

Nanaimo Airport Commission 2003 Annual Report



Connections



Mission Statement

To provide a safe, efficient and financially viable airport that offers excellent value and service to users, and, in partnership with others, contributes significantly to the well being of the community.

Vision

Nanaimo Airport is the gateway of choice for air services.





Nanaimo Airport Commission Overview

The Nanaimo Airport Commission was incorporated in August 1990, as a not-for-profit authority. In 1992, the Commission assumed management and operation of the Airport under a 30-year lease from Transport Canada. In 1996, the Commission was granted fee-simple title to the Airport lands by way of the National Airports Policy transfer initiative.

The Commission is comprised of eight Directors with one member from each of the following entities:

The City of Nanaimo,

The Regional District of Nanaimo,

The Cowichan Valley Regional District,

The Town of Ladysmith,

The Greater Nanaimo Chamber of Commerce

and three additional members appointed
by the Commission from the community at large.

The Commission has identified the following goals in its strategic plan:

- Develop and maintain optimum air service.
- Plan, develop, and maintain the airport infrastructure to high standards of efficiency, operations, safety, security, and convenience.
- Aggressively identify and pursue business and property development opportunities.
- Establish and maintain the highest standards of management practices consistent with the operation of a first class airport.
- Cultivate and maintain strong relationships with all stakeholders.





Chairman's Report

The theme of this Annual Report is "Connecting". As an essential component of the transportation system, an airport connects people, cities and regions. It is also a connecting point for different means of transporting passengers and freight. It is crucial to forging new connections and maintaining those already existing.

In 2003 the Vision statement and one of the Goals of the Airport Commission was changed to reflect the need to expand the transportation options for Nanaimo and the Central Island. We are passionate about our commitment to pursue connections to new destinations and to provide the airport and air service expected by our airline, passenger, and freight clients and by our tenants.

By most measures, 2003 was a good year for the Airport. Passenger numbers were up almost 10% over 2002, our operating surplus was well above budget and we completed over \$750,000 in capital projects. We completed nine of the objectives listed in our Strategic Plan and made significant progress on many others. However, we did have one major disappointment. NAV Canada, the corporation responsible for the provision of air traffic services in Canada, advised the Airport in October that it would not install an Instrument Landing System at Nanaimo.

The primary reason for this decision was that a new system, based on a means to improve the accuracy of the Global Positioning System, would be certified in late 2005 for use in instrument approaches. These GPS assisted approaches would achieve approach limits similar to those offered by an ILS at a mere fraction of the cost.

Since the installation of an ILS would take until at least the end of 2005, it simply did not make sense to expend the funds to install an ILS.

While we were very disappointed that it was not possible to get more immediate improvements to our instrument approach limits, we nevertheless agreed with the decision based on the new information presented. The good news in all of this is that by late 2005 Nanaimo will have approach limits as low as 300 feet above ground and 1 mile visibility, which will greatly enhance our reliability in the winter months. By alleviating our reliability problems, it will become much easier to attract air carriers and offer new city connections.

The Board of Directors is thankful that the Airport is managed by a competent team of professionals that shares the vision of the Board and is working hard to achieve it. The Commission continues to be encouraged by the expression of support it has received from District, Municipal and Provincial leadership, and by the interest shown in the Airport by the local media.

Brian L. Smith



Board of Directors



Director Brian Smith



Director Rollie Rose



Director Mike Howard



Director John Craig



Director David Spearing



Director Ted Brown



Director Ken Bosma



Director Richard Hudson

Board of Directors Brian Smith – Chair

Planning and Development Committee
Ted Brown – Chair

Marketing and Public Relations Committee
Richard Hudson – Chair

Operations and Maintenance Committee
Ken Bosma – Chair

Governance and Audit Committee
Brian Smith – Chair





Strategic Plan Review

The Commission is committed to a philosophy that employs consultative, research-based planning to chart its direction. It continues to integrate key stakeholders in determining priorities for the airport.

The Commission developed a Strategic Plan in 2001. In October 2002, the Strategic Plan was reviewed to confirm priorities for 2003 and beyond. The Commission completed its second annual review of the Strategic Plan in 2003, updating the document to accommodate progress achieved and changes in the Airport's business environment.

The 2003 review resulted in the Commission's commitment to increase emphasis on connecting by establishing optimum air service, pursuing reliability, and increasing the use of Airport lands, both airside and groundside. The review noted that many business processes appropriate to the operation of the Airport are now in place. Goals also prioritize Airport infrastructure standards, management practices, and stakeholder relations.

In a changing climate for air travel, 2003 was a year of growth and progress on several fronts. The Commission noted that passenger numbers increased in 2003, as forecast in the 2002 annual report, despite challenges associated with world events that continue to influence the aviation industry. A total of 113,200 passengers

passed through Nanaimo Airport in 2003, up 9.8% over 2002.

Increased security and screening of passengers and baggage at airports brought changes for air travellers. The Canadian Air Transport Security Authority security fee, applied to each ticket regardless of the length of the flight, significantly impacted the cost of trips such as Nanaimo to Vancouver.

Several other issues affected passenger volumes and travel patterns during 2003. These included Air Canada's bankruptcy protection, changes among air service providers, new travel options in our region, and the changing expectations of the public.

The continuing focus of the Commission on improving the reliability of Nanaimo Airport, particularly for winter travel, culminated in the decision to proceed with a GPS WAAS solution. It is important to acknowledge that Air Canada Jazz, our scheduled carrier, is also committed to GPS WAAS and Jazz aircraft are being equipped over the next year to meet the WAAS technical requirements.



Financial Performance

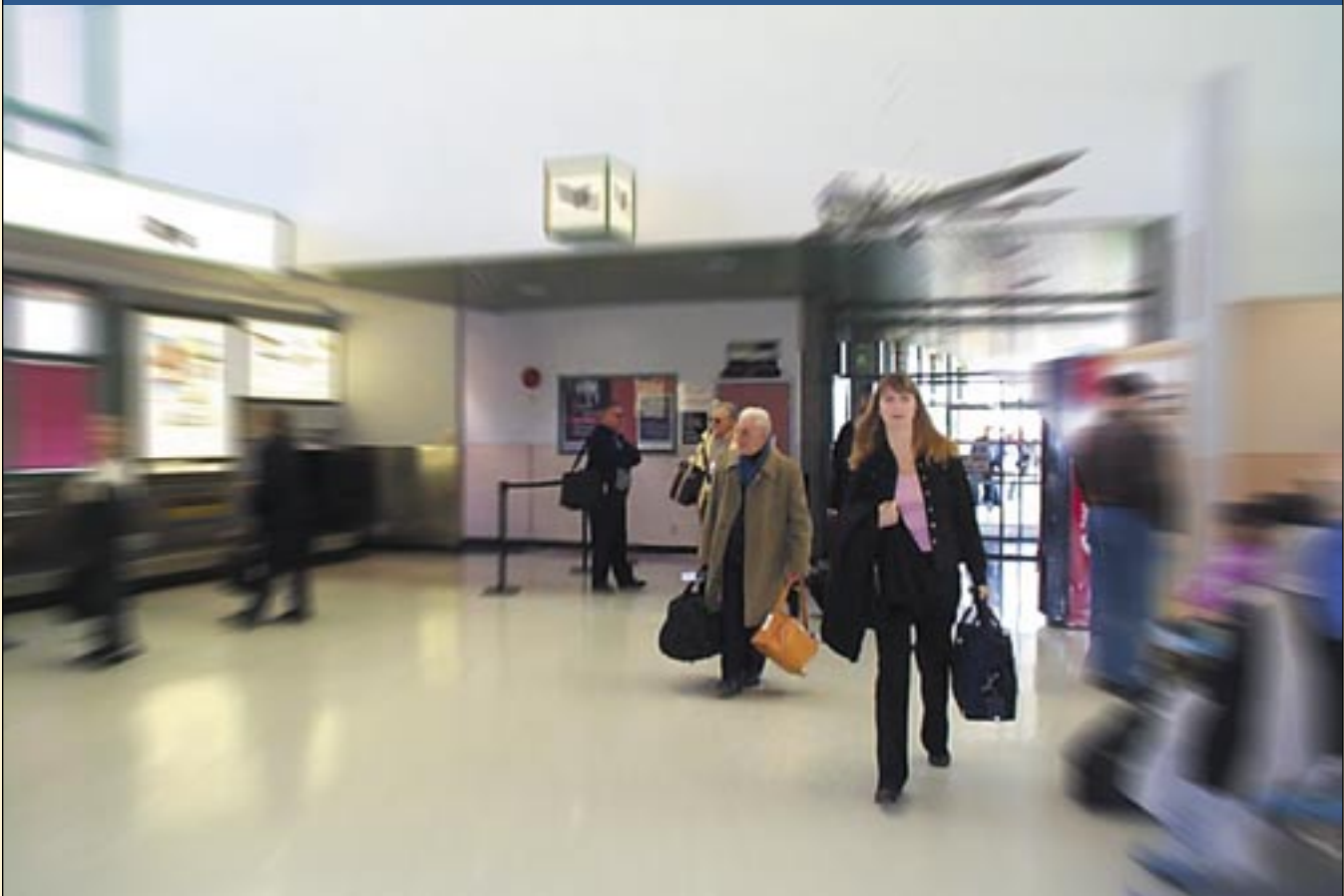
The Commission operates the Airport in a fiscally responsible manner and is committed to good policy for sound governance. Sound financial management remains an important priority for the Commission.

Airport annual revenue must offset annual operating expenses. The Airport realised net revenue of \$275,662 during 2003 from gross revenue of \$1.3 million.

Almost 70% of Airport revenues are directly or indirectly associated with passengers travelling. The consistent trend toward increasing passenger volumes experienced during 2003 stimulates

optimism as the air travel industry recovers from sluggish performance during 2002. Reversal of the previous downward trend commenced during the latter part of 2002.

Airport operating and administrative costs decreased for a third consecutive year however, airline insolvencies affected 2003 net revenue.





Management Responsibility for Financial Statements

The accompanying financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting principles.

The Commission's accounting procedures and related systems of internal control are designed to provide assurance that its assets are safeguarded and its financial records are reliable. These statements include some amounts based on management's best estimates and judgements. Management is satisfied that these financial statements have been prepared within reasonable limits of materiality.

The Board of Directors appoints a Governance and Audit Committee consisting of four Directors. This committee meets periodically during the year to review any significant accounting, internal

control, and audit matters with management and the appointed auditors. The Committee also reviews and approves annual financial statements of the Commission and the independent auditor's report before submission to the full Board of Directors for final approval.

Financial information contained within this report is consistent with information presented in the financial statements.

David Hunter Airport General Manager





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AUDITORS' REPORT

To the Directors
Nanaimo Airport Commission

The accompanying condensed statement of financial position as at **December 31, 2003** and the condensed statements of revenue and expenses and net assets and cash flows for the year then ended are derived from the complete financial statements of the **Nanaimo Airport Commission** as at **December 31, 2003** and for the year ended on which we expressed an opinion without reservation in our report dated February 11, 2004. The fair summarization of the complete financial statements is the responsibility of the commission's management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the condensed financial statements.

In our opinion, the accompanying financial statements fairly summarize, in all material respects, the related complete financial statements in accordance with the criteria described in the Guideline referred to above.

These condensed financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the commission's financial position, results of operations, and cash flows, reference should be made to the related complete financial statements

Church Pickard & Co.

CHURCH PICKARD & CO.
Chartered Accountants

Nanaimo, B.C.
February 11, 2004



Members, Institute of Chartered
Accountants of British Columbia

*Frederick W. Downs, C.A.**
*Grant McDonald, C.A.**
**Incorporated*

*John A. Annesley, B.A., C.A.**
*Lorana LaPorte, B. Comm., C.A., CFP**





Nanaimo Airport Commission Statement of Financial Position

As at December 31, 2003

	2003	2002
Assets		
Current		
Cash	\$ 12,791	\$ 145,058
Inventory	30,427	27,684
Deferred leasing costs and prepaid expenses	100,040	429,866
Accounts receivable	390,907	414,591
Cash – restricted	1,540,000	1,286,800
	<hr/> 2,074,165	<hr/> 2,303,999
Property and equipment	<hr/> 8,693,411	<hr/> 8,383,359
	<hr/> \$ 10,767,576	<hr/> \$ 10,687,358
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 64,237	\$ 203,180
Deferred revenue	28,979	27,076
	<hr/> 93,216	<hr/> 230,256
Deferred contributions related to property and equipment	7,483,094	7,548,768
Security deposits	18,946	11,676
	<hr/> 7,595,256	<hr/> 7,790,700
Net Assets		
Invested in Capital Assets	1,210,317	834,591
Internally Restricted	1,540,000	1,286,800
Unrestricted	422,003	775,267
	<hr/> 3,172,320	<hr/> 2,896,658
	<hr/> \$ 10,767,576	<hr/> \$ 10,687,358

Nanaimo Airport Commission

Statement of Revenue and Expenses and Net Assets

For the year ended December 31, 2003

	2003	2002
Revenue		
Airline passenger fees	\$ 622,583	\$ 501,168
Air terminal lease and license fees	205,889	133,983
Vehicle parking fees	172,868	163,952
Land lease and license fees	171,395	160,805
Interest and general	45,306	35,849
Airside facility license and user fees	43,427	34,235
	<u>1,261,468</u>	<u>1,029,992</u>
Expenses		
Administration and management	351,955	308,187
Bad debts	108,896	710
Service buildings and airfield	106,542	128,708
Emergency, safety, and security	103,568	100,498
Air terminal building	100,609	91,944
Property taxes (net of recoveries)	58,417	55,479
Airport commission	42,016	51,273
Commercial development and Marketing	29,755	17,974
Master plan	20,793	84,663
	<u>922,551</u>	<u>839,436</u>
Revenue in excess of expenses before other items	<u>338,917</u>	<u>190,556</u>
Other revenue (expenses)		
Amortization of deferred contributions related to property and equipment	319,099	289,865
Gain on sale of property and equipment	12,380	-
Amortization	(394,734)	(383,951)
	<u>(63,255)</u>	<u>(94,086)</u>
Revenue in excess of expenses	<u>275,662</u>	<u>96,470</u>
Net assets, beginning of the year	<u>2,896,658</u>	<u>2,800,188</u>
Net assets, end of the year	<u>\$ 3,172,320</u>	<u>\$ 2,896,658</u>





Capital Projects Completed

Capital projects valued in excess of \$750,000 were completed in 2003, upgrading the infrastructure at Nanaimo Airport. The following improvements enhance the Airport's availability as a connecting place for passenger and freight travel.

Apron Overlay

A portion of the Apron was repaved in 2003. Under the federal Airport Capital Assistance Program (ACAP) Nanaimo Airport contributed 10% of the cost of the repaving while the federal government paid the remaining 90%. Hub City Paving completed the project.

Extension of Taxiway Charlie

In conjunction with the Apron Overlay project, Nanaimo Airport contracted Hub City Paving to complete a 75 metre extension to Private Taxiway Charlie. This extension facilitated better service to two present tenants, Buffalo Hangars and Wildcat

Hangars, and will allow for one additional hangar complex to be added in that lease area.

Completion of Electrical Upgrade

The Electrical Upgrade Project, which included a new Emergency Power Unit, was completed in 2003 by Canem Systems.

Minor Projects

The airport continues to initiate minor capital projects to ensure superior service delivery. Examples during 2003 include the relocation of a hazard beacon on the Woodley Range and the redesign of our Customs clearance facility.

Five Year Capital Plan

Projects	2004	2005	2006	2007	2008	Project Total
COMMITTED						
Hazard Beacons S3-SE1	15,000					15,000
Roof Car wash pad	10,000					10,000
*1 Snow Plow	3,000					3,000
*1 Snow Plow Truck		13,000				13,000
*1 Runway Sweeper				20,000		20,000
Update Computer systems				10,000		10,000
General Projects	10,000	10,000	10,000	10,000	10,000	50,000
	<u>38,000</u>	<u>23,000</u>	<u>10,000</u>	<u>40,000</u>	<u>10,000</u>	121,000
UNCOMMITTED						
Airport Terminal baseline findings	20,000			200,000		220,000
Approach Path Clearing	75,000	75,000	75,000			225,000
Environmental compliance EMS	15,000	20,000				35,000
*2 ILS Contingency	200,000					200,000
*2 Temp Hwy access/egress contingency	60,000					60,000
Airport Terminal Building Expansion		35,000				35,000
Increase fence height		30,000				30,000
Anti-icer storage shed			10,000			10,000
Taxi "C" extension			100,000			100,000
ATB energy wise lighting				20,000		20,000
Apron concrete pake stands					50,000	50,000
Apron Expansion to N					300,000	300,000
Fencing at S highway triangle					60,000	60,000
Realignment of S tenant taxi access					20,000	20,000
	<u>275,000</u>	<u>85,000</u>	<u>110,000</u>	<u>20,000</u>	<u>430,000</u>	920,000
TOTAL CAPITAL PROJECTS	<u>313,000</u>	<u>108,000</u>	<u>120,000</u>	<u>60,000</u>	<u>440,000</u>	1,041,000

NOTES: *1 These projects are eligible for ACAP funding. Only NAC share of total cost is shown.

*2 NAC has committed \$200,000 towards total cost of an ILS installation.

Total estimated cost is \$1,500,000.

\$60,000. has been committed toward the costs of highway access / egress improvements.



Airport Enhancement

The Commission continues to pursue opportunities to enhance the availability and suitability of Nanaimo Airport as a first class connecting place. Initiatives during 2003 targeted reliability, master planning, approach path protection, Airport Terminal Building expansion, security, and safety.

The Nanaimo Airport Commission's 2002 Annual Report notes that reliable aircraft access to Nanaimo Airport during poor weather conditions is the highest priority of the Nanaimo Airport Commission. In 2003, two separate studies pursued this goal. NAV Canada, the private corporation that owns and operates Canada's civil air navigation system, studied the feasibility of installing an instrument landing system (ILS) at Nanaimo. Simultaneously, the Commission engaged InterVISTAS Consulting Inc. to undertake a separate, independent business case analysis. The InterVISTAS study supported the installation of ILS but a review of ILS versus GPS WAAS favours GPS WAAS to resolve our approach issues since GPS WAAS provides similar capabilities at a fraction of the cost of an ILS installation.

The third draft of the Airport Master Plan was issued for review and comment in the spring of 2003. The Commission refined the draft through further consultation with local citizens and businesses. The final document will be published in 2004. In a 20-year vision, the plan addresses Airport development direction based on analysis of forecast population and economic growth within the region served by the airport.

In 2003 Nanaimo Airport initiated the preparation of regulations related to airport approach

path protection through a contract with Public Works and Government Services Canada. These regulations will protect aircraft maneuvering areas from encroachment. The regulations will require approval by Regional Districts and Municipalities, pursuant to the Federal Aeronautics Act. They contribute to safe Airport operations. With the continued cooperation of the regional districts, we expect approach path protection to be implemented in 2004.

Airport Terminal Building expansion was pursued in 2003 with planning for a new hold room to accommodate new pre-board clearance procedures mandated by the Canadian Air Transportation Authority (CATSA). At the close of 2003, Nanaimo Airport was awaiting the final approval by CATSA. Our planned expansion will enhance security and improve separation between arriving and departing passengers, increasing passenger flow and comfort.

Under the federal Canadian Air Regulation (CAR) 308, effective in 2004, Nanaimo Airport began to plan and obtain authorization to purchase an emergency intervention vehicle and a shelter to house the vehicle. Availability of emergency intervention services for scheduled carriers is required by the end of June 2004.





Airport General Manager's Report

Airports allow people, products and ideas to travel great distances. Airports "connect" in much the same way that railroads did 100 years ago. However, now society has a global vision, not a continental one. Airports allow the concept of global and regional process to actually exist.

For Nanaimo Airport, 2003 was a year of re-establishing connections. We made new connections and enjoyed our long-standing connections with the many business, public, and political bodies that make up our community.

The Commission is often invited to discuss our aspirations with political leaders from our service area. The value of the Airport to the regional economy is acknowledged and all parties are committed to supporting the Airport's initiatives to connect Vancouver Island to the world.

Business contacts are maintained with several organizations, including the Pacific Off-shore Energy Association and the CEO Nanaimo initiative. Chambers of Commerce continue to show great support for the airport. Other organizations, including the Economic Development Group of Nanaimo and the Mid Island Science, Technology, and Innovation Council (MISTIC) continue to encourage and influence our direction.

The Master Plan process remained an important focus for the Airport and the public we serve during 2003. A Public Open House held in Ladysmith was well attended. The final copy of the Master Plan will be published in 2004 and we acknowledge the sincerity, commitment, and guidance of the many individuals and organizations in our community and region that helped shape the final product.

Public interaction continues to grow at Nanaimo Airport. We conduct numerous school and group tours, demonstrating the value of airports, employment opportunities and the diversity of the industry.

In 2003, Nanaimo Airport participated in the first national Airports Customer Satisfaction Survey, conducted by InterVISTAS Consulting on behalf of the Canadian Airports Council. Nanaimo placed 4th out of eleven surveyed airports and 1st, tied with Gander, Newfoundland, among airports handling less than 500,000 passengers per year. Our comment questionnaires, available in the Airport concourse, are well used by the public. We continue to pursue excellence in our operations.

The word "Connecting" is very important to Nanaimo Airport. We facilitate the regional and global connection of people and products. We strive to improve through constantly listening to the concerns and questions of our many stakeholders in business, the public, and in government. Thank you for making 2003 a rewarding year.

David Hunter Airport General Manager



Nanaimo Airport Staff



Lynn Behnke
Airport Administrator

Doug Fern
Airport Safety
and Security Officer

Donna Beckley
Accounting Contractor

Brian Clark
Manager Operations
and Maintenance

David Hunter
General Manager



Nanaimo Airport Commission Annual Report 2003

