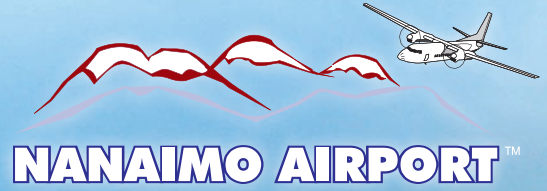
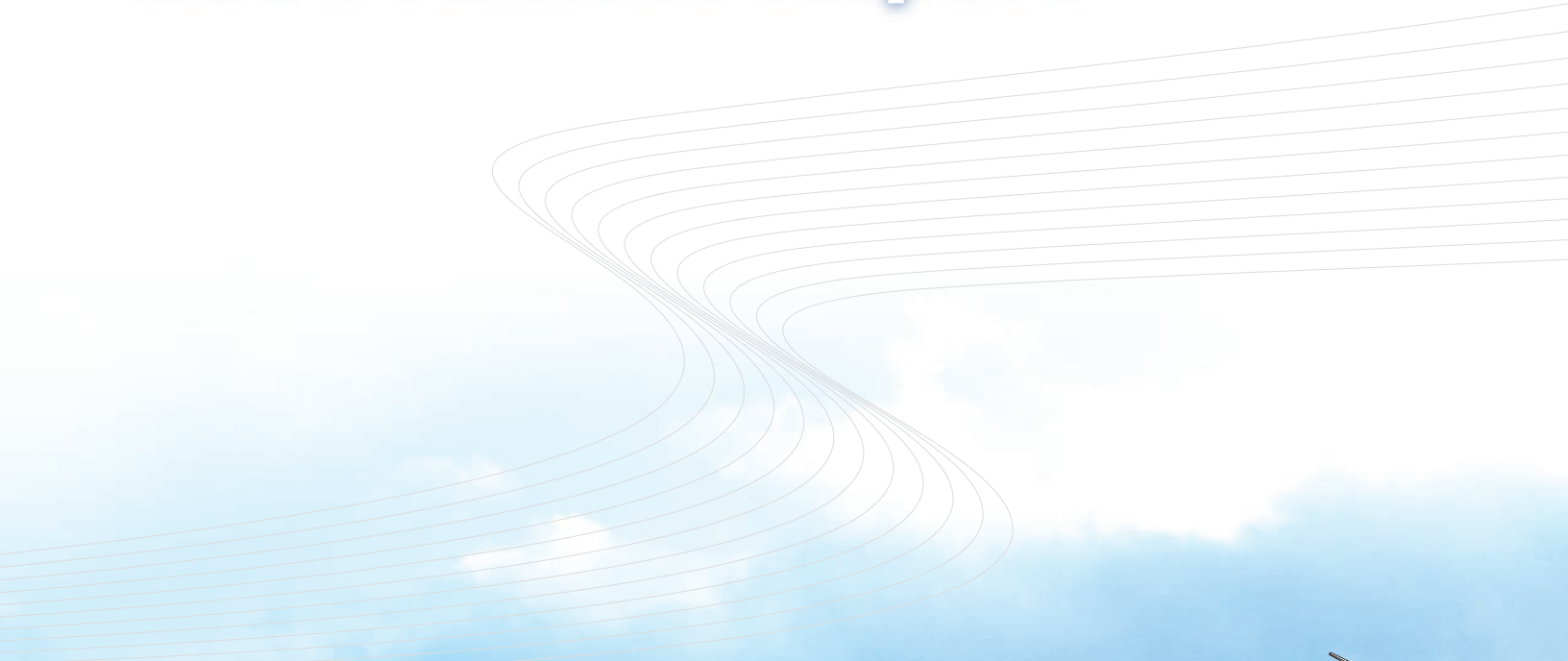


# Building Blocks

Nanaimo Airport Commission

# 2006 Annual Report



## Mission

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 economic well-being of the community.

## Vision

The Nanaimo Airport will maximize its potential to be a dynamic, customer focused, air services gateway to western North America.



# 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 of which 3 are appointed by the Commission, from the community at large. The following five entities nominate one member each:

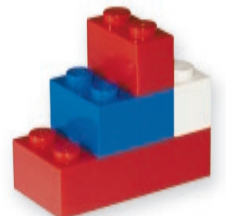
**THE CITY OF NANAIMO;**

**THE REGIONAL DISTRICT OF NANAIMO;**

**THE COWICHAN VALLEY REGIONAL DISTRICT;**

**THE TOWN OF LADYSMITH; AND**

**THE GREATER NANAIMO CHAMBER OF COMMERCE**



## Message From the Chair

From an operational perspective, 2006 was a very good year! With over 137,000 passengers moving through the airport, revenues reached an all time high, while expenditures for operations and facility maintenance were well contained. But that was only part of the story.

Early in the year, David Hunter, our Chief Executive Officer, left the Commission to pursue other interests. After a nation-wide search and competition, the Commission hired Mike Hooper as its new President and CEO. Mike had already served as the CVRD's nominated director for a year, had exceptional qualifications, and was keen to assume the challenge. The Commission could not have made a better choice! Mike brought unusual vigour and skills to the position and has gained the complete confidence of the Board. We are fortunate to have him as CEO.

2006 was all about trees! By far the most difficult challenge that the Commission faced in 2006 was the removal of the trees that were encroaching into the protected approaches to our runway. A great deal of time and effort (not to mention money!) was spent in identifying the encroachments, negotiating with landowners and finally, removing the trees. The overall success of this project was in no small measure due to the leadership and organizational skills of the CEO and to the hard work done by Reg Brady, the Manager of Operations and Maintenance. The good news is that the runway can now be upgraded to allow non-precision approaches (thus affording better reliability). The not-so-good news is that the cost of the project (over two million dollars) has completely depleted the capital reserve that we had so carefully accumulated over the past several years.

Significant progress has also been made in the plans for an extension to the runway. The Commission completed its due diligence process this year and is presently working with consultants to prepare a business plan in support of funding to extend the runway by 1600 ft. Based on extensive studies, the Commission is confident that the strong local demand for direct service to Calgary and Edmonton, coupled with a longer runway, will attract more carriers serving an expanded route structure. However, the final decision whether or not to proceed with this project will depend on the Commission's ability to raise the necessary funds.

The Commission gained a new director in the fall when Mike McDonald was nominated by the Cowichan Valley Regional District to replace Mike Hooper. Director McDonald's experience with government and public relations will be extremely valuable as we move forward with the expansion of the airport.

This will be my last "Message from the Chair". I will be stepping down in March 2007 after eight years on the board, six of which were served as Chair. During these years I have had the pleasure of working closely with a dedicated and hard working group of Directors and staff who share a common vision of what the airport can become. I take this final opportunity to thank them for the support and encouragement they have given me. It has been an interesting challenge, one which Jerry Pink, the new Chair, will fully embrace.

And finally, I wish to acknowledge the continued support of our stakeholders— the City of Nanaimo, the Town of Ladysmith, the Regional Districts of Nanaimo and Cowichan Valley and the Greater Nanaimo Chamber of Commerce - who fully appreciate the economic benefits of a nearby airport that meets the growing needs of the communities they represent.



A handwritten signature in blue ink, appearing to read "B. Smith". The signature is fluid and cursive.

**BRIAN L. SMITH**  
*Chair*  
*Nanaimo Airport Commission*

# Board of Directors



**DIRECTOR**  
Brian Smith



**DIRECTOR**  
Guy Bezeau



**DIRECTOR**  
Ted Brown



**DIRECTOR**  
Russ Burke



**DIRECTOR**  
Jerry Pink



**DIRECTOR**  
Mike McDonald



**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



**AIRPORT SAFETY AND SECURITY OFFICER**  
Doug Fern

**SECURITY OFFICER**  
David Atkinson

**MANAGER OPERATIONS AND MAINTENANCE**  
Reg Brady

**AIRPORT ADMINISTRATOR**  
Lynn Behnke

**PRESIDENT, CEO**  
Mike Hooper

# Building Blocks

## Strategic Plan Review

Directors, management and staff from the Nanaimo Airport Commission, annually develop a Strategic Plan to maintain a focus on the airport's mandate. Much was accomplished in 2006 to reach the airport's mandate of being a key transportation link for Central Vancouver Island.

### THE 2006 STRATEGIC PLAN RE-EMPHASIZED FOUR KEY GOALS:

1. Provide the Central Island region with the best possible air service.
2. Plan, develop and maintain the airport infrastructure to high standards of efficiency, operations, safety, security and convenience.
3. Aggressively pursue business and property development opportunities.
4. Establish and maintain the highest standards of management practices consistent with the operations of a first class airport.

### BUILDING BLOCKS – 2006 OVERVIEW

The majority of work completed by the Nanaimo Airport Commission is behind the scenes and is rarely visible to the traveling public. This year, the Nanaimo Airport Commission along with its management and staff placed a priority on projects that would establish a solid foundation for future growth.

Based on direct and in-direct data, the Nanaimo Airport annually generates more than \$32 million in economic value to the region and 452 person years of employment; the Nanaimo Airport is a key contributor to the economy of the Central Island. Much of the Commission's efforts in 2006 established key building blocks that will form the framework for future growth at the Nanaimo Airport.

The overall goal of these efforts was to ensure fulfillment of current and future air service expectations of Central Vancouver Island residents, businesses and visitors.

#### Strong Management & Governance

The Commission is committed to first class governance and has systems and policies for in place for accountability and control. Nanaimo Airport's financial house is in order and in 2006 the Commission published a five year business plan to guide the development and growth of the airport through 2011.

#### Approach Path Clearance

Trees protruding into the approach path at both ends of the runway caused Transport Canada to issue an order, in May 2006, to temporarily reduce the runway length by 1000'. These trees have now been removed and, in early 2007, the full 5000' of runway length was reinstated. An ongoing Tree Management Plan with appropriate funding has been put in place to ensure that this doesn't happen again.

#### Improvement of Airport Access

Continued growth of vehicle traffic on Highway 19 has heightened concerns related to safe access to the airport. Numerous options were investigated and in 2006, a partnership program was established with the Department of Transportation to install traffic lights at the entrance. Work is expected to be completed in early 2007.



### Extension of the Runway

If the Nanaimo Airport is to expand its services to our customers and attract other airlines, the length of the runway must be extended to a minimum of 6,600 feet. Accordingly, the Commission has engaged a consulting company to prepare a comprehensive business plan which is expected to be available in the first quarter of 2007.

### Installation of Approach Aids that will Increase Reliability

Reliability at the Nanaimo Airport during the winter months is not acceptable to either our customers or the airlines and is an impediment to growth. The Commission continues to investigate GPS WAAS and other instrument approach options which would be put in place after runway extension and the installation of High Intensity Approach Lighting.

### Expansion of Existing Services

Despite increased competition from Comox and Victoria, passenger loads in 2006 were up 11% on a year-over-year basis and exceeded 137,000 passengers - nevertheless, future growth is limited by the routes that are served. Based on market research and demand forecasting that was conducted during the year, it is clear that once the runway is extended and the reliability is improved, the potential exists for direct flights to the Calgary / Edmonton markets with same-plane service to Toronto. In addition, added competition will offer non-stop air service to the US NW and southern sunspot destinations during the winter.



# 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.

Audited financial statements contained within this report are consistent with information presented in the full set of financial statements, available at the Airport Office.



Michael K. Hooper BGS, MBA  
President, CEO  
Nanaimo Airport

Nanaimo, BC  
February 16, 2007





*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, 2006** 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, 2006** 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 16, 2007

(1)

Suite 301, 17 Church Street, Nanaimo, BC V9R 5H5  
Tel. (250) 754-6396 Toll Free. 1-866-754-6396  
Fax. (250) 754-8177 Email. mail@churchpickard.com  
www.churchpickard.com

# Nanaimo Airport Commission

## Statement of Financial Position

As at December 31, 2006

	2006	2005
<b>ASSETS</b>		
<b>CURRENT</b>		
Current investments	\$ 238,433	\$ 268,669
Cash	355,283	105,870
Deferred leasing costs and prepaid expenses	111,636	112,594
Accounts receivable	142,525	156,456
Cash - restricted	-	1,140,000
	847,877	1,783,589
<b>INVESTMENTS</b>	398,474	971,898
<b>PROPERTY AND EQUIPMENT</b>	11,077,353	8,919,156
	<b>\$12,323,704</b>	<b>\$11,674,643</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Demand loan	\$ 676,442	\$ -
Accounts payable and accrued liabilities	88,466	102,440
Deferred lease revenue	23,746	30,720
	788,654	133,160
<b>DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT</b>	4,668,437	5,067,109
<b>SECURITY DEPOSITS</b>	18,946	18,946
	5,476,037	5,219,215
<b>NET ASSETS</b>		
<b>NET ASSETS</b>	6,847,667	6,455,428
	<b>\$12,323,704</b>	<b>\$11,674,643</b>

# Nanaimo Airport Commission

## Statement of Revenue and Expenses and Net Assets

For the year ended **December 31, 2006**

	Budget 2006 (unaudited)	2006	2005
<b>REVENUE</b>			
Airline passenger fees	\$ 756,000	\$ 826,218	\$ 681,247
Land lease and licence fees	251,700	272,551	263,911
Vehicle parking fees	206,200	253,736	217,595
Air terminal lease and licence fees	194,300	226,853	220,340
Interest and general	40,000	90,607	64,904
Airside facility licence and user fees	36,300	30,139	47,523
	1,484,500	1,700,104	1,495,520
<b>EXPENSES</b>			
Administration and management	470,600	505,970	409,233
Property taxes	140,000	137,044	140,085
Emergency, safety, and security	138,500	129,468	133,236
Air terminal building	116,500	128,609	99,927
Service buildings and airfield	141,500	122,129	159,848
Airport commission	55,000	45,941	43,914
Commercial development and marketing	121,600	45,131	85,424
Bad debts	3,000	39,020	2,840
	1,186,700	1,153,312	1,074,507
<b>REVENUE IN EXCESS OF EXPENSES</b>			
<b>BEFORE OTHER ITEMS</b>	297,800	546,792	421,013
<b>OTHER REVENUE (EXPENSES)</b>			
Amortization of deferred contributions related to property and equipment	-	398,672	397,728
Amortization	-	(553,225)	(491,569)
	-	(154,553)	(93,841)
<b>REVENUE IN EXCESS OF EXPENSES</b>	\$ 297,800	392,239	327,172
<b>NET ASSETS, BEGINNING OF THE YEAR</b>		6,455,428	6,128,256
<b>NET ASSETS, END OF THE YEAR</b>		\$ 6,847,667	\$ 6,455,428

# Completed Capital Projects 2006

More than \$2.794 million in capital projects and purchases were completed in 2006 to enhance the Airport and meet travelers' expectations.

## Equipment

Funds from the Airports Capital Assistance Program (ACAP) allowed for the purchase of a front-end loader with a snow blower attachment. Total investment of the equipment was \$267,000; ACAP provided funding for \$224,800 and the remaining \$42,200 was paid by the Nanaimo Airport Commission.

## Terminal Projects

Work was completed, following recommendations contained in an assessment of the building envelope. This included some stucco building refurbishing, valued at \$27,000.

The lighting fixtures within the terminal building continue to be upgraded through the replacement of existing lamps. This switch to high energy efficient units will provide considerable cost savings in the future. Total project cost \$5,000.

External modifications, including realignment of fencing to the South end of the terminal, have improved access for disabled persons. Modifications to the parking lot cost \$15,000.

## Air Side Projects

Nearly \$2.45 million was invested in approach path clearing. Transport Canada's temporary measure to restrict the runway length hastened the removal of tree intrusions at both ends located on 22 properties that surround the airport. Tree removal cost \$450,000 in addition to \$2 million paid for property acquisition and compensation to some effected landowners.

Consultants were contracted to develop a business case related to extending the current runway, following the results of the runway study. Business development work cost \$20,000.

## General Projects

Numerous small projects related to safety, including fencing improvements and equipment upgrades, were completed during the year at a cost of \$10,000.

# Looking to the Future

Since the first Strategic Plan was published in early 2002, considerable progress has been made. Each year the plan has been amended based on the accomplishments of the previous year. The 2007 Strategic Plan identifies four major issues that must be addressed for the Nanaimo Airport to reach its full potential:

- Delivering reliable air services.
- Completing all planning phases for the runway extension project.
- 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 groundside.



# Five Year Capital Plan

PROJECTS	2007	2008	2009	2010	2011
Tree intrusion & in-stream work	80,000				
Access improvements	85,000				
Broom control	55,000				
Operations vehicle		40,000			
*1 Snow-plow truck	30,000				
Security cameras		8,000	8,000	8,000	
Update computer systems	12,000				
GPS WAAS plates	10,000				
Replace navigational aid - contingency		130,000			
*1 Runway sweeper		30,000			
Fence-check vehicle		12,000			
Safety-management system		5,000	5,000	5,000	5,000
Fence signage		2,000	2,000	2,000	
Replace frontage fencing			45,000		
*1 Overlay of apron (ACAP)			45,000		
*1 Perimeter clearing, gravel path			15,000		
*1 Apron concrete park stands				75,000	
Extension to Mustang Road & misc				75,000	
Covered Passenger walkways				30,000	
*1 Security enhancements				10,000	
*1 Purchase of new urea spreader				6,000	
General projects & purchases	15,000	20,000	20,000	20,000	20,000
<b>TOTAL CAPITAL PLAN</b>	<b>287,000</b>	<b>247,000</b>	<b>140,000</b>	<b>231,000</b>	<b>25,000</b>

\*1 - This project is eligible for participation in the Airports Capital Assistance Program (ACAP). Identified amounts reflect the anticipated NAC share of the total costs.



# President, CEO Report

During 2006, the Nanaimo Airport Commission (NAC) and staff worked hard on a number of major projects to establish a solid foundation for future growth. These building blocks included Flight Path Protection, Runway Extension Business Plan, Safety Management System, Instrumentation Approach, Wildlife Management, Highway Access and Equipment Upgrades.

**Flight Path Protection:** Trees growing into the flightpath were topped or removed. The volume of wood involved in the process amounted to just over 250 logging truck loads. Thirty-three property owners were approached, and alternatives to tree removal were identified on 11 parcels. Members of the NAC team met with the owners of the remaining 22 properties, and agreements were reached. Several neighbours donated their trees to charities for firewood auctions, while most would not accept compensation for the removal of trees, as they wanted to assist the airport in this task. I would personally like to thank all these folk for their strong community spirit.

The project was completed in record time due to tremendous cooperation from all government agencies. I would like to thank the staff at Transport Canada, Department of Fisheries & Oceans, Department of Highways, Ministry of Forest, Ministry of Environment, Regional District of Nanaimo, City of Nanaimo, Town of Ladysmith, and the Cowichan Valley Regional District. I appreciate the effort put forward.

**Runway Extension Business Plan:** The NAC engaged Jacobs Consulting to prepare a comprehensive business plan. The project was divided into 3 base components; Market Forecasts for a 20-year period, Infrastructure Requirements and Cost Projections. The final product will be available during the first quarter of 2007.

**Safety Management System:** Transport Canada is initiating a new Safety Management System (SMS) across the nation. This system will help all airports improve safety through pro-active management rather than reactive compliance to regulations. The Nanaimo Airport Team has begun to initiate this new process as a tool that will ensure we maintain and enhance a high safety record. We will continue to grow a culture focused on safety for the traveling public, clients, staff, contractors, tenants and all parties interacting with the Airport.

**Instrumentation Approach:** By removing the trees from the flightpath, the NAC can now work with Transport Canada to initiate an instrumentation approach for the Nanaimo Airport. A navigation system will provide for increased reliability on arrivals and departures during winter weather.

**Wildlife Management:** The Nanaimo Airport is home to the small Vesper Sparrow, which nests in sparse grassy open fields with bushes providing perches and cover. There are only 5 known mating pairs of this subspecies in the world and they are all located on airport lands. By assisting the Vesper Sparrows, the NAC is balancing a community's need to travel with environmental objectives. A widespread, live-trap program was also initiated in 2006, focused at decreasing the rabbit population.



**Highway Access:** A partnership agreement was made with the Ministry of Transportation to achieve safer access to the airport from the Island Highway. The NAC is contributing \$75,000 for improvements to the entrance that will ensure passengers experience increased safety as they arrive and depart the airport facility.

**Equipment Upgrades:** Improvements to equipment ranged from high-tech computer systems to a \$268,000 front-end loader/snow blower. The snow blower was purchased as part of the federal Airport Capital Assistance Program (ACAP), and allows airport staff to complete work that previously has been contracted out. The new equipment was tested within weeks of delivery and performed above expectations during a three-day snowstorm.

In closing, I must thank the full Nanaimo Airport Team for successfully completing a number of tough projects. The airport is now well positioned for growth in the coming years.



A handwritten signature in blue ink that reads "Michael K. Hooper". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Michael K. Hooper BGS, MBA  
President, CEO





Tel: (250) 245-2157  
Fax: (250) 245-4308

[feedback@nanaimoairport.com](mailto:feedback@nanaimoairport.com)  
[www.nanaimoairport.com](http://www.nanaimoairport.com)