



ALLIANCE

nanaimo airport commission
2005 annual report



Mission Statement

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

Vision

NANAIMO AIRPORT IS THE VANCOUVER ISLAND 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. The following five entities nominate one member each.

THE CITY OF NANAIMO,

THE REGIONAL DISTRICT OF NANAIMO,

THE COWICHAN VALLEY REGIONAL DISTRICT,

THE TOWN OF LADYSMITH,

THE GREATER NANAIMO CHAMBER OF COMMERCE

THE COMMISSION APPOINTS THE THREE REMAINING DIRECTORS FROM THE COMMUNITY AT LARGE.



Message From the Chair

BY MOST MEASURES, 2005 WAS ANOTHER SUCCESSFUL YEAR FOR THE NANAIMO AIRPORT COMMISSION. Passenger numbers continued to increase, the year ended with a very strong balance sheet and we continued to make progress towards the accomplishment of our Strategic Plan.

The most important measure of success for the Commission is its ability to “provide the Central Island region with the best possible air service,” which is the first goal of our Strategic Plan. The growing population and economy of the Central Island need a convenient airport that provides frequent direct access to a growing number of destinations, and it is the mandate of the Commission to provide that service. Research has clearly demonstrated that a market exists for direct air service to Calgary, Edmonton and the Northwest U.S.A. The challenge lies in convincing the airlines to service these routes, and in doing that there are still two obstacles standing in our way – reliability during winter months and runway length.

The reliability problem that has plagued Nanaimo Airport in the past is expected to be solved late in 2006 when Jazz installs a GPS/WAAS avionics suite in its aircraft. At that point, the only obstacle that would prevent airlines from exploiting the market for direct flights to Calgary/Edmonton would be the length of our runway. At 5000 feet, it is simply too short for the types of aircraft that would be used to fly these routes. They need a runway of at least 6000 feet, and for particular operational reasons that apply to Nanaimo Airport, they would prefer something over 6500 feet. In 2005, the Commission devoted considerable resources studying the feasibility and practicality of extending the runway.

In order to make an informed decision on extending the runway the Commission needs to answer two basic questions: whether it is technically feasible to extend the runway given the land and ecological constraints that exist; and, if so, does it make sense to extend the runway from a business perspective – in other words is it affordable.

In April, a consultant study concluded that it was technically feasible to extend the runway by up to 1600 feet, assuming some identified constraints could be overcome. A subsequent business case analysis has shown that extending the runway by 1600 feet is affordable over the long term assuming a significant portion of the capital cost can be obtained from various levels of government. The Commission is now in the process of completing its “due diligence” – identifying the potential obstacles and risks associated with the project and determining the means to overcome or ameliorate them. And there are indeed some significant obstacles to overcome!

I take this opportunity to acknowledge the hard work and dedication of the directors and staff of the Commission during 2005. I offer a special “thank you” to John Craig, Mike Howard and Rollie Rose, who left the Commission in April at the expiry of their term, and we all mourn the loss of David Spearing who succumbed to ALS in the Spring. Four new directors joined the Commission last April: Guy Bezeau, Russ Burke, Michael Hooper and Jerry Pink, who bring with them a wealth of experience, knowledge and particularly, a fresh perspective.

Municipal, business and community leaders are well aware of the economic stimulus that accrues from having a well developed airport in their area, and the Commission is grateful for the continued support it receives from its stakeholders – the City of Nanaimo, the Town of Ladysmith, the Regional Districts of Nanaimo and Cowichan Valley and the Greater Nanaimo Chamber of Commerce.



A handwritten signature in blue ink, appearing to read "Brian L. Smith". The signature is fluid and cursive, written over a light blue horizontal line.

BRIAN L. SMITH – *Chairman*

Board of Directors



DIRECTOR
Brian Smith



DIRECTOR
Guy Bezeau



DIRECTOR
Ted Brown



DIRECTOR
Russ Burke



DIRECTOR
Jerry Pink



DIRECTOR
Mike Hooper



DIRECTOR
Ken Bosma



DIRECTOR
Richard Hudson

BOARD OF DIRECTORS

Brian Smith – Chair

PLANNING AND DEVELOPMENT COMMITTEE

Ted Brown – Chair

BUSINESS DEVELOPMENT AND COMMUNICATIONS COMMITTEE

Richard Hudson – Chair

OPERATIONS AND MAINTENANCE COMMITTEE

Ken Bosma – Chair

GOVERNANCE AND AUDIT COMMITTEE

Brian Smith – Chair

Staff



ACCOUNTING CONTRACTOR
Donna Beckley



MANAGER OPERATIONS AND MAINTENANCE
Reg Brady



MANAGER OPERATIONS AND MAINTENANCE
Brian Clark

AIRPORT ADMINISTRATOR
Lynn Behnke

AIRPORT SAFETY AND SECURITY OFFICER
Doug Fern

GENERAL MANAGER
David Hunter

SECURITY OFFICER
David Atkinson

Alliance

Strategic Plan Review

SINCE 2002 THE NANAIMO AIRPORT COMMISSION BOARD OF DIRECTORS and management have annually developed a Strategic Plan to maintain focus on the airport's mandate. Much was accomplished in 2005 to support the airport's contribution to the community in its role as a key transportation link for Central Vancouver Island.

THE 2005 STRATEGIC PLAN RE-EMPHASIZED FIVE KEY GOALS:

- Provide the Central Island region with the best possible air service.
- Plan, develop and maintain the Airport Infrastructure to high standards of efficiency, operations, safety, security and convenience.
- Aggressively pursue business and property development opportunities.
- Establish and maintain the highest standards of management practices consistent with the operations of a first class Airport.
- Cultivate and maintain strong relationships with all stakeholders.

COMPETITIVE ENVIRONMENT

2005 represents a third year of modest growth at the Nanaimo Airport resulting from the increasing population and expanding business community of Central Vancouver Island. With a variety of travel options available to the south-central island, Nanaimo Airport continues to attract a large share of air travelers. The Nanaimo Airport Commission continued to focus on the three primary issues that will see the Nanaimo Airport reach its fullest potential: reliability, runway length and air service routes.

APPROACH AIDS

After many years of work the approval for the use of the Global Positioning System (GPS)-Wide Area Augmentation System (WAAS) approach system was received in 2005 from Transport Canada. The GPS-WASS system will reasonably resolve Nanaimo Airport's reliability issues in the fall of 2006 when air carries will be WAAS capable.

RUNWAY

Runway length may in the future restrict the growth at the Nanaimo Airport. Currently at 5,000 feet the runway offers ideal landing and take off conditions to limited size and types of aircraft. A second feasibility study was undertaken in 2005 to reexamine the costs and benefits, with the results to be available shortly. Early estimates place the cost of the runway extension at \$9 million.



AIR SERVICE ROUTES

In addition to the feasibility study related to lengthening the runway, market research and demand forecasting were conducted to identify new, direct air travel destinations important to the business and residential populations of Central Vancouver Island. This research indicates strong opportunities for direct service to Alberta (Calgary and Edmonton non-stop), Ontario (same plane service to Toronto) and the United States (same plane entry to US air system).

AIRPORT MANAGEMENT

Over the last few years passenger convenience and security have been enhanced through significant Airport Terminal Building renovations and equipment improvements. Ongoing enhancements and upgrades were completed as scheduled to maintain the new level of service and reduce ongoing operating costs.

The Airports lands offer potential for development. Planning has commenced to explore the opportunities and limitations. The Airport Master Plan provides a planning framework for the next 20 years.

The Commission is committed to first class governance and has systems and policies for accountability and control. Funds continue to be reserved for major capital projects. Nanaimo Airport's financial house is in order.

MARKETING

The Central Vancouver Island region is on the verge of a significant economic development phase. Major new development projects are planned in Nanaimo, Oceanside, Ladysmith and the Cowichan Valley. Each of these projects will further contribute to the lifestyle and economy of the region and airport access will play a key role in the success of these projects. As the region's economy is poised to flourish, the Nanaimo Airport Commission will forge ahead pursuing its goals to ensure it is able to fulfill the community's expectations as a primary gateway to Central Vancouver Island.

This year the Nanaimo Airport Commission, its management and staff prioritized its relationships with stakeholders such as the City of Nanaimo, the Town of Ladysmith, the Regional District of Nanaimo, the Regional District of Cowichan and the Greater Nanaimo Chamber of Commerce and focused on integrating community partners in critical planning and growth initiatives. This solidified a stable foundation to form economic development alliances with key regional stakeholders. The overall goal of these associations is to further the common interests of the members and fulfill air service expectations of Central Vancouver Island residents, business and visitors. A collaborative approach will ensure Nanaimo Airport builds the required alliances to exceed the air transportation expectations of Central Vancouver Island.



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 reasonable assurance that its assets are safeguarded and its financial records are reliable. These statements include some amounts based on management's best estimates and judgments. Management is satisfied the 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 with Management and auditors to review significant accounting, internal control and audit matters. The Committee also reviews and approves annual financial statements and the independent auditor's report before it is submitted to the Board of Directors for final approval.

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



Partners

John A. Annesley, C.A.*
Frederick W. Downs, C.A.*
Lorana LaPorte, C.A., CFP*
Grant McDonald, C.A.*
* incorporated



Church Pickard
Chartered Accountants

AUDITORS' REPORT

We have audited the statement of financial position of the **Nanaimo Airport Commission** as at **December 31, 2005** and the statements of revenue and expenses and net assets, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the commission as at **December 31, 2005** and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Province of British Columbia Society Act* we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Church Pickard

CHURCH PICKARD
Chartered Accountants

Nanaimo, B.C.
February 17, 2006

Nanaimo Airport Commission

Statement of Financial Position

AS AT DECEMBER 31, 2005

	2005	2004
ASSETS		
CURRENT		
Cash	\$ 105,870	\$ 2,061
Deferred leasing costs and prepaid expenses	112,594	113,319
Accounts receivable	197,023	227,512
Cash – restricted	1,140,000	1,440,000
	1,555,487	1,782,892
INVESTMENTS - restricted	1,200,000	600,000
PROPERTY AND EQUIPMENT	8,919,156	9,276,942
	\$11,674,643	\$11,659,834
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 102,440	\$ 48,175
Deferred lease revenue	30,720	26,993
	133,160	75,168
DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT	7,727,109	8,097,465
SECURITY DEPOSITS	18,946	18,946
	7,879,215	8,191,579
NET ASSETS		
NET ASSETS	3,795,428	3,468,255
	\$11,674,643	\$11,659,834

Nanaimo Airport Commission

Statement of Revenue and Expenses and Net Assets

FOR THE YEAR ENDED DECEMBER 31, 2005

	2005 BUDGET (unaudited)	2005	2004
REVENUE			
Airline passenger fees	\$ 682,000	\$ 681,247	\$ 667,661
Land lease and licence fees	245,270	263,911	238,412
Air terminal lease and licence fees	261,100	220,340	211,831
Vehicle parking fees	186,920	217,595	214,764
Interest and general	40,000	64,904	41,365
Airside facility licence and user fees	36,300	47,523	38,458
	<u>1,456,590</u>	<u>1,495,520</u>	<u>1,412,491</u>
EXPENSES			
Administration and management	434,400	409,233	447,476
Service buildings and airfield	139,700	159,848	102,954
Property taxes	142,325	140,085	137,013
Emergency, safety, and security	133,000	133,236	142,964
Air terminal building	117,500	99,927	110,721
Commercial development and marketing	152,000	85,424	52,035
Airport commission	48,700	43,913	37,889
Bad debts	3,000	2,840	3,531
Master plan	-	-	2,934
	<u>1,170,625</u>	<u>1,074,506</u>	<u>1,037,517</u>
REVENUE IN EXCESS OF EXPENSES BEFORE OTHER ITEMS	285,965	421,014	374,974
OTHER REVENUE (EXPENSES)			
Amortization of deferred contributions related to property and equipment	-	397,728	373,595
Amortization	-	(491,569)	(452,634)
	<u>-</u>	<u>(93,841)</u>	<u>(79,039)</u>
REVENUE IN EXCESS OF EXPENSES	\$ 285,965	\$ 327,173	\$ 295,935
NET ASSETS, BEGINNING OF THE YEAR		3,468,255	3,172,320
NET ASSETS, END OF THE YEAR		\$ 3,795,428	\$ 3,468,255

Completed Capital Projects 2005:

MORE THAN \$100,000 IN CAPITAL PROJECTS AND PURCHASES were completed in 2005 to enhance the Airport and meet travelers' expectations.

EQUIPMENT

Funds from the Airports Capital Assistance Program allowed for the purchase of a 19 foot snow plow. The size of the plow is required to work in conjunction with the runway sweeper. Total investment of the equipment was \$30,000. \$27,000 of the funding was provided through the Airports Capital Assistance Program the remaining \$3,000 by the Nanaimo Airport Commission.

TERMINAL PROJECTS

Based in the finding of a study of the Nanaimo Airport Terminal and recommendations for improvement to the building envelope, a partial building exterior refurbishing project valued at \$40,000 was started.

To convert the previous pre-boarding holding room in to a clearing area for Canada Customs minor renovations where undertaken at a cost of \$20,000. The larger area will allow Customs to process additional capacity which is expected to occur over the next few years.

AIR SIDE PROJECTS

Heavy equipment parking lot modifications where under taken in 2005 to prevent gravel materials from being tracked to the maneuvering area airside. Paving the storage area of the heavy equipment at a cost of \$25,000 has rectified the issues.

GENERAL PROJECTS

Numerous small projects related to safety, including fencing improvements and equipment upgrades, where completed during the year at a value of \$15,000.

Five Year Capital Plan

Projects	2006 proposed five year plan	2007	2008	2009	2010	PROJECT TOTAL
COMMITTED						
*1 Snow Plow Truck	30,000					30,000
*1 Snow Blower	45,000					45,000
*1 Runway Sweeper		30,000				30,000
Update Computer systems		10,000				10,000
General Projects and Purchases	15,000	15,000	20,000	20,000	20,000	90,000
	90,000	55,000	20,000	20,000	20,000	205,000
UNCOMMITTED						
Approach Path Clearing	100,000	100,000			50,000	250,000
*1 Replace frontage fencing		45,000				45,000
Refurbish ATB stucco exterior	40,000					40,000
ATB energy wise lighting	20,000					20,000
*1 Apron concrete park stands			75,000			75,000
Apron Expansion to N			300,000			300,000
Passenger covered walkways				30,000		30,000
Update air terminal seating			30,000			30,000
Design work-Runway extension	40,000					40,000
Replace DME - contingency		130,000				130,000
Parking lot modifications S ATB	25,000					25,000
Purchase of new staff vehicle			35,000			35,000
*1 Purchase of new urea spreader		6,000				6,000
Safety Management System		10,000				10,000
Extension to Mustang Road & misc				75,000		75,000
Fencing S triangle			60,000			60,000
Access Improvements		750,000				750,000
*1 Overlay of apron (ACAP)				45,000		45,000
	225,000	1,041,000	500,000	150,000	50,000	1,966,000
TOTAL BUDGETED PROJECTS	315,000	1,096,000	520,000	170,000	70,000	2,171,000
Potential Airfield Expansion & Related Projects						
High Intensity Lighting		946,000				946,000
Runway & taxiway extension		8,054,000				8,054,000
Airport Terminal Building Expansion			2,500,000			2,500,000
ATB upgrades – earthquake, sprinklers			200,000			200,000
Relocation of CSB					200,000	200,000
Expansion of vehicle parking lot				300,000		300,000
	-	9,000,000	2,700,000	300,000	200,000	12,200,000
TOTAL CAPITAL PROJECTS	315,000	10,096,000	3,220,000	470,000	270,000	14,371,000

NOTES: *1 Noted capital items are eligible for ACAP funding and shown are the estimated airport share of total costs.

Looking to the Future: 2006 Strategic Plan Outline

AS A RESULT OF THE SEPTEMBER 2005 REVIEW OF THE STRATEGIC PLAN, several objectives defined in the goals have been modified to emphasize four important priorities:

- Delivering reliable air services
- Determining the feasibility of lengthening the runway
- Establishing air service that satisfies the needs and expectations of stakeholders, including travelers and air carriers.
- Increasing use of the airport lands, both airside and landside.

2006 Strategic Plan

1. PROVIDE THE CENTRAL ISLAND REGION WITH THE BEST POSSIBLE AIR SERVICE.

1. Pursue air carriers to provide same-aircraft air services between Nanaimo and Calgary, Edmonton, Toronto, and the U.S air travel system.

2. PLAN, DEVELOP AND MAINTAIN THE AIRPORT INFRASTRUCTURE TO HIGH STANDARDS OF EFFICIENCY, OPERATIONS, SAFETY, SECURITY AND CONVENIENCE.

1. Ensure and maintain approach path clearances to maintain certification of the airport.
2. Publish GPS-WASS approaches at the earliest possible opportunity.
3. Make a decision with respect to extension of the runway based on the results of the runway feasibility study.
4. Complete approach path protection by May 2007.
5. Improve highway access.
6. Maintain full current safety and security compliance.

3. AGGRESSIVELY PURSUE BUSINESS AND PROPERTY DEVELOPMENT OPPORTUNITIES.

1. Determine limitations on land use.
2. Prepare an airport development plan meeting “highest and best use” criteria.

4. ESTABLISH AND MAINTAIN THE HIGHEST STANDARDS OF MANAGEMENT PRACTICES CONSISTENT WITH THE OPERATIONS OF A FIRST CLASS AIRPORT.

1. Respond to the findings and recommendations of the independent Management Audit.
2. Establish policy for assessment of the Board of Directors.
3. Establish policy for Human Resources development.
4. Establish an evaluation process to track progress.
5. Cultivate and maintain strong relationships with all stakeholders.



Message from Management

THE SUCCESS OF A SINGLE MAN OR CORPORATIONS LARGE AND SMALL is often attributed to its ability to value a state of inter-dependence. People and businesses need each other and never was it more true, than in today's competitive world. At Nanaimo Airport we respect and value the alliances that we are privileged to be a part of.

Board and Management have worked closely throughout the year, taking steps toward our identified key priorities. This small team underwent some changes during 2005. Four new Directors were appointed to the Board bringing fresh perspective and adding to the varied range of experience and expertise. The Manager of Operations and Maintenance, Brian Clark, resigned his position in the fall, relocating to the interior of B.C. where his partner was posted with the RCMP. Brian accomplished much during his three years at the airport and this team was sorry to say goodbye. Fortunately in November, we welcomed Reg Brady to Nanaimo. Our new Manager of Operations has been a long time employee at Sandspit Airport and brings with him a wealth of experience in all aspects of airport operations. The alliances within the small team of Directors and Management are the foundation upon which Nanaimo Airport moves forward.

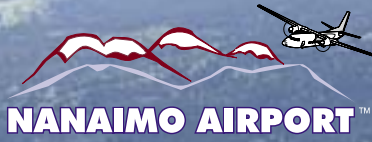
The very purpose of operating an airport is to serve its users and Nanaimo Airport enjoys a sound working alliance with Air Canada Jazz, the service providers such as the coffee shop, car rental companies, licensed ground transportation and courier operators and tenants occupying airport land. We recognize that success for all of us is a result of appreciating the most important alliance; that with our customers.

Our partnerships reach outside the airport encompassing a large circle of associations. Within our communities we look to business and political leaders to support us as the airport does its part to contribute to economic growth within our catchment area. Our participation in local Chambers of Commerce, Tourism and educational institutions comes from our recognition that working together brings results. Our local firefighters have used our facilities for a training session, a variety of thesis and work experience placements were completed by students, the Bell Canada Airship visited to host clients, the Experimental Aircraft Association hosted a fly-in and Nanaimo Airport sponsored the annual golf tournament for business partners. Within the industry our memberships and participation with the British Columbia Aviation Council and the Canadian Airports Council provides the framework for discussing and influencing the constantly changing face of aviation. We continue to work closely with our inspectors and regulators at Transport Canada, and a myriad of provincial and federal entities.

2005 has been another year of change, growth and success. Our financial health was strengthened by increased revenues and spending controls. Our capital plan is demanding and feasible. We are focussed on our goals, have set our priorities and move forward with controls in place. Our greatest asset is and will continue to be the alliances we create.







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