher
 - Attendees
- **Purpose**

2 Sypher

AGENDA

- **Briefings**
 - Airport Industry Overview
 - Smaller Airport Issues
 - Airport Capital Investment
 - Financial Viability
 - Airport Planning and Land Use
 - Managing Risk
 - Air Service Issues and Marketing
- **Workshop Discussions**

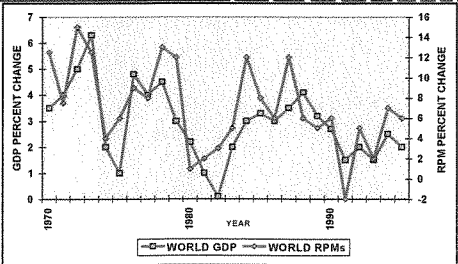
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FINANCIAL DYNAMICS

- **Airports are Near Monopolies**
- **Airports have fixed Costs and Revenues that are Variable with Traffic**

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GDP AND DEMAND



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THE AIRPORT MONOPOLY

- **Most airports have limited competition for O-D traffic**
- **Airport fees and charges are 5%-15% of airline costs**
- **Demand is price elastic - if airfares increase by 1%, then traffic will decline by 1%**

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SMALLER AIRPORTS

- Less than 200 000 E/D Pax in 2001
- Passenger Traffic:
 - Flat or declining (16% over last 10 years)
 - Responsible for more than half of the movements
 - Split between leisure and business travel
- Cargo activity primarily small - medevac, courier, small parts and mail



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SMALLER AIRPORTS

- Serve broad public interest – operated by authorities, municipalities, commercial entities
- Substantial economic impact on community they serve
- Facilities generally in good condition



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SMALLER AIRPORTS

- Have achieved significant efficiency gains since transition from Federal operation: staff reduced by an average of 31%
- ACAP has been meeting the capital rehabilitation needs of the airports



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SMALLER AIRPORTS

- Less passenger and cargo traffic
- Lower dwell times
- Less concession opportunities
- Smaller aircraft
- Less land rental opportunities
- Asset base not dramatically smaller than large airports



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Air Cargo

- Most air cargo moves in the belly of passenger aircraft.
- Shippers and freight forwarders with large quantities of cargo require containerized lift i.e. widebody or A320/319 aircraft.
- RJs and Turboprop commuter aircraft have minimal cargo capacity.



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Cargo Markets

- Cargo development and economic development are often linked.
- The region needs to develop or promote industries that depend on air cargo or produce lightweight, but valuable products that require shipment by air.
- The complete infrastructure system needs to develop to support the traffic.



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REGULATORY BURDEN

- Significantly affected by security costs and new ERS regulations
- Security costs on short haul flights are as much as 5% on ticket cost of \$500
- ERS regulations will cost small airports \$50,000 to 100,000/year (min) for airports that have 2,800 annual movements of 20+ seats



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AIRPORT OPERATING COSTS

- Costs include:
 - Operations - janitorial, security (shared), admin, muni.taxes
 - Maintenance of the terminal, landside, airfield, sewage treatment
 - Utilities
- Once the facilities are in place, the O&M costs are primarily fixed

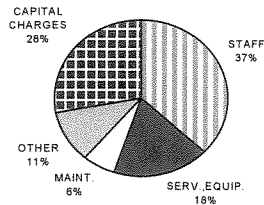


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COST COMPOSITION

PER CENT



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AIRPORT REVENUES

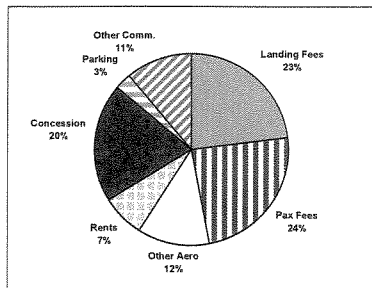
- Two basic revenue types
 - Aeronautical - landing fees, aircraft parking, etc.
 - Commercial - concessions, land rentals, office rentals, car parking, advertising, etc.
- Both revenue types are variable, and traffic dependent



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REVENUE COMPOSITION



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AERONAUTIC REVENUE

- Airports larger than 50,000 E/D pax
 - Aeronautical revenues 50%
 - Commercial revenues 25%
 - Other 25%
- Aeronautical Revenues
 - AIF 50%
 - Landing Fees 30%
 - Terminal Fees 20%



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AERO REVENUES

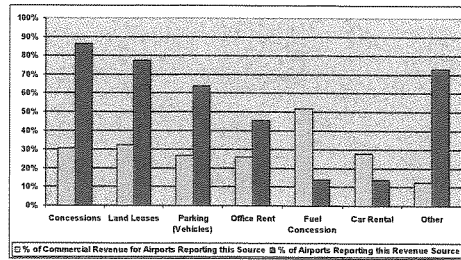
- Most airports have stuck close to TC fee structure, but this is changing
- Airline rentable space in Canada is usually 15%-35% of the gross terminal area. Holdrooms are considered public space.
- US practice is 50%-80% rentable, so comparisons are difficult



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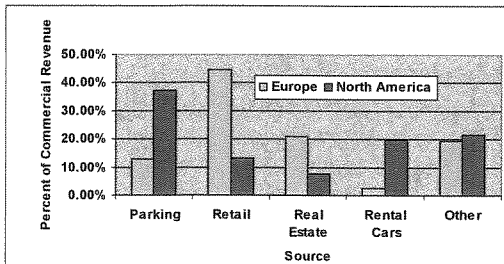
COMMERCIAL REVENUE



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COMMERCIAL REVENUE



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CONCESSIONS

- % of sales, with minimum guarantees
- Typically:

Food/beverage	9%-18%
Rent-a-car	10%
Retail	10%-16%
Duty Free	20%-25%



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CONCESSIONS

- "Hidden" concession revenues include
 - ATM'S
 - Ground transport fees
 - Advertising and event display
 - Internet Kiosks
- Generally in range of 10% of floor area



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TRENDS IN CONCESSIONS

- Branding
- Street Pricing
- Local Themes
- Food Courts



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CAPITAL REQUIREMENTS

- **Minor**
 - Annual requirement, ongoing
 - 1%-3% of asset value - ie \$700,000 - \$2M
- **Major**
 - New terminals
 - Terminal Expansions
 - Runway overlays and repairs



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CAPITAL REQUIREMENTS

- **Non-NAS airports, average annual capital requirement of \$120,000 over 20 years – exclusive of ACAP funding**
- **At NAS airports, average annual capital requirements of \$1 million over 20 years**



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CAPITAL FUNDING SOURCES

- **Airports Capital Assistance Program (ACAP)**
- **4 categories of eligible projects**
 - Airside safety related projects
 - Landside safety related
 - Heavy equipment
 - Asset protection
- **Airport Improvement Fees (AIF)**



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FINANCIAL PICTURE

- **Despite declining traffic, airport revenues are up over the past few years**
- **Majority of smaller airports are in operating deficit, even with grants and subsidies**
- **Transitional funding from TC is keeping airports afloat – but is a short term solution**
- **Many airports have implemented AIF**



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THE PROFIT FALLACY

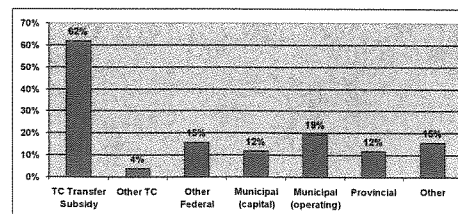
- **Many airports using AIF to sustain airport operations leaving minimal resources for capital**
- **In the short term, airports can appear to be more profitable than they really are**
- **Long investment cycles hide the need to retain earnings for capital investment**



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FUNDING FOR AIRPORTS



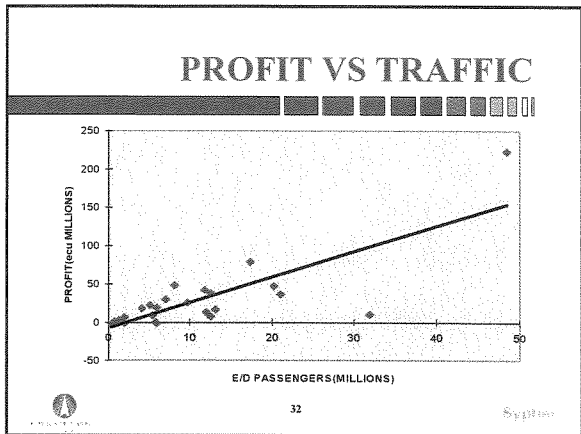
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LEVELS OF SUSTAINABILITY

- Airports over 110,000 E/D passengers are viable
- Airports between 20,000 and 110,000 E/D passengers are sustainable, but are reliant on external sources for funding capital projects, such as ACAP
- Airports under 20,000 E/D passengers are not self sustaining - operations

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FUTURE VIABILITY

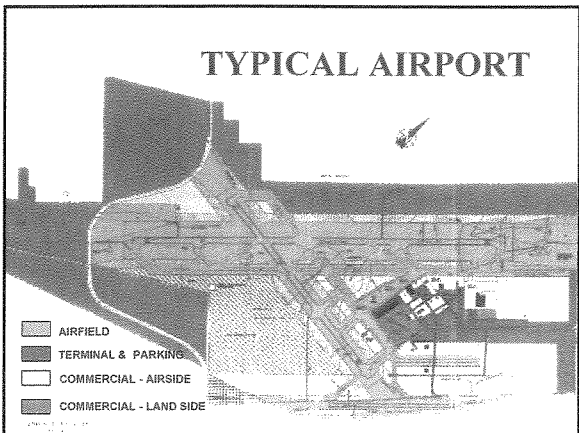
- Smaller NAS Airports will be significantly affected when TC rent kicks in next 12 to 15 years
- Viability affected by increased regulatory burden - ERS and airport security
- Maintenance of current infrastructure at many airports will require higher AIF or external financial support

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FUTURE VIABILITY

- Most significant factor affecting viability is passenger traffic volume
 - Discount carriers - greatest near term opportunities
 - Passenger growth is the only long-term solution to viability

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COMMERCIAL LAND USE

TYPICAL GROUND-TRANSPORT USES

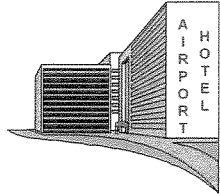
- Bus/Taxi/Limousine Facilities
- Courtesy Vehicle Facilities
- Car Parking Facilities
- Car Rental Facilities
- Service Stations

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COMMERCIAL LAND USE

TYPICAL AVIATION SUPPORT USES

- Free Trade Zones
- Hotels
- Travel Agencies
- Office Buildings



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COMMERCIAL LAND USE

TYPICAL NON-AVIATION USES

- Restaurants, discos, night clubs
- Office buildings/shopping centers
- Light manufacturing /industrial
- Gymnasiums and health centers
- Leisure facilities
- Outdoor Advertising
- Agricultural Uses



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INVESTMENT RISK

- What causes airport investment risk?
- How can risk be reduced?
- Measures of risk?



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RISKS

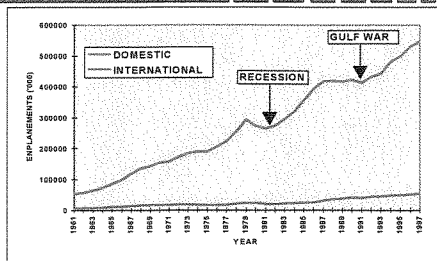
- Airside capacity constraints
- Airline structural changes
- Recession, oil price shock
- International crisis – 9/11
- Construction risks



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LONG TERM TRENDS



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CONSTRUCTION RISKS

- Construction not completed, so revenues do not flow
- Construction costs dramatically exceed projections, changing the viability of the project



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MANAGING RISK

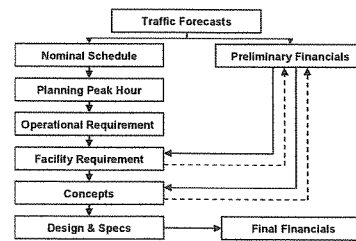
- Planning and Analysis
- Cost Engineering
- Airline Cooperation
- Investor Education
- Realistic fees and charges
- Concession enhancement



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INTEGRATED PLANNING



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AIR SERVICE ISSUES

- Air Carrier Behaviour
- Air Service Marketing



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AIR CARRIER BEHAVIOUR

- Air carriers are businesses and exist to make a profit.
- Decisions on routes and schedules are based on minimizing risk, and maximizing profit.



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CARRIER TYPES

- Different carriers suited to different markets
 - Hubbing Mainline Carriers i.e. AC
 - business, leisure, long haul, medium - high yield
 - Regional/Commuter Feeders i.e. AC Jazz
 - business, limited leisure, short haul, high yield
 - Point to Point Carriers i.e. Westjet
 - leisure, limited business, short & medium haul, low yield
 - Charters i.e. Air Transat
 - leisure, medium and long haul, low yield



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AIRPORT COMPETITION

- Airports compete for passengers, airlines and air services (routes)
- Easy to identify airlines and air routes, but difficult to determine market share of passengers among airports



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EFFECT OF COMPETITION ON AIR FARES

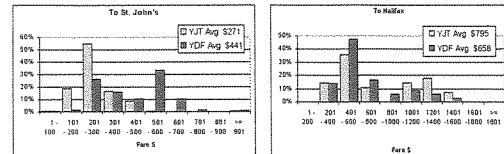
- Air Nova/Jazz is the only carrier serving Halifax and the airfare to Halifax from Stephenville is almost three times the fare to St. John's
- Distance to Halifax is only 25% further (444 km to St. John's, 555 km to Halifax)
- On the St. John's route, Provincial and Air Labrador provide competition



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AIRFARE COMPARISON



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AIR SERVICE MARKETING

- Air carriers have limited information about travel demand in communities they do not serve
- Published air traffic statistics have many weaknesses
- Analysis will determine route potential



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AIR SERVICE MARKETING

- Airlines want to know the total existing traffic, seasonality, market shares, and yields.
- Additional traffic can be stimulated as a result of new routes or lower fares, but the initial decision to open a route is usually based on existing traffic



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AIR SERVICE MARKETING

- Community demographics are also important if a carrier has to choose among communities
- The cost of operation, including fuel, rentals, delays costs, and landing fees can also be important when choosing among competing airports.



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AIR SERVICE MARKETING

- Terminal facilities are generally not a determining factor for the start up of a service
- Alliances and code sharing provide links and capacity to meet passenger needs
- Community boosterism is not useful for airlines choosing their next expansion target



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APPROACH TO MARKETING

- Identify true traffic base
- Identify potential routes & stimulation
- Estimate yield potential
- Match traffic, route & yield to carrier
- Prepare & deliver presentation to target carrier



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WORKSHOP DISCUSSIONS

- Airport Mission and Role in the Community
- Air Service
 - Issues
 - Objectives
 - Marketing
- Airport Service/User Fees
 - Landing Fees
 - Terminal Fees
 - Lease Rates
 - AOF
 - Other



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WORKSHOP DISCUSSIONS (continued)

- Airport Land Use
 - Commercial Lands Objectives
 - Future Land Requirements
 - Existing/Future Development Around Airport
 - Noise Concerns
- Air Terminal Building
 - Capacity
 - Development
 - Concessions



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WORKSHOP DISCUSSIONS (continued)

- Airport Management Structure
- Governance Objectives
- Financial Objectives
- Airport Servicing
 - Water
 - Sewer
 - Hydro, Tel, etc
- Partnerships



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CLOSING

- Summary of Key Items
- Comments/Remarks
- Future Steps
- Other Business



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