Study of Municipal Airports in Ontario

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STUDY OF MUNICIPAL AIRPORTS IN ONTARIO

FINAL REPORT

Submitted to:

AIRPORT MANAGEMENT CONFERENCE OF ONTARIO (AMCO)

Submitted by:

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APPENDICES

LIST OF ACRONYMS

ACAP	Airports Capital Assistance Program (administered by Transport Canada)
AMCO	Airport Management Conference of Ontario
APAPI	Automated Precision Approach Path Indicators
AWOS	Automated Weather Observing System
CAC	Canadian Airports Council
CAGC	Community Airports Group Cooperative
CAP	Canada Air Pilot
CARAC	Canadian Aviation Regulation Advisory Council
CBAA	Canadian Business Aircraft Association
CBSA	Canada Border Services Agency
CFS	Canada Flight Supplement
COPA	Canadian Owners and Pilots Association
FAA	Federal Aviation Administration
GA	General Aviation
IAAE Canada	International Association of Airports Executives - Canada
MEDT	Ontario Ministry of Economic Development and Trade
MNDM	Ontario Ministry of Northern Development and Mines
MNR	Ontario Ministry of Natural Resources
MOHLTC	Ontario Ministry of Health and Long Term Care
MTO	Ontario Ministry of Transportation
NAP	National Airports Policy
NAS	National Airports System
OAASC	Ontario Air Ambulance Service Co.
ODALS	Medium Intensity Approach Lighting
OPP	Ontario Provincial Police
PAPI	Precision Approach Path Indicator
RCACC	Regional Coalition of Community Airports of Canada
SARS	Severe Acute Respiratory Syndrome
SSALRS	High Intensity Approach Lighting
VASIS	Visual Approach Slope Indicator System

EXECUTIVE SUMMARY

Study Objective

The purpose of the study was five-fold:

1. to identify the trends, issues, challenges and unique issues facing municipal airports in Ontario;
2. to identify the socio-economic importance of municipal airports to the regional communities;
3. to identify the sustained viability of municipal airports in Ontario;
4. to determine the key short term and long term needs of municipal airports in Ontario; and
5. to identify possible solutions (private and public sector) to address the key challenges and issues affecting the sustained viability of municipal airports in Ontario.

Approach

This study focuses on municipal airports in Ontario – essentially those public airports that serve local / municipal needs and provide a socio-economic contribution[1] – regardless of ownership structure, although most are municipally owned. The study excludes National Airports System (NAS) airports, provincially owned airports, and privately owned airports that serve private or recreational purposes only.

Data collection included a survey sent to 85 municipal airports in Ontario, site visits to 10 airports, and interviews with other key stakeholders (users, aviation organizations and air carriers), as well as a literature search.

The study was guided by a Steering Committee comprised of funding partners and key stakeholders (AMCO, MTO, MEDT, MNDM, MNR, FEDNOR).

North/south geographical segmentation used throughout the report is based on AMCO's membership boundaries (see Appendix A).

Profile of Ontario Airports

There are over 200 Ontario aerodromes (excluding water aerodromes) listed in the Canada Flight Supplement. Of those, there are approximately 85 municipal airports that serve regional or local needs. Others include four NAS airports, two military airfields, twenty-nine provincially owned airports and approximately one hundred other registered aerodromes that serve either private needs or recreational purposes only.

[1] Socio-economic benefits are typically qualitative in nature, such as providing residents of a community access to critical health care through the availability of air ambulance/medevac services.

Of the eighty-five municipal airports, 42% (36) are located in the north, and 58% (49) in the south. Of the same eighty-five airports, 71% (60) are certified aerodromes[2] while 29% (25) are registered[3]. There are more certified airports located in the north. There are currently eighteen (21%) Airports Capital Assistance Program (ACAP) eligible municipal airports within the eighty-five –Toronto City Centre Airport will be the nineteenth when it regains scheduled service in September 2006.

There are seven air carriers providing scheduled passenger service from municipal airports in the province (Air Canada Jazz, Wasaya, Bearskin, Air Georgian, Voyageur, North American Charters 2000, and Porter Airlines[4]). Most of these are located in the north.

Changing External Environment and its Impact on Municipal Airports in Ontario

Federal Involvement in Airports

Under the 1994 National Airports Policy (NAP), Transport Canada's role changed from that of an airport regulator, owner and operator, to one of regulator and landlord. There were 29 Ontario airports affected by the implementation of the NAP, including 16 "Regional / Local" airports and 8 "Small" airports. As noted by some airport managers during the data collection phase of this study, the impact of the federal government's withdrawal from airports has had a neutral to negative impact on municipal airports in Ontario.

Also under the NAP, NAS airports, pay rents to the federal government for the long-term leases of airport land. The four NAS airports in Ontario (Toronto Pearson, Ottawa, London, and Thunder Bay) are expected to contribute $3.1 billion in airport rent over the remainder of their leases (~ another 50 years).

Customs and border services has been cited as one of the major issues facing all airports in Canada, including small airports. Key concerns include levels of service (declining or non-existent), cost recovery, space and facilities, and technology.

Provincial Involvement in Airports

The Province of Ontario became involved in airports in the late 1960s when it was felt that federal policies were not supporting the development of local community/municipal airports to support social service needs or for economic development purposes. The Provincial programs were initially introduced in Northern Ontario and were eventually expanded to include all of Ontario. Provincial funding programs included the *Remote Airports Program*

[2] Certified Airports are those that meet one of the following criteria: scheduled (Canadian Aviation Regulations) CAR 704 or 705 service; located within a "built-up area" of a city or town; where certification is in the public interest; or where the airport wants to remain certified and is willing to pay for that status. Certified airports are inspected periodically for compliance with Transport Canada Standards which have been recorded in an Airport Operations Manual and Airside Operating Procedures.
[3] A Registered Airport is one in which an Airport Certificate has not been issued by Transport Canada. Aerodrome Information is however published and maintained in the Canada Flight Supplement. Registered aerodromes are not required to comply with CAR 302 regulations and Transport Canada publication TP312 – Aerodrome Standards and Recommended Practices.
[4] Porter Airlines has been included as they will provide scheduled service from the Toronto City Centre Airport beginning the Fall of 2006.

(the Ontario Ministry of Transportation currently owns and operates 29 remote airports); and *The Municipal Airports Program* whereby the Province provided capital subsidies of up to 80% for basic infrastructure, and 50% for other capital works. Operating subsidies were provided at the rate of 50% of the operating deficit to a maximum of $24,200 (in 1996/97). The program was terminated beginning in 1997/98, and the Province no longer has a role in funding of municipal airports or the coordination of airport development in Ontario. At the time of program termination, based on the provincial contributions in 1996/97, the estimated annual operating and capital cost impact on municipalities for municipal airports was in the order of $3.6 million.

The Province also provided one-time funding in 1998 through the Municipal Capital and Operating Restructuring Fund (MCORF), to assist municipalities in seeding their capital reserves and to help maintain the airport infrastructure. The average allocation distributed to forty-nine eligible airports was $128,571.

Small Airports

Many studies have been completed in the past five years, dealing with small airports issues, responding to concerns regarding the ability to sustain and operate their airports effectively over the long-term. All of these reports came to similar conclusions – that small airports have exhausted the opportunities for efficiencies and are in need of external financial support if they are to continue to operate. Approximately half of the small airports previously studied are unable to meet their operational requirements let alone make a contribution to capital. Of note is that the definition of “small” in the context of most of these studies includes airports with less than 200,000 passengers a year. These are considered large airports in the context of municipal airports in Ontario, although many of the issues remain the same including insufficient funding, federal regulatory burden, and varied levels of community support.

Airlines

Legacy carriers have been particularly hard hit by the advent of their low-cost competitors. Carriers have also suffered external shocks such as the general downturn in the US economy, the wars in Iraq and Afghanistan, Severe Accurate Respiratory Syndrome (SARS), and runaway oil prices. Air Canada has restructured and is now aggressively expanding, although generally with a fleet that is not suited to northern or small airports. Smaller carriers such as Wasaya or Bearskin are expected to expand to fill any void left by Air Canada Jazz. The new Porter Airlines is also expected to eventually serve some of the smaller markets within the province such as Sault Ste. Marie and Sudbury.

Many municipal airports have either lost their scheduled passenger service or have seen a reduced service in recent years. Those that continue to have scheduled passenger service are faced with increased fares, reduced frequency (which translates into reduced revenues to the airport), and poor connection times.

Funding Support

Small airports have difficulty obtaining capital through commercial markets due to less stable traffic, fewer and less valuable assets, particularly in light of small operating incomes (if not deficits). Grant funding for municipal airports in Ontario is limited to those that have either regularly scheduled passenger service (through the federal Airports Capital Assistance Program (ACAP)) or to those in Northern Ontario (through FedNor or the Northern Ontario Heritage Fund Corporation). As stated previously, Ontario used to have a provincial support program for municipal airports but this has since been terminated. Ontario differs from several other provinces in support for airports, particularly British Columbia, Alberta and Quebec which have programs specifically for airports and/or transportation. Similar to airports in Northern Ontario, airports in other provinces also have access to various federal funding through several geographically focused agencies (e.g., Western Economic Diversification, and Atlantic Canada Opportunities Agency).

Aviation Fuel Tax

Ontario levies a 2.7 cents per litre fuel tax on all aviation fuel purchased or delivered in Ontario or transferred into fuel tanks of an aircraft in Ontario. In 2004/2005, Ontario collected approximately $58.5 million in aviation fuel tax revenue. This revenue is credited to the Consolidated Revenue Fund and helps contribute to other needs such as health care and education. It is not re-invested in the provincial airports system in the same way that a portion of the vehicle fuel tax is reinvested in the roads system.

Demand for Air Travel

Transport Canada predicts that carriers will transfer non-profitable routes to small independent operators operating smaller aircraft, and that the number of markets with direct air service will increase. The United States Federal Aviation Administration (FAA) predicts that the active general aviation fleet will increase at an average annual rate of 1.1% and that the General Aviation (GA) pilot population will increase at 1.6% annually in the US.

Regulatory Environment

In recent years, airports and their customers have faced increased operating costs resulting from changes in the regulatory environment. Examples of this include Canadian Aviation Regulation (CAR) 308 for the provision of Emergency Response Services, Safety Management Systems, Runway End Safety Areas, Wildlife Management, Airport Winter Maintenance, Airside Access and Vehicle Controls, and the Approach Ban. As Transport Canada progressively reviews other airport regulations contained in TP312, other changes can be expected.

Municipal Environment

Municipal airports are often subject to municipal election cycles whereby airport management must re-establish support for the airport. Municipal airports are also affected by property taxes. Some airports and their tenants pay taxes and some do not. Those that do, often pay it to a municipality other than the airport owner.

Provincial Economy

Ontario comprises 39% of Canada’s total GDP (2005). The provincial economy is forecast to grow at 2.3% and 2.5% in 2006 and 2007 respectively. Manufacturing is found primarily in the Golden Horseshoe Region. Toronto is the centre of Canada’s financial services and banking industry, and mining and forest products are vital to the economy of Northern Ontario.

Survey Results

Airport Participation

- Forty-one airports responded to the survey for a response rate of 48.2%.
- There was relatively equal participation across northern and southern airports (21 airports/51% and 20 airports/49% respectively).
- There was a higher percentage of respondent airports in the north than compared to the overall distribution of municipal airports throughout the province, and less responding airports in the south.
- Not all forty-one airports answered each of the questions in the survey.

Airport Ownership / Operations

- The predominant (81% or 33 of the 41 respondent airports) ownership structure is municipally (City, Town, Township or Municipality) owned in both the north and the south.
- The primary (56% or 23 of the 41 respondent airports) operating structure is municipally (City, Town, Township or Municipality) operated, in both the north and the south, although there are far more Airport Commissions/Authorities and privately operated airports in the south.

Aerodrome Status

- There are significantly more certified airports (71% or 29 of the 41 respondent airports) than registered airports (29% or 12 of the 41 respondent airports).
- This general distribution does not change when segmenting north/south.

ACAP Eligibility

- The majority of the airports (66% or 27 of the respondent airports) are not eligible for ACAP funding.
- There are almost 20% more ACAP eligible airports in the north than in the south (9 of 21 versus 5 of 20).

Nearest Airport

- The average distance to the nearest airport is 62 kilometres.
- The average distance between northern airports is 79 kilometres while in the south it is 44 km.

Associations and Memberships

- Thirty-three respondent airports belong to at least one aviation organization. All but two belong to the Airports Management Conference of Ontario (AMCO).
- Membership in other organizations varies but includes the Community Airports Group Cooperative (CACG), the Regional Coalition of Community Airports of Canada (RCACC), and the Canadian Airports Council (CAC).

- Each aviation organization/association has a different mandate and represents a different group of airports. There is no single aviation association that can meet all of the needs of small airports in Ontario, nor is there a single voice.
- Twenty-three respondent airports belong to at least one community association – predominantly the local Chamber of Commerce.

Airport Role

- The majority (58% or 24 of 41 respondent airports) of airports indicated their primary role is to serve general aviation (GA).
- The emphasis on GA continues for both northern and southern regions of the province however there are more commercially oriented airports in the north and more industrial oriented airports in the south.

Airport Strengths

- Thirty-nine airports listed 111 strengths. Location was the strength most commonly cited; followed by infrastructure (airside and groundside).

Airport Weaknesses

- Thirty-eight airports listed 101 weaknesses. Aging/deteriorating/or inappropriately sized infrastructure was cited the most often; followed by insufficient funding.

Opportunities

- The three most cited opportunities identified by respondent airports include:
    - New tenants (e.g., aircraft maintenance companies, light industrial, flight training);
    - Improved airside infrastructure; and
    - New or expanded air service.

Enablers

- The top three enablers for taking advantage of the cited opportunities include:
    - Available land for development;
    - Community (including Council) support; and
    - Funding support (although the source was not specified).

Constraints

- Lack of funding was cited most often as a constraint in taking advantage of opportunities.

Issues

- Financial viability, and infrastructure and equipment (condition and availability) were cited as the top airport issues.

Management Structure

- There was a great variety among the twenty respondent airports that reported their management structure (who the airport manager reports to). Some airport managers have a direct link to the decision makers (e.g., Boards of Directors, or Municipal Council) while others face a large hierarchy within the municipal environment.

Employment

- 72% or 28 of the 39 responding airports have five or less people involved in direct airport operations (i.e., airport staff - either full-time or part time); however the median employment level is 3.0. In the north, the average is 5.4 FTE while in the south it is 4.7. ACAP eligible airports have on average 9.98 FTE while non-ACAP eligible airports have 2.4 FTE involved in direct airport operations. Examples of jobs include airport manager, airfield maintenance, technician/equipment operator (snow plow, tractor), mechanic/handyman, office manager/bookkeeper.
- 58% (18 of the 31) of the respondent airports have direct employment levels at the airport (generated by all activities at the airport including airport operations and tenant organizations) in excess of twenty-five FTE including 6% in excess of 250. Northern airports have on average more than double the average direct employment of southern airports. ACAP eligible airports have almost five times the average direct employment than non-ACAP eligible airports. Certified airports have on average, four times as much direct employment as registered airports.

Airport Planning

- Most airports have little in the way of planning documents, except a Master or Land Use Plan, which 63% or 25 of the 39 responding airports have.

Airport Financial Situation

- 50% (16 of the 32) responding airports and/or their tenants pay property taxes or payments in lieu of taxes (PILT). Of those, 75% (12 of the 16) are located in the same town as the airport owner.
- 74% or 29 of the 39 responding airports consider themselves financially not self-sustaining (i.e. insufficient cash flows to cover operating costs). The only "viable" airports (i.e., able to cover both operating and capital costs) are in the north – most likely due to the higher percentage of scheduled passenger service. 100% of the airports that are financially viable are ACAP eligible; however only 14% or 2 of the 14 ACAP eligible airports are financially viable while 50% or 7 of the 14 are not self-sustaining. 88% or 22 of the 25 non-ACAP eligible airports are not self-sustaining.
- The following tables represent the financial situation of the 29 airports that provided financial details (31 airports provided details however data points at two ACAP eligible airports in the south are considered outliers and have been removed).

  Median operating losses at southern airports are double that of northern airports.

18 Northern Respondent Airports	2005 Operating Revenues	2005 Operating Expenses	2005 Operating Profit / Loss
Average	$721,243	$741,268	-$20,025
Median	$518,840	$612,589	-$40,688
Minimum	$1,100	$8,105	-$315,152
Maximum	$2,448,054	$2,314,302	$333,918

11 Southern Respondent Airports	2005 Operating Revenues	2005 Operating Expenses	2005 Operating Profit / Loss
Average	$475,403	$583,019	-$107,616
Median	$186,690	$314,393	-$81,911
Minimum	$0	$20,000	-$320,710
Maximum	$3,084,880	$3,064,460	$20,420

Reporting non-ACAP eligible airports on average have operating losses of close to $100K, while ACAP eligible airports have operating profits of over $25,000.

19 Non-ACAP Eligible Respondent Airports	2005 Operating Revenues	2005 Operating Expenses	2005 Operating Profit / Loss
Average	$255,657	$351,489	-$95,832
Median	$154,829	$199,485	-$81,922
Minimum	$0	$8,105	-$320,710
Maximum	$1,135,859	$1,233,316	$150

10 ACAP Eligible Respondent Airports	2005 Operating Revenues	2005 Operating Expenses	2005 Operating Profit / Loss
Average	$1,335,433	$1,307,774	$27,659
Median	$1,319,208	$1,173,120	$33,710
Minimum	$0	$23,567	-$315,152
Maximum	$3,084,880	$3,064,460	$333,918

- The most commonly applied aeronautical fee is for aircraft parking, followed by landing fees and fuel surcharges.

Facilities and Services

- Most respondents (80% or 32 of the 40) have an Air Terminal Building. The size and condition varies from airport to airport.
- 63% or 24 of the 38 respondent airports have some level of Customs and Border Services.
- Most of the airports do not have emergency response services, airport security or passenger screening.

Condition of Facilities and Equipment

- Overall the facilities, infrastructure and equipment are self-assessed to be in "fair" to "good" condition. This holds true for both ACAP eligible, and non-ACAP eligible airports.
- Stakeholder interviews with public service providers have indicated that the infrastructure at some airports is of particular concern and if the infrastructure continues to deteriorate, they may not be able to land there anymore, thus jeopardizing the delivery of critical community services.

Aviation Activity

- One third, or 26 of the 37 respondents have scheduled commercial passenger services while more than half (20 of the 37) have commercial charter services and flight training units (20 of the 36); two-thirds (25 of the 35) support other types of general aviation activity (e.g., corporate and private flying).
- 67% (24 of 36) have medevac activity; 29% (10 of 34) support aerial forest fire suppression activity; 28% (9 of 32) support search and rescue activity; and 38% (12 of 32) support policing activities (provincial and federal).
- There is more scheduled passenger activity in the north but far more commercial charter activity in the south. There is a significant amount of air ambulance/medevac activity throughout the province, but slightly more in the north. Aerial fire suppression as well as search and rescue takes place mostly in the north.
- Overall aircraft movements have been stable for the past five years; however on average northern airports are seeing a slight growth in traffic while southern airports are seeing a slight decline. Average annual traffic levels in the north are 22,338 aircraft movements, compared to 30,478 in the south.

Community and Economic Information

- The population is growing much more in the south than in the north; and airports in the south are located in communities with exceptionally higher populations than those in the north.
- Airports in the north are used primarily by forestry and mining companies, and public service providers (e.g., Ontario Air Ambulance Service Co. (OAASC), Ontario Ministry of Natural Resources (MNR), Ontario Provincial Police (OPP)), while airports in the south are used more often by manufacturing companies, or for tourism purposes.
- 30% or 11 of the 37 responding airports have received private sector financial contributions at some point.
- Only 11% or 4 of the 37 responding airports felt that there was a definite possibility of future private sector financial contributions, while 54% (20 of the 37) thought there was a slight possibility. There is a greater possibility of private sector contributions in the southern part of the province.

Funding Requirements for Ontario Municipal Airports

Operational Funding

The operating requirement for all 85 municipal airports is estimated to be in the range of $5.1 to $5.9 million a year.

Capital Funding

Using a conservative approach to runway repairs (overlays in year 20 versus a complete runway rehabilitation), the annual estimated airside capital requirements for the non-ACAP eligible airports are in the order of $5.5 million. This figure does not include estimates for other capital requirements such as buildings and equipment. Airside infrastructure typically represents 90% of total capital expenditures.

Economic Impact of Ontario Municipal Airports

Economic Impact

- Thirty-one airports reported direct employment of 2,642 FTE. Using the distribution of employment at the respondent airports, it is estimated that the 85 municipal airports in Ontario support direct employment of 7,157 full-time jobs; and 15,595 total jobs (direct, indirect and induced) with the multiplier effect.
- Using these employment figures, total estimated output (direct, indirect and induced) related to activity at municipal airports, is estimated to be $1.7 billion.
- Direct earnings/wages are estimated to be $177.6 million, while total earnings with the multiplier effect are estimated at $342 million.
- This wage income translates into $10.7 million in provincial income tax revenue from direct employment activities at the airport, and $23.4 million from total employment activities.

- Using the average property tax payments reported by fourteen respondent airports, we estimate that the 85 municipal airports generate in the order of $6.3 million in direct property tax revenue for Ontario communities.

Socio-Economic Impact

Municipal airports play a critical role in supporting societal needs such as health care, policing and protecting the province's natural resources. As in other provinces, not all municipal airports in Ontario charge fees (e.g., landing, aircraft parking) to government agencies.

- **Supporting Health Care**
    - Ontario's air ambulance program is the largest in North America.
    - 18,000 emergency and inter-facility patients are transferred annually.
    - Over forty aircraft stationed at seven rotary wing bases and eighteen fixed wing bases throughout the province.
    - 244 flight paramedics are certified at the primary, advanced and critical care levels.
    - Air ambulance is considered an essential service in northern and remote communities; considered part of basic health care.
    - Municipalities cannot afford to pay for increased land ambulance services if there was a decrease in air ambulance services (which are paid for by the province).
    - The availability of air ambulance service is often used as a recruiting tool in attracting doctors.
    - As specialized health care moves towards regionalization/centralization, more patient travel will be required.
    - Fixed wing aircraft (and thus airports) are required to back up helicopter transfers when helicopters cannot fly in inclement weather conditions.

- **Protecting the Province's Natural Resources**
    - MNR operates a fleet of thirty-three fixed wing and rotary aircraft valued at over $270 million.
    - Much of MNR's flying is in support of forest fire management although the Ministry provides aerial support for resource management (e.g., rabies baiting, wildlife habit inventory, fish stocking, enforcement and compliance).
    - Aviation is considered a critical aspect of the Forest Fire Management Program;
    - MNR responds to approximately 1,200 – 1,600 fires a year within the Province.
    - MNR must have the ability to land at many airports throughout the province, particularly in the North, to pick up/drop off fire crews and supplies, and to re-fuel.
    - MNR has a desired attack radius of 100 kilometres for helitack and 160 kilometres for water bombing fires (meaning airports regularly spaced within 200 kilometres are required to support refuelling of helicopters and airports within 320 kilometres to provide effective response for water bombers).
    - MNR purchased approximately $3.6 million in fuel through Ontario airports last year.

✈ **Encouraging Tourism**

- Ontario is Canada's most visited province accounting for 42% of Canada's visitors and 33% of national tourism revenues. Tourism is Ontario's seventh largest export with over $21.4 billion in tourism receipts and $11.6 billion in tourism value added (2.2% of provincial GDP).
- In 2004, Central Ontario was the top tourist destination for the overnight pleasure market; Toronto and Region for the overnight visiting friends and relatives market; Toronto, Ottawa and south-central region for the overnight business and convention market; Toronto and Region for the overnight cultural market; and Central Ontario for the overnight outdoors interest market.
- Ontario airports support all of these tourism markets by forming part of the transportation strategy to bring people to/from major tourism destinations, and by providing a base for emergency response to remote areas (e.g., interior of Algonquin Park).
- The tourism clientele differs from region to region within the province, as does the infrastructure required to support the activity (e.g., runways to support light jets to those with water strips that support amphibian or float aircraft).

✈ **Industry and Economic Development**

- Having an airport is on businesses' criteria list when choosing a community. Municipal leaders from Northern Ontario communities have expressed to the Ontario Ministry of Northern Development and Mines (MNDM), other provincial ministries and local economic development agencies, that municipal airports are a key component in developing strategies to attract new businesses to a community.
- Airports are essential to move businesses' people and goods, particularly in remote communities.
- There is a tie to air ambulance services – businesses want essential services for their employees.

✈ **Supporting Policing Activities**

- Municipal airports are critical in supporting OPP and RCMP aerial policing activities such as search and rescue, surveillance, aerial photography and personnel transport (most importantly moving emergency response and tactical teams to an incident site).

Successful Airports – Best Practices

✈ Success is defined not only by the bottom line, but by an airport's ability to respond effectively to the needs of its community. To do so however, airport management must have the ability to generate sufficient funds to operate (either on a self-sufficient basis, or alternatively, have a reliable source of external financing support). Based on input received during the data collection phase of this study, we conclude that successful airports:

- Generate sufficient revenues to cover operations and capital rehabilitation.
- Are customer service oriented.
- Are well connected with economic development plans and activities within their communities.

- o Have achieved high awareness within the community (general population and municipal Council).
- o Look for creative ways to generate revenues from under-utilized airport lands.
- o Balance revenues between aeronautical and commercial sources.
- o Have a sufficient population and industrial/economic base to support airport operations.
- o Take a partnership approach to developing infrastructure projects.
- o Are active promoters of the airport.
- o Are persistent.

Conclusions

The following conclusions are drawn from the input received to this study:

✈ **Municipal airports in Ontario serve a multitude of community needs, and support a variety of aviation activity.**

- o Municipal airports can be commercially focussed with scheduled passenger service, can be oriented towards the private or corporate user, or can provide access to critical public services such as medevac or aerial forest fire fighting.
- o Municipal airports also play a key role in supporting local industry (be it mining, forestry, agriculture, healthcare, business services, or tourism).
- o There are some unique municipal airports within the Province, for example Pelee Island which can be considered a remote airport where air transportation is the only way to access the island during winter months.

✈ **Municipal airports in Ontario serve more than just local needs.**

- o They support broader critical societal needs such as access to health care, policing and fire protection.
- o They are necessary transportation infrastructure to connect people to other regions, provinces and countries.
- o They support regional (versus simply local) activities such as economic development and tourism.

✈ **Municipal airports in Ontario are important/significant and contribute to the ongoing viability of the communities they serve.**

- o Airports are critical in supporting local economic development – without nearby airports, it is difficult to attract industry.
- o They sometimes provide the only reliable transportation access into a community – particularly in remote northern communities.
- o Municipal airports in the north are located more than double the distance between southern airports, where the roads are in better condition, particularly in the winter. It is inappropriate to assume that airports within short distances from one another

can be considered substitutes – they each serve a particular market and need, and each have different infrastructure (e.g., paved runways versus gravel or turf) to support that market.

✈ **Municipal airports in Ontario are integral to the provincial transportation system.**

- The air transportation network is vital to the continued economic prosperity in Ontario.

✈ **Municipal airports in Ontario are important economic generators.**

- Although many (74% of the 39 respondent airports) municipal airports run at operating deficits, they provide great economic benefit to their communities. This is demonstrated by airports (regardless of their financial viability) that have conducted economic impact studies, for example Muskoka Airport which generates over $30 million in economic activity; Kingston Norman Rogers Airport with 266 FTE of employment and $38 million in total output; or Peterborough which generates 208 FTE of employment and $17.9 million in total output.

Economic Benefit	Amount
Direct Employment	7,157 FTE
Total Employment (direct, indirect, induced)	15,595 FTE
Total Output (direct, indirect, induced)	$1.7 billion
Direct Labour Income / Earnings	$177.6 million
Total Labour Income / Earnings (direct, indirect, induced)	$342 million
Provincial Income Tax from Direct Earnings	$10.7 million
Provincial Income Tax from Total Earnings	$23.4 million
Direct Property Tax Revenue	$6.3 million
Provincial Aviation Fuel Tax	$58.5 million

✈ **Municipal airports in Ontario are struggling with some serious issues.**

- Aging/deteriorating or inappropriately sized infrastructure was the most frequently cited airport weakness, followed by insufficient funding. The two go hand in hand.
- Lack of funding was cited, by far, as the biggest constraint in taking advantage of opportunities.
- Financial viability, infrastructure and equipment (condition, availability) were cited as the top three issues being faced by airport managers.
- Other issues such as regulatory burden, community support, declining traffic and customs and border services were raised both in the survey and during site visits.
- These issues are not unique to Ontario – the same issues are being faced by municipal airports throughout the country.

✈ **There is a trend towards de-certification.**

- Airport managers consulted during this study have commented that the cost of the regulatory burden associated with being a certified airport is the primary reason for the trend towards de-certification.
- This trend causes concern for several reasons, such as it reduces air service options, and it eliminates the requirement for Transport Canada inspections, as well as an airport's requirement to have certain standards and operating procedures in place. This could potentially cause inconsistency in operational and infrastructure standards at airports throughout the province.
- In the twelve years since implementation of the NAP, Transport Canada has seen approximately half of the certified airports move to a registered status (now 362 certified airports from 726).
- 71% of Ontario's 85 municipal airports are currently certified.

✈ **Municipal airports in Ontario have achieved maximum cost efficiencies and cost reduction.**

- Municipal airports are staffed at minimal levels. The average full-time staffing level (FTE) for direct airport operations at respondent airports was 5.05 while the median was 3.0. In the north the average was 5.4 while in the south it was 4.7. Some airports are staffed with only one full-time person. These staffing levels are consistent with airports of similar size in other provinces.
- Some airports do not have a single full-time dedicated staff at the airport; often municipal staff are involved in maintaining and operating other municipal works.
- In the last ten years, airports have eliminated, moth-balled or right-sized infrastructure, reduced the amount of mobile equipment used, and have cut utility costs wherever possible.

✈ **Municipal airports in Ontario have found creative ways to increase non-aeronautical revenue.**

- Some airports are selling under-utilized land as a strategy of last resort, to increase revenues. This is a relatively new trend that provides short term financial relief, and the long-term effects have yet to be seen.
- Some airports lease under-utilized land for light industrial, agricultural or recreational purposes (e.g., drag racing).

✈ **Many municipal airports have little in the way of economic and financial planning documents.**

- Other than master plans or land use plans (that are in general very dated i.e., more than 15 years old), few airports have strategic or business plans, economic impact studies or marketing plans. This is most likely due to (i) lack of funds to hire external consultants; or (ii) lack of time and or skills by airport management to do the work in-house.
- Previous provincial programs provided airports with the necessary funding to conduct such studies.

✈ **Infrastructure at municipal airports in Ontario is currently in fair to good condition, however in the absence of a capital infrastructure funding program, the condition will likely worsen.**

- 80% of Ontario's municipal airports are not eligible for ACAP funding; while 66% of the airports that responded to the survey are not eligible for ACAP funding.
- A conservative estimate for the medium – long term airside capital requirement of the sixty-three non-ACAP eligible airports is in the range of $5.5 million a year.

✈ **Municipal airports in Ontario are facing financial difficulty.**

- "Viable" airports are those that can cover both operational and the airport's share of capital costs; "Self-Sustaining" airports are those that can cover operational costs, but not capital; and "Not Self-Sustaining" airports are those that cannot meet their operational budgets.
- 74% or 29 of the 39 respondent airports consider their financial situation to be not self-sustaining (i.e., insufficient funds to cover operational costs).
- 12 of the 20 (63%) respondent northern airports and 17 of the 21 (85%) respondent southern airports consider their situations not self-sustaining
- Of the 29 respondent airports that are not financially self-sustaining, 7 (24%) are ACAP eligible; 7 (50%) of 14 the ACAP eligible respondent airports are not self-sustaining.
- Median operating losses among respondent southern airports with representative data points (-$81,911) were double that of their northern counterparts (-$40,688).
- Reporting non-ACAP eligible airports on average have operating losses while ACAP eligible airports have operating profits.
- The annual operating deficit for all of Ontario airports is estimated to be $5.1 to $5.9 million.

Economic Cost	Amount
Total Operating Deficits	$5.1 - $5.9 million
Total Capital Deficits (airside) for non-ACAP eligible airports	$5.5 million
Total Capital Deficits (airside) for ACAP eligible airports	$3.9 million (although most of this is expected to be covered through the ACAP program)

✈ **Support for municipal airports in Ontario is minimal.**

- The primary focus of the federal government with respect to municipal airports is on those with scheduled service. Financial support is only provided to those municipal airports with scheduled passenger services (where ACAP funding may be provided), or to those in northern Ontario (through FedNor).
- The Province has not provided financial support to municipal airports since the termination of the Municipal Airport Program in 1997/98. The province continues to own and operate 29 northern (remote) airports.

- Several provinces have realized the importance of municipal airports, and have instituted measures to provide assistance (e.g., implementing specific airport or transportation related infrastructure programs or broadening infrastructure programs to include airports; providing operational support; providing strong advocacy support; or eliminating the fuel tax on international flights).

✈ **There does not seem to be any defining characteristics that distinguish viable airports and self-sustaining airports, from those that are not financially self-sustaining.**

- This underscores the complexity of small airports throughout the Province and across Canada. Taken in combination, it is factors such as provision of scheduled passenger service, the state of the infrastructure, access to capital grants and other funding programs, a strong economy, strong community support, and location in or near a regional service hub that impact the overall viability of smaller airports.

Addressing the Issues

Although this study is for information purposes only, the following options are made by the consulting team for consideration in addressing the key issues. These options, although made with input from the Project Steering Committee, are not to be construed as supported by the provincial or federal governments.

Regarding the need for financial support, airports should look to a broader range of government organizations, as well as to the local municipality and the private sector for both financial and in-kind assistance. Airports benefit and/or fit the mandates of many government departments/ministries such as health, Indian and northern affairs, economic development, parks, tourism, industry, as well as transport.

Financial Support for Operations

Currently the position of the Ontario provincial government is not to provide operational subsidies for municipal airports or aviation activities[5]; however this practice exists elsewhere in the country.

As demonstrated in this study, not all municipal airports charge fees for aeronautical services such as landing fees, aircraft parking, or fuelling surcharges; or when they do, they do not necessarily charge all users consistently or at a market based rate. Municipal airports in Ontario are encouraged to review their existing charging practices and fee structures, to determine if there are any opportunities in this area.

Another way of adding to the operational bottom line is to increase non-aeronautical revenues. As seen in the section on Best Practices, many airports are using under-utilized lands to generate non-aeronautical revenues. This includes leasing or selling land, for non-aviation uses such as light industrial, agricultural, or even recreational; although this is unlikely to solve the long-term financial difficulties at many airports.

[5] Other than those airports owned and operated by the Province, and in some exceptions (e.g., Pelee Island where the air service is subsidized to provide year-round access to the community).

Although not brought up specifically in the survey results, it is important to note that airports in Canada with federal services such as air navigation (NAV Canada), security (CATSA), and customs and border services (CBSA) currently provide space within the terminal building for the delivery of these services, at no cost to the federal government. Additionally, some airports pay for the delivery of these services, particularly customs and border services, while others do not. Methods to recover the associated airport costs (capital infrastructure, utilities, parking etc.) should continue be explored by aviation associations and individual airports alike.

Financial Support for Capital Rehabilitation

There is clearly a need for some sort of capital program, particularly for non-ACAP eligible airports. Some options for consideration include:

- Broadening the scope of the ACAP program to include airports that do not have scheduled service; or implementing a capital program specific to municipal airports that do not have scheduled service.
- Re-investing part of the provincial aviation fuel tax revenue.
- Implementing a federal-provincial-municipal program for airports; or broadening the scope of existing or future infrastructure programs to include small airports.

Reduction of the Regulatory Burden Facing Small Airports

Transport Canada should take a cost-benefit and risk analysis approach to CARS changes.

Airports Recognized as Important Infrastructure within the Provincial Transportation System

Legislation impacting municipal airports in Ontario (e.g., the Municipal Act) should be reviewed to determine if there are any areas that could be changed to advance this goal.

Stronger Advocacy Role on Behalf of Municipal Airports

Airports need help dealing with broad issues such as customs and border services, municipal taxation, timely development of GPS approaches, and implementation of automated weather systems.

There are a number of aviation organizations representing the municipal airports in Ontario, and each is attempting to advocate on behalf of their members regarding these issues. Continued efforts are encouraged. There are also a number of municipal organizations such as the Federation of Canadian Municipalities (FCM), and the Association of Municipalities of Ontario (AMO) who are also trying to deal with these issues. Continued efforts are encouraged; recognizing that the advocacy lead should remain with industry.

Beyond these, there remains a need for the provincial government to play an advocacy role for airports – particularly with respect to dealing with the federal government on issues such as regulatory burden.

Raising Awareness About Municipal Airports

Municipal airports could use tools such as best practices, brochures etc. on subjects such as how to raise issues with local Council; how to generate private sector support; how to generate media interest; how to deal with commercial land development; how to conduct an economic impact study etc. Some of these already exist through organizations such as COPA, however AMCO could play a greater role in this area.

Development of linkages with economic development and tourism agencies to jointly promote the community and the airport.

Airports should, where available, actively participate in their local Chamber of Commerce, economic development boards, and tourism associations to develop strategies for the community that include the airport. Joint marketing efforts could also benefit all parties and the community at large.

In Summary

In summary, municipal airports in Ontario are important to the communities and regions they serve – they are however in need of financial assistance in order to continue providing an appropriate and safe level of service.

Many ideas have been generated for solutions to address the issues. Moving forward, it is recommended that a task force be struck, comprising representatives from all three levels of government, aviation associations/organizations and other stakeholders as appropriate, to fully assess all implementation options, and to develop an action plan by the Spring of 2007.

A mile of runway takes you to the world.
A mile of highway takes you a mile.

1. APPROACH AND METHODOLOGY

Study Objective

The purpose of the study was five-fold:

1. to identify the trends, issues, challenges and unique issues facing municipal airports in Ontario;
2. to identify the socio-economic importance of municipal airports to the regional communities;
3. to identify the sustained viability of municipal airports in Ontario;
4. to determine the key short term and long term needs of municipal airports in Ontario; and
5. to identify possible solutions (private and public sector) to address the key challenges and issues affecting the sustained viability of municipal airports in Ontario.

General Approach

This study focuses on municipal airports in Ontario – essentially those public airports that serve local / municipal needs and provide a socio-economic contribution[6] – regardless of the ownership structure, although most are municipally owned.

This study excludes the four NAS airports in Ontario, military airfields, and those owned and operated by the Province. The study also excludes public airports that serve recreational purposes only and have primarily grass runways, as well as privately owned aerodromes that serve private needs only.

The study focuses primarily on airports that are not eligible for Federal *Airport Capital Assistance Program* (ACAP) funding and secondly on those that are eligible for ACAP funding.

The study was guided by a Steering Committee comprised of funding partners and key stakeholders (AMCO, MTO, MEDT, MNDM, MNR, FEDNOR).

North/south geographical segmentation is based on the AMCO membership boundaries (see Appendix A)

Airport Survey

A detailed airport survey was developed by the consulting team, with input from the Steering Committee. This survey was emailed by AMCO to 85 airports in late April (see Appendix A for list of airports, and Appendix B for a copy of the survey instrument). Subsequently, AMCO hosted an all-members teleconference to provide background on the

[6] Socio-economic benefits are typically qualitative in nature, such as providing residents of a community access to critical health care through the availability of air ambulance/medevac services.

study and to encourage members to participate in the data collection process. AMCO sent a follow-up email to all non-respondent airports in early June.

Site Visits

In an effort to better understand the situation at municipal airports throughout the province, the consulting team conducted ten site visits. The ten airports chosen for site visits (Sioux Lookout, Atikokan, Sault Ste. Marie, Earlton, Muskoka, Stratford, Pelee Island, Brockville, Kingston, and Peterborough) were chosen jointly by the Steering Committee and the consulting team, and are considered representative of the variety of situations (financial, economic, importance and geographic) within the province.

The consulting team, with input from the Steering Committee, prepared three interview guides to be used in advance of and during the site visits. The first interview guide was used during a 1-3 hour interview with airport management. The second was used for key tenants at the airport, and the third for key community stakeholders / users of the airport. The consulting team would like to thank airport management at each of these ten airports as they took the process seriously, played a key role in setting up the site visits, including inviting the key tenants and community stakeholders to round-table discussions, and provided much background documentation.

These interview guides/surveys were sent out in advance of the site visit in the hope that they would be sent back to the consulting team prior to the meetings, however response was fairly poor. This did not however hamper the process, as many brought their completed surveys with them to the round table discussions, and those that didn't, participated fully in the discussions.

The ten site visits took place between May 22 and June 2.

- Sioux Lookout (May 22-23)
- Atikokan (May 23)
- Sault Ste. Marie (May 23-24)
- Earlton (May 24)
- Muskoka (May 24-25)
- Stratford (May 25)
- Pelee Island (May 25-26)
- Brockville (June 1)
- Kingston (June 1)
- Peterborough (June 2)

Stakeholder Interviews

26 stakeholder groups were identified jointly by the consulting team and project Steering Committee. These stakeholder groups included key airport users, aviation associations, and air carriers. A complete list of stakeholders can be found in Appendix C. All stakeholder groups were contacted by phone or email however for various reasons not all were interviewed. Input was received either directly or indirectly from seventeen of these stakeholder groups.

Literature Search

A list of recent (within the last 5 years) reports about or referencing small airports in Canada was developed jointly with the Steering Committee. A total of eighteen reports were reviewed and summarized. A summary of each can be found in Appendix D.

Limitations of the Data

The results of this study are based on the data received from survey respondents, interviews with airport managers, community stakeholders and others, a literature search, and the consulting team's knowledge and expertise with airports throughout the province.

The survey results presented in Chapter 4 reflect the consolidated results of respondents. Not all airports answered the survey, and not all airports that did respond, answered each question. In some instances, certain data points considered 'outliers' were removed to better reflect the situation among the majority of the municipal airports. These specific instances have been noted.

The survey data, with outliers removed, was used to extrapolate both the economic impact of the municipal airports within the province, and also the financial operating requirements. The survey instrument did not directly ask airport managers to estimate their short-term and long-term capital needs. As a result, short term capital requirements could not be estimated. Conservative estimates for the annual long-term cost for airside infrastructure improvements were therefore based on the type of airport infrastructure, cost of rehabilitation and the life expectancy of the proposed rehabilitation. In addition, insufficient information was provided in the surveys to make a determination of the cost to rehabilitate the air terminal building and other groundside infrastructure. Capital improvements for ATB/groundside infrastructure would be approximate 10% of the airside capital requirements.

2. THE CHANGING EXTERNAL ENVIRONMENT AND ITS IMPACT ON MUNICIPAL AIRPORTS IN ONTARIO

Federal Involvement in Airports

Under the 1994 National Airports Policy (NAP), Transport Canada's role changed from that of an airport regulator, owner and operator, to one of regulator and landlord. This change was intended to allow airports the opportunity to tailor operations and match levels of service to local needs by operating in a commercial environment that would see operating subsidies phased out.

The NAP defines six categories of Canadian airports. There were 29 Ontario airports affected by the implementation of the NAP:

- ***Four National Airports System (NAS) airports***: Ottawa, Toronto Pearson, Thunder Bay and London
- ***Sixteen "Regional/Local" airports***: Hamilton, Red Lake, Kenora, Pembroke, Earlton, Fort Frances, Dryden, Kapuskasing, Gore Bay, North Bay, Timmins, Sarnia, Sault Ste. Marie, Sudbury, Toronto City Centre, Windsor
- ***Eight "Small" airports:*** Bonnechere, Carp, Emsdale, Gananoque, Muskoka, Oshawa, St. Catharines, Wiarton
- ***One "Remote" airport:*** Moosonee

National Airports System (NAS) airports were transferred to locally based authorities under long term lease arrangements. Airports in other categories were divested to local entities.

Through interviews with select airport managers, we understand that the impact of the federal government's withdrawal from airport management and operation has had a neutral to negative impact on municipal airports in Ontario. For those airports that were not previously owned by the federal government, there has been a neutral impact. Although efficiencies have been gained at those airports previously owned by the federal government, airport management suggest that the overall effect has been negative. Examples include:

- The infrastructure was old at the time of transfer and the local owner cannot afford to maintain or upgrade it;
- All costs have been downloaded to the local tax payers. Communities with small populations do not have a large enough tax base to fund airport operations let alone capital upgrades;
- Capital infrastructure investments are often difficult to justify to local Council who may not recognize the importance of airports in the economic value chain;
- There is no longer a formal training program in place for new airport staff. The impact is particularly felt in communities where there is no full-time dedicated staff; and
- Staff are now required to multi-task and it is difficult to be fully knowledgeable in a complex regulatory environment.

NAS Airport Rent

The National Airports System (NAS) is currently composed of 25 airports deemed to be essential to Canada's air transportation system. These 25 airports handle about 92% of all passenger traffic in Canada. They have year-round, regularly scheduled passenger service with a minimum of 200,000 passengers annually and/or serve in a provincial or territorial capital. The vast majority have been leased (60 year leases) to not-for-profit, locally based authorities from which rent is being collected by the federal government.

In recent years, airport authorities and air carriers expressed concern that the rent being charged to NAS airports threatened their competitiveness and their long-term financial viability. In May 2005 the federal government, after conducting a rent review, announced a new rent formula based on modern commercial leasing principles. This new formula will result in rent payments from NAS airports for the remainder of the 60-year leases, to be in the order of $5 billion (NPV) rather than the original $13 billion.

The four NAS airports in Ontario are expected to contribute $3.1 billion in airport rent over the remainder of their leases (~ another 50 years).

NAS Airport in Ontario	Lease Expiry	2006 Rent Payment	Total Projected Rent Payments Over Life of Lease (NPV)
Ottawa Macdonald Cartier International	2057	$12.5 million	$112 million
Toronto Pearson International	2056	$144 million	$3 billion
Thunder Bay International	2057	$12,000	$0.7 million
London International	2058	$0 (but $26,000 in 2010)	$1.1 million

Source: www.tc.gc.ca/mediaroom/includes/pintable_release.asp?lang=en

None of the Ontario municipal airports included in this study form part of the NAS and therefore do not pay rent.

Customs and Border Services

In 2005, the Canadian Airports Council (CAC) conducted a survey to ascertain inconsistencies in the delivery of services to Canadian airports, and to determine expectations for the future. The following key concerns were raised:

- ***Levels of service***. Smaller airports included in the CAC survey, that typically do not have customs and border services have been unable to get it at all. Other, larger airports are already experiencing delays in the processing of passengers. Also, the customs and border services provided at the majority of the airports surveyed are between the hours of 8 am and 4:30 pm, Monday to Friday, with reduced hours on weekends and holidays, which is not consistent with international schedules at most airports.
- ***Cost recovery***. In order to meet the demand for service that falls outside of the current schedule, the Canada Border Services Agency (CBSA) has relied on a cost recovery policy. The calculation of the cost recovery fee is based on general guidelines, but it is ultimately site specific and arbitrary. One-third of the airports in the CAC survey reported that CBSA recovers costs for after-hours services. Where these charges are billed directly to the users, the costs range between $8,000 to $200,000 annually, or between $5 and $50 per passenger when charged directly to the passenger. Smaller airports are

especially disadvantaged under the current cost recovery system as they have either limited or no service and have the greatest challenges in attracting and retaining transborder and international services to their market. New carriers and general aviation (GA) passengers are unable to absorb the costs of CBSA services.

- ***Space and Facilities.*** Airports are required to provide space and facilities to CBSA (including CANPASS only sites), at no cost. In the case of on-site services, the airport must provide inspection space and office space, complete with furnishing and utilities, as well as provide lunchrooms, washrooms, storage areas and vehicle parking, all of which must meet federal standards.
- ***Technology.*** CANPASS Air is a technological advancement in the delivery of customs and border services. Pass holders call a 1-800 number when in advance of landing, to register their flights. More often than not, aircraft are not met by a CBSA officer. This program is a cost recovery program that has been determined to be cost effective only at airports where there are high volumes of frequent international and transborder travellers. A 2005 letter from then Minister McLellan states that there are no plans to implement the program at airports with low volumes of transborder travellers due to the associated costs. The lack of customs and border services at smaller airports can have a negative impact on trade and tourism in a community.

Provincial Involvement in Airports

The first public airports in Ontario were developed by municipal governments in the early 1920s. Ontario's involvement in airports came about with the Airports Act[7] in 1968 when the province determined that federal policies were not supporting the development of local community/municipal airports to support social service needs or for economic development purposes. The Provincial program was initially introduced to Northern Ontario and in the late 1970s and early 1980s, was expanded to include all of Ontario. In the early 1970s the program evolved into two programs – the *Remote Airports Program* (the Ontario Ministry of Transportation owns and operates 29 "remote" airports) and the *Municipal Airports Program*.

Under the ***Municipal Airports Program***, the province provided financial assistance to municipalities for the development and operation of a system of public airports. Capital subsidies were provided at the rate of 80% for basic infrastructure and 50% for other capital works. Operating subsidies were provided at the rate of 50% of the operating deficit to a maximum of $24,200 (in 1996/97). In November 1995, the province announced the withdrawal of subsidies for municipal airports beginning in 1997/98. The Province therefore no longer has a role in the funding of municipal airports or the co-ordination of airport development in Ontario. Based on the provincial contributions in 1996/97, the estimated operating and capital cost impact on municipalities for municipal airports, at the time of program termination, was in the order of $3.6 million[8].

The Province continues to support the system of remote airports across Northern Ontario.

In 1998, the province also provided municipalities with funding through ***Ontario's Municipal Capital and Operating Restructuring Fund (MCORF)***. This was a one-time unconditional payment to the municipalities that had assumed the new airport funding

[7] The Airports Act (1968) enables the Minister to "enter into agreements with the Government of Canada, any municipality, corporation or individual or any one or more of them with respect to any matter in relation to the acquisition, establishment, extension, improvement, construction, operation or maintenance of airports to serve any one or more areas in Ontario".
[8] *Municipal Airports Program Wind-down –" Who Does What"* as provided by MTO

responsibilities downloaded from the province. The purpose of MCORF funding was to assist the municipalities in seeding their capital reserves and to help maintain the airport infrastructure. The allocations for municipal airports were based on a contribution towards the five year capital needs of airports, and the average allocation distributed for forty-nine municipal airports was $128,571.

Small Airports

Regional and small airport operators have expressed concerns regarding their ability to sustain and operate their airports effectively over the long term. Some of these concerns included insufficient revenues to cover operating expenses, limited sources of funding for capital projects and the volatile nature of air services to smaller communities.

A review of recent (within the last five years) reports on or referencing small airports, concludes that smaller airports provide important socio-economic benefits to the communities they serve, particularly in large geographic areas with a dispersed population. While local airport operation has proven to be successful, since devolution, most small airports have exhausted the opportunities for efficiencies and are in need of external financial support if they are to continue to operate. Approximately half of the small airports previously studied are unable to meet their operational requirements let alone make a contribution to capital.

The key issues cited as affecting the viability of small airports are:

- Traffic, impacted by the demography of the catchment area (including population, income and industry);
- Insufficient funding for capital infrastructure renewal;
- Federal regulatory burden;
- Airline downsizing and restructuring;
- Varied levels of community support;
- Significant rent payments to the federal government for NAS airports;
- Lack of stewardship (framework and standards for training and planning).

A summary of each of the studies reviewed can be found in Appendix D.

Small airports in the context of the studies reviewed however are larger than most of the municipal airports in Ontario. The federal government as part of the NAP define "Regional/Local" airports as those with scheduled service with less than 200,000 annual passengers; and "Small" airports as those without regularly scheduled passenger service and serving local needs only such as general aviation and recreational flying. The Canadian Airports Council (CAC) "Small Airports" members category includes nine Ontario airports, including two of Ontario's four NAS airports (London and Thunder Bay). The other seven CAC "small" airports in Ontario (Sudbury, Hamilton, Kingston, Sault Ste. Marie, Waterloo, Windsor, Toronto City Centre) all have regularly scheduled service (with the exception of Toronto City Centre).

That said, most of the issues identified in the studies reviewed remain relevant to municipal airports in Ontario, with the exception of traffic, airline restructuring and rent payments.

A number of suggestions have been made in these studies to address the issues affecting the viability of smaller airports. In general, municipal airports throughout the country have implemented these suggestions, and have maximized revenue opportunities, and minimized costs. On a broad scale, the federal government has not implemented many of the suggestions made in recent years, however specific geographical based funding programs which can include support for airports does exist for some provinces; and the federal government has modified original proposals for changes to the CARs after much lobby efforts by aviation organizations throughout the country. Some provincial governments are now providing financial support to municipal airports through many programs, while others such as Ontario are not. Municipalities in general are supportive where possible, however many do not have the tax base to sustain an appropriate level of financial support for their airports. Private industry is generally supportive of their community airports, as demonstrated by capital assistance at some airports. This is not consistent however throughout the province or the country.

Airline Industry

Many of the established legacy airlines in North America have been particularly hard hit by the advent of their low-cost competitors. Many have either gone out of business or spent periods in bankruptcy protection, either Companies' Creditors Arrangement Act (CCAA) in Canada or Chapter 11 in the US. Overall there has been a general slimming down and focus on the trunk routes between major centres resulting in regional and local centres being served by lower cost subsidiaries (Jazz in the case of Air Canada), contracting out to Tier III carriers[9] (e.g. Air Georgian on behalf of Air Canada) or a loss of traffic to independent Tier III or low cost carriers (such as WestJet).

Carriers have suffered significant external shocks over the past five years including a general downturn in the US economy at the turn of the Millennium, the 9/11 terrorist attacks, the outbreak of SARS, the wars in Afghanistan and Iraq; and most recently the runaway oil prices. Globally, fuel accounts for 16% of airline operating costs and the increases since 2004 have eaten up the recovery that the industry was ready to enjoy after four years of major restructuring.

Canada's aviation industry reflects these global changes over the past decade. From nowhere, start-up low cost carrier WestJet has grabbed 25% of the Canadian domestic market and is increasing its capacity dramatically. Air Canada, after swallowing Canadian in 1999 and thereby achieving an 80% market share is now running at approximately 55% of total domestic capacity. Along the way, the airline shed $12 billion of debt and $3 billion of annual costs through the CCAA process. It too is expanding aggressively, but generally with a fleet that is not suited – with some notable exceptions – to northern or small airports. It is expected that smaller air carriers such as Wasaya or Bearskin will expand to fill any void left by AC Jazz.

Due to changes in the airline industry, many municipal airports in Ontario have either lost their scheduled passenger service or have seen a reduced service (number of carriers and

[9] Tier III (or Level III) carriers are defined as those that transported at least 5,000 but fewer than 50,000 revenue passengers, or at least 1,000 but less than 10,000 tonnes of cargo, in each of the two calendar years before the year in which information is provided.

frequency). Those that continue to have scheduled service have limited competition, which has resulted in increased fares (often eliminating air service as an option for the leisure traveler), reduced service (frequency) which results in reduced revenues for the airport, and poor connection times for the traveler. Some exceptions include the major Northern hubs such as Thunder Bay and Sioux Lookout.

Funding Support

Small airports have difficulty obtaining capital through commercial markets due to less stable traffic, fewer and less valuable assets, particularly in light of small operating incomes (if not deficits). Grant funding for municipal airports in Ontario is limited to those that have either regularly scheduled passenger service, or to those provincially funded remote airports. Ontario used to have a provincial support program for municipal airports not eligible for ACAP funding, but this has been terminated (see section on *Provincial Involvement in Airports*).

Provincial support for airports in other provinces varies in funding levels and duration of the programs, but nevertheless exists (see Appendix G for details) in some provinces. For example, in British Columbia airports are eligible under the Transportation Partnerships Program (TPP), for up to one-third funding for infrastructure projects. In Alberta, small community airports or municipal airports that do not receive scheduled service are eligible for grants for airside pavement rehabilitation work under the Community Airport Program (CAP). Quebec also provides support for municipal airports by supporting air service to remote or isolated regions, and exempts jet fuels used for both international and domestic flights from fuel tax.

The availability of a variety of federal funding programs that include study funding or capital support for airports does not exist in Ontario to the same extent as in other provinces. For example, only northern airports in Ontario have access to FedNor funding, while all western provinces have access to Western Economic Diversification funding, and Atlantic Canada airports have access to ACOA funding. Ontario also lags behind several other provinces (namely the Western Provinces and Quebec who have specific transportation or airport support programs in place or have broadened the scope of other infrastructure programs to include airports), in its provincial support for airports. Canadian municipal airports as a whole, do not receive nearly the same level of support as their American counterparts which are supported by the Airports Improvement Program.

ACAP

To be eligible for the Federal Government’s Airports Capital Assistance Program (ACAP), airports must have year-round regularly scheduled passenger service; not be owned or operated by the Federal Government; have a minimum of 1,000 annual passengers; and must meet the requirements of TP312 with respect to certification. In the case of an airport designated “Remote” under the NAP, the eligibility requirements to receive regularly scheduled passenger service do not apply. Projects must be: (i) essential to maintain or improve safety, protect the asset or significantly reduce operating costs; (ii) meet accepted engineering practices; and (iii) be justified on the basis of current demand. First priority is given to safety-related projects such as rehabilitation of runways, taxiways, aprons etc. which are necessary to maintain the airport’s level of protection as required by regulation. Other projects in order of priority include heavy airside mobile equipment, air terminal building/groundside safety related projects, and asset protection/refurbishing/re-lifing or operation cost reduction projects.

Since 1992, the Government's reinvestment in "small" airports has totalled $229 million, which amounts to less than one year's NAS rent payments. The amount dispensed through the ACAP fund accounts for only 12% of Transport Canada's accumulated revenues from airports[10]. CAC reports that the fund itself is over-subscribed, and that currently the list of approved but not funded projects totals $10 million. Since the program began, the vast majority of the projects that fall into the top two priority classes have been given funding.

In 2005, Transport Canada renewed support of the ACAP funding (2005-2010) and at the same time, instituted new conditions for funding. Most notably, the contribution payments to eligible airports were reduced. The airports that are eligible for ACAP funding concur for the most part that the ACAP funding program is beneficial and satisfies a larger part of their airside capital funding program. There are however various concerns expressed with the program including:

- Inconsistency on how the program is administered in the various regions of Canada;
- Insufficient funds to meet the capital demands of eligible airports;
- Objections to the reduction in contributions by Transport Canada in the 2005 program renewal; and
- Lack of support/funding of Transport Canada to fund priority 3 and 4 projects including air terminal building rehabilitation.

For the airports that do not have scheduled service and which are presently not eligible for ACAP funding, there is a strong desire to reverse the process of the ACAP funding to allow more airports to be eligible for ACAP funding. Of the 85 municipal airports included in this study, 18 airports (21%) are eligible for ACAP funding[11].

FedNor

FedNor has been a supporter of airports in Northern Ontario, through its Northern Ontario Development Program and Community Futures Program.

Northern Ontario Heritage Fund Corporation

The ***Infrastructure and Community Development Program*** encourages partnerships that find effective ways to create jobs and improve economic prospects in the North through improvements to infrastructure. The program will not generally fund new airports or airport runway improvements, lighting and navigational systems. The program will fund other economic development activities which could be considered necessary to further an economic goal or improve the quality of life in Northern Ontario.

Aviation Fuel Tax

Ontario levies a tax of 2.7 cents per litre on all aviation fuel purchased or delivered in Ontario, or transferred into fuel tanks of an aircraft in Ontario. This rate has been stable since January 1992. Ontario also levies a gasoline tax of 14.7 cents per litre and a diesel fuel tax of 14.3 cents per litre to operate a licensed motor vehicle. The motor fuel taxes, are

[10] CAC Small Airports Committee Priorities 2006 (December 2005)
[11] Nineteen (or 22%) of the 85 municipal airports are ACAP eligible if Toronto City Centre Airport (TCCA) is included. TCCA will resume scheduled service beginning September 2006.

flat taxes levied on every litre purchased meaning that the level of tax does not change as prices increase. Ontario does not apply retail sales tax to the purchase of motive fuels. Provincial revenue generated from motive fuel taxes is directed to the Consolidated Revenue Fund (CRF) and plays an important role in delivering services to Ontario and meeting priority needs such as health care and education. Monies to fund the maintenance and building of the provincial highway system also come from the CRF. As well, some of the revenues collected from the gasoline tax are being allocated to municipalities to invest in public transportation. In October 2004, municipalities began receiving 1 cent per litre of the provincial (vehicle) gasoline tax, increasing to 1.5 cents per litre in October 2005. The amount municipalities receive will again increase to 2 cents per litre in October 2006. Over five years, this program will have delivered more than $1.4 billion to municipalities to maintain their road networks. Unfortunately municipalities do not receive a similar allocation to fund airports.

In 2005, the province collected approximately $58.5 million in aviation fuel tax.

Demand for Air Travel

Transport Canada Results and Forecasts

The 2005 preliminary aviation statistics show that at airports with air traffic control towers, local movements were down 2.3% marking the fourth annual decrease; while overall itinerant movements increased 0.6% continuing the trend observed in 2004. At airports with flight service stations, itinerant traffic declined 1.2% between 2003 and 2004, and local traffic increased 1.0%.

Transport Canada predicts the following[12]:

- There will be an increasing effort by airlines to match the aircraft size with the demand on any market with the transfer of non-profitable routes to small independent operators operating smaller aircraft.
- The average annual real price of turbine fuel has increased at an annual rate of 1.4% between 1988 to 2004, and although oil prices are expected to stay relatively high in 2005 and 2006, they are expected to drop slightly by 2009; and
- The number of markets with direct air service is expected to increase significantly during the forecast horizon.

U.S. Federal Aviation Authority (FAA) Aviation Forecasts (2005-2016)[13]

Between 2001 and 2003, the industry has been hurt by rising product liability costs resulting in a decline in production of GA aircraft; and rising prices for aviation fuels which sharply reduced the demand for GA products and services – particularly in the high end market for corporate/business jets. However the market staged a relatively strong recovery in 2004. GA shipments and billings have each more than doubled in the ten years since the passage of the General Aviation Revitalization Act, and optimism is fostered by the continued entry of new commercial manufactures in the GA aircraft market. The active GA fleet is expected to increase at an average annual rate of 1.1% between 2005 and 2016. GA activity at FAA air traffic facilities declined 1.6% in fiscal 2004 with itinerant operations down 1.2% and local

[12] Preliminary TC Assumptions Report 2005-2019, prepared October 17, 2005
[13] http://www.faa.gov/data_statistics/aviation/aerospace_forecasts_2005-2016/media/Ch5.pdf

operations down 2.1%. GA pilot population declined 1.3% from 2003 however during the forecast period; pilot population is projected to increase at an average annual rate of 1.6%

Regulatory Environment

In recent years, airports and their customers have faced increased operating costs due to a changing regulatory environment. Examples of this include:

- Since the transfer of airports to their local communities, Transport Canada has proposed increases in airport emergency services (CAR 308 for the provision of ***Emergency Response Services*** at non-designated airports). Fortunately for small airports, in May of this year, Transport Canada announced that new requirements would impact only airports with more than 180,000 annual passengers. There is no impact on the smaller municipal airports in Ontario as the seven larger airports in the province (Ottawa, Toronto Pearson, London, Thunder Bay, Hamilton, Windsor and Sudbury) are already covered by CAR 303.
- Transport Canada is in the process of establishing new regulations that will require Canadian airports to develop and implement ***Safety Management Systems (SMS)*** and associated Quality Control Programmes as part of their Airport Operators Manual in order for Transport Canada to grant the airports an operations certificate. Transport Canada is planning a phased approach to start the implementation of their regulatory requirements that will start in 2006. All the elements of an SMS will have to be in place in three years from the date that the relevant regulations are approved.
- In light of the Air France crash in Toronto in 2005, Transport Canada is investigating the potential implications of ***runway end safety areas (RESAs)*** at all airports across Canada. Runway End Safety Areas are mandated within ICAO and by the FAA but are not currently recognized by Transport Canada.
- Transport Canada also recently published in the *Canada Gazette*, changes to the CARS with respect to ***Wildlife Management***. The changes require airports to assess the risk of wildlife strikes based on individual situations. This means evaluating the risk based on the types and numbers of wildlife around the airport, the level of aircraft traffic, the type of aircraft using the airport, and the type of aircraft operations.
- Following a series of high-profile accidents involving an instrument flight rules (IFR) approach to landing, Transport Canada has proposed changes to ***Approach Ban rules***. These new rules will greatly affect the way precision and non-precision approaches are made in Canada. Air carriers will be the most affected as it significantly increases their operational costs. A 2005 study for the Air Transport Association of Canada (ATAC) concluded that the use of alternate airports at minimum fuel will increase significantly as carriers are forced unnecessarily to turn away from their planned destination, and that the risk of accidents will increase as weather often changes while en route. Although airports north of the 60th parallel have been exempted from the proposed rules, none of the airports in Ontario are exempted. In northern communities which rely on air transportation for essential services, it is doubtful that expensive runway visual range (RVR) equipment will be provided. The study authors believe that the proposed approach ban will therefore reduce flights to these communities which could have an adverse impact on the community and possibly cost lives if medevac aircraft cannot land. The alternate is to have a "qualified" person on the ground judging visibility (versus the pilot); this method is not deemed to be accurate.

These are only some of the regulatory changes that may increase airport and air carrier costs. Transport Canada is progressively reviewing other airport regulations contained in TP312, and is proposing changes in several areas including airport winter maintenance and airside access and vehicle controls. Other changes can be expected as this work continues. Many of the proposed or implemented changes are not supported with sound benefit-cost or risk analysis.

Municipal Environment

Municipal airports, whether they are owned and/or operated by the municipal body, are subject to municipal election cycles in that every four years (or so), airport management must re-educate local Council as to the economic and socio-economic importance of the airport to the community, and must re-establish support for the airport.

An issue that has been raised by a number of municipal airports throughout Canada is municipal taxes. Depending on the operating structure of the airport, some airports pay property taxes (or PILT), while others do not. Those that do pay property taxes may not be located in the same municipality as the airport owner therefore the taxes paid by the airport or its tenants are not being re-invested in any type of infrastructure or service within the community where the airport is located.

Provincial Economy

Ontario is found in east-central Canada and is the most populous and second-largest in area of Canada's 10 provinces. Ontario is bounded on the north by Hudson Bay and James Bay, on the east by the province of Quebec, on the west by the province of Manitoba, and on the south by the US states of Minnesota, Michigan, Ohio, and New York.

The province consists of three main geographical regions:

- The thinly populated Canadian Shield in the north-western and north-central portions, a mainly infertile area rich in minerals and studded with lakes and rivers;
- The mostly unpopulated Hudson Bay Lowlands in the extreme north and north-east, mainly swampy and sparsely forested; and
- The temperate and therefore most populous region in the south where agriculture and industry are concentrated.

Population (2005)	
- total	12,541,410
- % of Canada	38.9%
- ranking	1
- Avg Annual Growth (1995-2005)	1.4%
- Labour Force	6,849,000
- Job Creation	81,200
Area (km²)	
- total	1,076,395
- land	917,741
- water	158,654
- ranking	4
Economy (2005)	
-nominal GDP	$537.604 billion
- % of Canada	39.3%
- rank	1st
- unemployment rate	6.6%
- CPI inflation	2.2%

Source:
www.2ontario.com/facts/fact01_fact_sheet.asp

The weather in Ontario is very diverse. Southern Ontario's climate is humid continental with relatively hot, humid summers and cold winters; while Northern Ontario has a more extreme continental climate with long, very cold winters and short, warm to hot summers. The most severe weather-prone regions are South-western and Central Ontario, much of them resulting from the Lake Breeze Front. London has the most lightening strikes per year and is also one of the most active areas for storms in Canada. Tornadoes are also common throughout the province, including the North.

Manufacturing (motor vehicles, iron, steel, food, electrical appliances, machinery, chemicals and paper), found mostly in the Golden Horseshoe region, is the principal industry. However, General Motors recently announced massive layoffs at production facilities in North America, including a large plant in St. Catharines which will result in significant job losses in Ontario alone. Ford Motor Co. also recently announced job losses at the St. Thomas and Windsor facilities however these job losses are offset by their announcement of a hybrid vehicle facility set to begin production in 2007 at its Oakville plant. Toyota has also recently announced plans to build a production facility in Woodstock, and Honda has plans to add an engine plant at its Alliston facility.

Toronto is the centre of Canada’s financial services and banking industry. The information technology sector is also important, particularly in Ottawa, Markham and Waterloo. Hamilton is the largest steel manufacturing centre and Sarnia is the centre for petrochemical production. Construction activity has grown in the last ten years due to steadily increasing new house and condominium construction combined with low mortgage rates and climbing prices. Mining and the forest products industry, notably pulp and paper, are vital to the economy of Northern Ontario. More than any other region, tourism contributes heavily to the economy of Central Ontario, peaking during the summer months owing to the abundance of fresh water recreation and wilderness found there in reasonable proximity to the major urban centres. At other times of the year, hunting, skiing and snowmobiling are among the out of high-season draws. Once the dominant industry, agriculture occupies a small percentage of the population. The number of farms has decreased but the average farm size has increased.

Provincial GDP is expected to grow 2.3% in 2006 and 2.5% in 2007.

3. PROFILE OF ONTARIO AIRPORTS

Variety

Municipal airports in Ontario serve a multitude of community and regional needs, and support a variety of aviation activity. There are some airports that are more commercially focused, providing scheduled passenger service; while others are more oriented towards the private or corporate user. Others, particularly those in the northern part of the province, also provide support to critical public services such as medevac or aerial forest fire fighting. Municipal airports also play a key role in supporting local industry, such as mining, forestry, agriculture, healthcare, and tourism.

This variety of airports is demonstrated in the case studies found in Appendix G. Some municipal airports within the province are unique due to their geography (e.g., Pelee Island which could be considered the only 'remote' airport in the south, while Sioux Lookout, a commercial hub in the north is unique given its focus on serving the First Nations.

Overall however, the issues facing the municipal airports in the Ontario are not unique to Ontario. They are the same issues being faced by all municipal airports throughout the country.

Airport Ownership

There are over 200 Ontario aerodromes (excluding water aerodromes) listed in the *Canada Flight Supplement*. Of those:

- Four are NAS airports (Toronto Pearson, Ottawa Macdonald-Cartier, Thunder Bay, and London) owned by the Federal Government but operated by local airport authorities under long term lease.
- Two are Military Airports owned and operated by the Department of National Defence which include CFB Petawawa, and CFB Trenton.
- One is operated by a Federal Port Authority.
- Twenty-nine are Provincially Owned and Operated Airports that provide essential services to remote and First Nations communities. Twenty-seven of these airports provide the only form of year-round transportation access to these remote communities.
- Eighty-five Municipal Airports that serve regional or local needs. These airports are most often owned and/or operated by the local municipality, City, Town or Township, and are considered economic generators for the communities they serve. These are the airports that are the focus of this study.
- Approximately 100 other registered aerodromes that serve either private needs or recreational needs only.

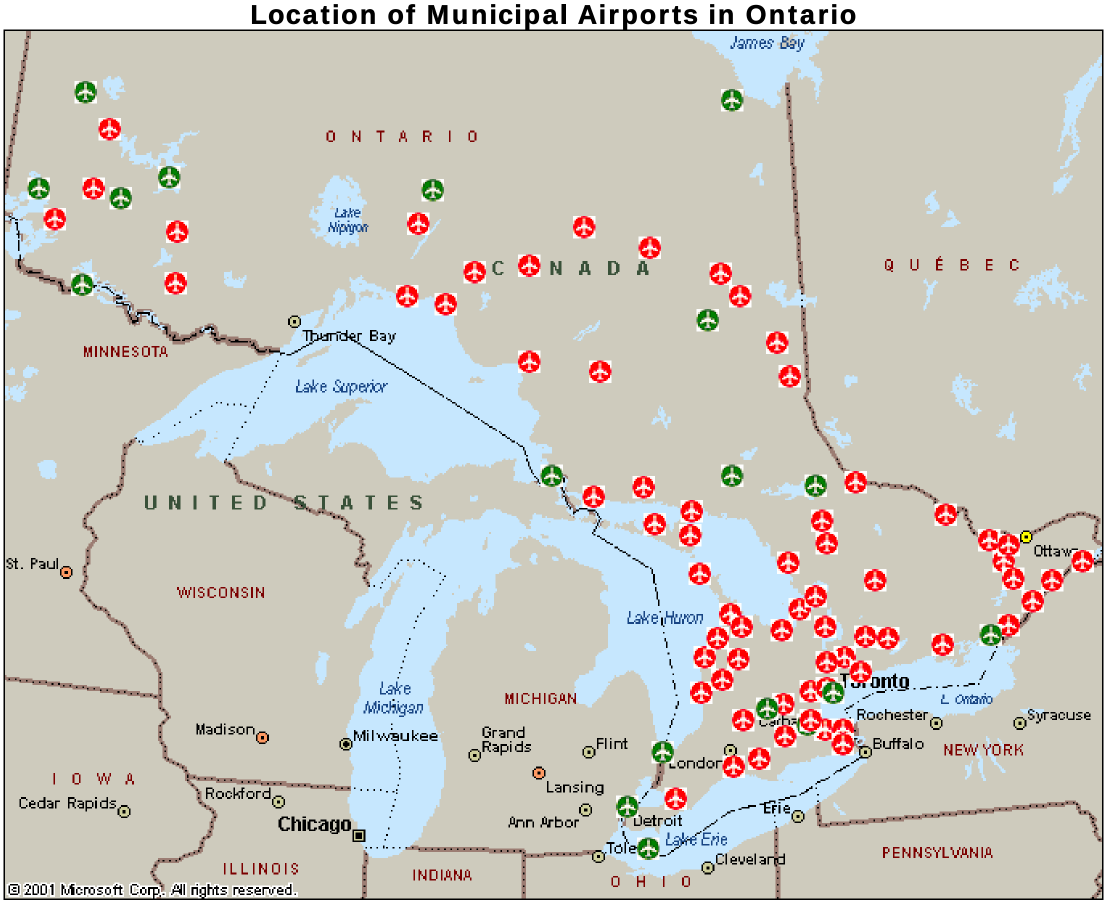
Geographic Location of Municipal Airports

As seen below, there are more municipal airports located in the southern part of the province than in the North.

	# of Municipal Airports	% of Total
North	36	42%
South	49	58%

The following map shows the location of the eighty-five municipal airports in Ontario. Those marked in red represent municipal airports that are not eligible for ACAP funding. Those marked in green represent those that are eligible for ACAP funding. NAS and provincially owned airports are not represented in this map. .

Location of Municipal Airports in Ontario



Municipal airports that are not eligible for ACAP funding
Municipal airports that are eligible for ACAP funding

Scheduled Passenger Service at Municipal Airports

Ontario municipal airports are currently served by seven airlines:

- Air Canada Jazz. In 2001, a newly merged carrier called AC Regional Inc. was established. A wholly owned subsidiary of Air Canada, this company combined the individual strengths of four regional airlines (Air BC, Air Nova, Air Ontario, and Canadian Regional Airlines). Consolidation of these four regional companies was completed in 2002 and was launched with a new brand – Air Canada Jazz. Air Canada Jazz operates out of thirteen airports in Ontario (Timmins, Thunder Bay, Sault Ste. Marie, Sudbury, North Bay, Ottawa, Kingston, Toronto Pearson, Hamilton, London, Sarnia, Windsor). It should be noted that AC Jazz plans to re-commence operations at the Toronto City Centre airport in the near future.
- Wasaya Airlines, established in 1989 is a First Nations owned airline headquartered in Thunder Bay, providing scheduled service to 30 communities in Northern Ontario as well as transporting essential cargo such as food, clothing and other supplies to remote communities.
- Bearskin Airlines, established in 1963 headquartered in Sioux Lookout, serves sixteen destinations in Northern Ontario and Manitoba.
- Air Georgian, established in 1994 and based in Mississauga, provides charter passenger and cargo service. It also operates as Air Alliance on a Tier III code share agreement with Air Canada Jazz for scheduled services on domestic and transborder routes.
- Voyageur Airways established in 1968 and based in North Bay, provides charter passenger services as well as direct service to Mont Tremblant (QC) from Toronto, Newark, and North Bay.
- North American Charters 2000, established in 2000 is a 100% First Nations owned airline providing scheduled service to nineteen destinations in Northern Ontario and Manitoba.
- Porter Airlines is a new regional passenger carrier that will operate out of Toronto City Centre Airport in September 2006. The airline is proposing to serve destinations including Ottawa, Montreal, New York City, and Chicago as well as a variety of suburban airports near those cities.

Prior to 1996, NorOntair operated a Dash-8 service to Hearst, Kapuskasing, Timmins, North Bay, Sudbury, Sault Ste. Marie, Thunder Bay, Fort Frances and Winnipeg. Twin Otter service was provided to Chapleau, Earlton, Elliot Lake, Geraldton, Gore Bay, Hornepayne, Kirkland Lake and Wawa. The airline was closed down in 1996 with the removal of subsidies.

Aerodrome Status

Of the 85 municipal airports in Ontario, sixty (71%) are certified aerodromes. The north/south distribution varies slightly from the overall distribution in that more northern airports are certified than in the south.

AERPDROME STATUS	North	South	Total
Certified	27 75%	33 67%	60 71%
Registered	9 25%	16 33%	25 29%
	36	49	85

In Transport Canada's *Aeronautical Information Manual TP14371* (TC AIM), the following statement is made regarding airport certification.

> *"Besides the "Aerodrome" and "Registered Aerodrome" terminology, there is also the term "Airport." This is an aerodrome for which a certificate has been issued under Subsection 302 of CARs. The objective is to protect those that do not have the knowledge or ability to protect themselves – the fare paying public and the residents in the vicinity of an airport that could be affected by unsafe operations. This is done by ensuring the site is inspected periodically for compliance with Transport Canada Standards for obstruction surfaces, physical characteristics, marking and lighting, which have been recorded in an Airport Operations Manual, and Airside Operating Procedures. The current status is to be advertised to all interested aircraft operators through the CFS, Canada Air Pilot (CAP), NOTAM and voice advisory as applicable".*

A Registered Airport is an airport in which an Airport Certificate has not been issued. The "Registration" process is used to publish and maintain information on an aerodrome in the Canada Flight Supplement (CFS).

In 2002, Transport Canada issued a new policy that stated that certified airports are those that meet one of the following criteria:

- Scheduled CAR 704 or 705 service (commuter or airline operation, operating aircraft with 10 seats or more);
- Located within a "built-up area" of a city or town;
- Where certification is "in the public interest"
- Where the airport wants to remain certified and is willing to pay for that status.

At the time of NAP implementation, there were 726 certified airports in Canada. MTO confirmed with Transport Canada that in 2005, there were 362 certified airports. Therefore within 10 years, there have been 364 (50%) that have chosen to "de-certify" for a variety of anecdotal reasons – primarily the cost of regulatory burden. Specific statistics for Ontario airports are unknown. In 2002, Transport Canada announced that it did not have the staff to inspect most of the certified airports in Canada and that the costs to voluntarily retain certified status would be prohibitively high and that they expected the number of certified sites in Canada to drop to about 90.

The Canadian Owners and Pilots Association (COPA) believes that the benefits of small airports without scheduled service moving from certified to registered status are positive as the listing in the Canada Flight Supplement is retained, the requirement to comply with onerous CAR 302 regulations and TP312 standards disappears, as does the requirements for an Airport Operations Manual, Winter Maintenance Plan, Wildlife Plan and other regulator plans, and the requirement to comply with signage and other regulations. COPA also notes however that there are some disadvantages of being a registered airport i.e., the airport cannot have scheduled CAR 704 or 705 service; insurance costs may change; and some private jet aircraft (particularly of US registry) may be restricted from operating into non-certified airports by their aircraft insurance.

Although de-certifying results in operating cost reductions to an airport owner, it also takes away eliminates the requirement for Transport Canada inspections as well as an airport's requirement to have certain standards and operating procedures in place. This could potentially cause inconsistency in operational and infrastructure standards at airports throughout the province. De-certifying also impacts a community's ability to attract scheduled service. If an airport de-certifies and then wishes to re-certify at a later date, the time to complete the re-certification process could be lengthy, and very costly.

ACAP Eligibility

Of the 85 municipal airports in Ontario, only nineteen (22%) are ACAP eligible[14]. The north/south distribution varies from the general pattern in that more northern municipal airports are ACAP eligible than in the south. This is logical given that there are more municipal airports with scheduled service located in the northern part of the province.

ACAP ELIGIBILITY	North	South	Total
Yes	12 33%	7 14%	19 22%
No	24 67%	42 86%	66 78%
	36	49	85

[14] For the purposes of this study, Toronto City Centre is deemed ACAP eligible as scheduled service will resume in September 2006.

4. SURVEY RESULTS

Airport Participation

Forty-one of the eighty-five airports responded to the survey, for a response rate of 48.2%. A list of airports that participated can be found in Appendix A.

Not all of the 41 respondent airports answered each question.

Geographic Location

As seen below, there is a relatively equal north/south distribution of participating airports.

	# of Respondent Airports	% of Total
North	21	51%
South	20	49%

When comparing response rates by geography, to the location of all 85 municipal airports, we see that there was a higher percentage of respondent airports in the north than compared to the overall distribution of municipal airports throughout the province, and less responding airports in the south.

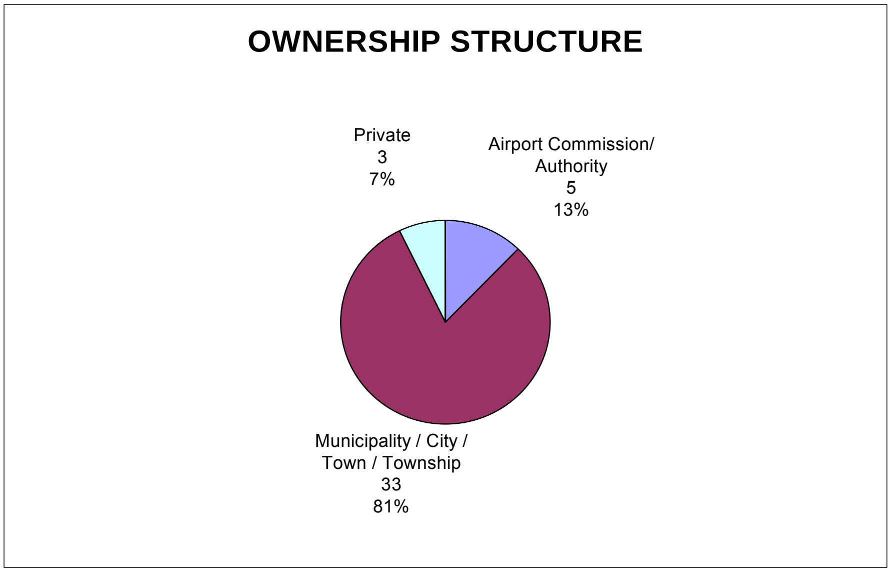
	North	South
Total Airports	42%	58%
Responding Airports	51%	49%

General Profiles

Airport Ownership and Operations

Airport Owner

As shown below, municipally owned (City, Town, Township, or Municipality) is the primary ownership structure of the respondent airports (33 of the 41 respondent airports).

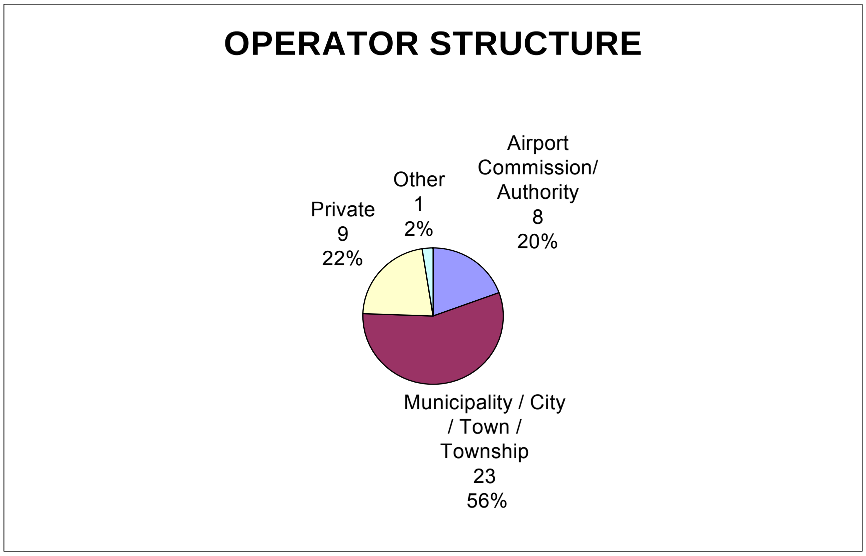


This pattern remains when segmenting by north/south geography, although we see that there are generally more Airport Commissions/Authorities in the South and more privately owned airports in the north.

AIRPORT OWNERSHIP	North	South	Total
Airport Commission / Authority	2 10%	3 15%	5
Municipality / City / Town / Township	17 81%	16 80%	33
Private	2 10%	1 5%	3
	21	20	41

Airport Operator

The primary operating structure is municipally operated (23 of the 41 responding airports), followed by privately operated, airport commission/authority operated, and then other.

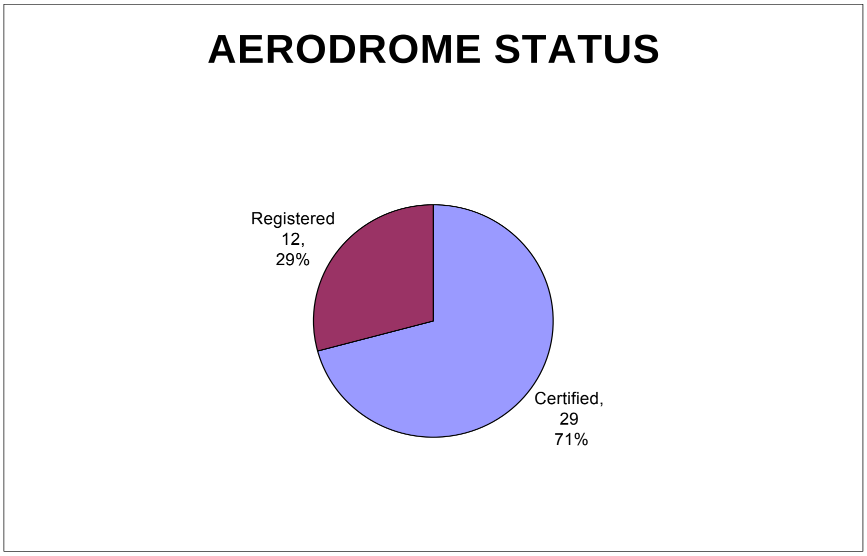


When segmenting geographically, municipally operated remains the predominant operations structure (23 of the 41 respondent airports), however there are more airport commissions/authorities and privately operated airports in the south; while there are significantly more municipally operated airports in the north.

AIRPORT OPERATIONS	North	South	Total
Airport Commission / Authority	2 10%	6 30%	8
Municipality / City / Town / Township	15 71%	8 40%	23
Private	3 14%	6 30%	9
Other	1 5%	0%	1
	21	20	41

Aerodrome Status

As shown below, there are significantly more certified airports among the respondent group (29 of the 41 airports), than there are registered aerodromes.

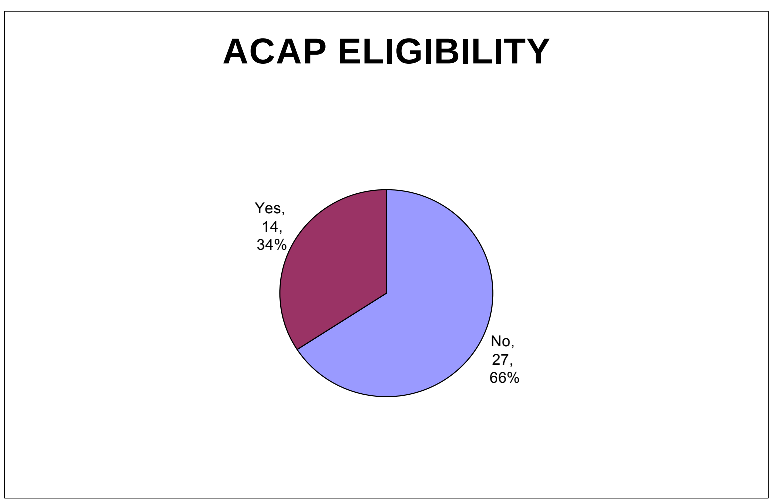


This general distribution does not change with a north/south segmentation.

AERODROME STATUS	North	South	Total
Certified	15 71%	14 70%	29 71%
Registered	6 29%	6 30%	12 29%
	21	20	41

ACAP Eligibility

As shown below, two-thirds of the respondent airports (27 of the 41 responding airports) are not eligible for ACAP funding.



There is a slight variation when segmenting North/South. There are more ACAP eligible airports in the north than there are in the south.

ACAP ELIGIBILITY	North	South	Total
No	12 57%	15 75%	27 66%
Yes	9 43%	5 25%	14 34%
	21	20	41

Nearest Airport

The average distance, among the respondent airports, to the nearest airport is 62 kilometres. Assuming a road speed of 60 km/h in good road conditions, this is approximately a one hour drive. The average distance to the nearest airport with scheduled service is 112 kilometres; just under a two hour drive. The average distance to the nearest airport with transborder service is 206 km, or approximately a 3.5 hour drive.

	Average	Minimum	Maximum	# respondent airports
to Nearest Airport	62	10	220	38
with Scheduled Service	112	10	360	39
with Transborder Service	218	10	725	33

On the surface, it would be reasonable to expect passengers to travel these distances for scheduled and transborder service. We know however that geography is a key factor, particularly in the North where road conditions are neither available nor safe year-round.

As seen from the table below, airports in the North are located at approximately double the distance from one another, to those in the South.

AVERAGE DISTANCE (km)

	North	South
to Nearest Airport	79	44
with Scheduled Service	125	97
with Transborder Service	369	93

It appears as though there is not a great distance between airports, particularly in the south. This is because not all airports serve the same markets or needs i.e., the next closest airport is likely not an appropriate substitute. Distance between airports is a challenge in some communities that do not have the population or market base to financially support the airport.

Associations and Memberships

Aviation Organizations / Associations

Thirty-three airports responded that they belong to at least one aviation organization. In all cases but two, each of these airports is an AMCO member. For those that belong to more than one organization, the distribution varies between membership in CAGC, RCACC, CAC and others.

It is important to note that each aviation organization / association has a different mandate and represents a different group of airports. There is not one single aviation association that can meet all of the needs of small airports in Ontario, nor is there a single voice.

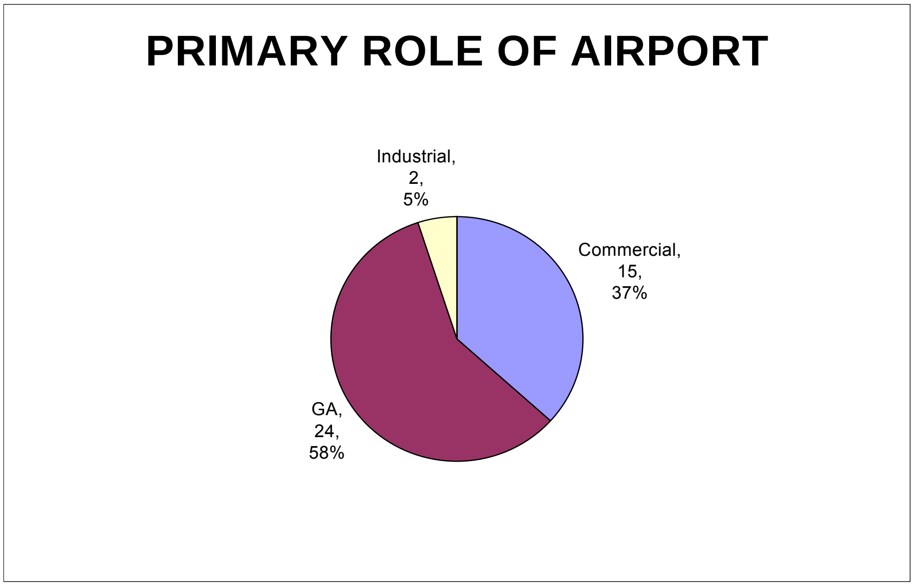
Local Economic or Business Development Organizations

Twenty-three airports (56%) responded that they belong to at least one community association. Twenty-one of the twenty-three airports (91%) belong to the local Chamber of Commerce; nine (39%) belong to the local Economic Development Board, and 4 (17%) belong to other community associations. It is important to note however that not all communities have such local economic development or business development organizations, which could explain the lack of response to this question.

Airport Role

The majority (58%), 24 of the 41 respondent airports indicated that their primary role was to serve general aviation (GA). This is not surprising considering the majority of airports are not eligible for ACAP funding (i.e., do not have scheduled service).

General aviation does not necessarily mean simply recreational flying – it includes public service flights such as medevac, fire fighting etc., as well as corporate flights for commercial/industrial support.



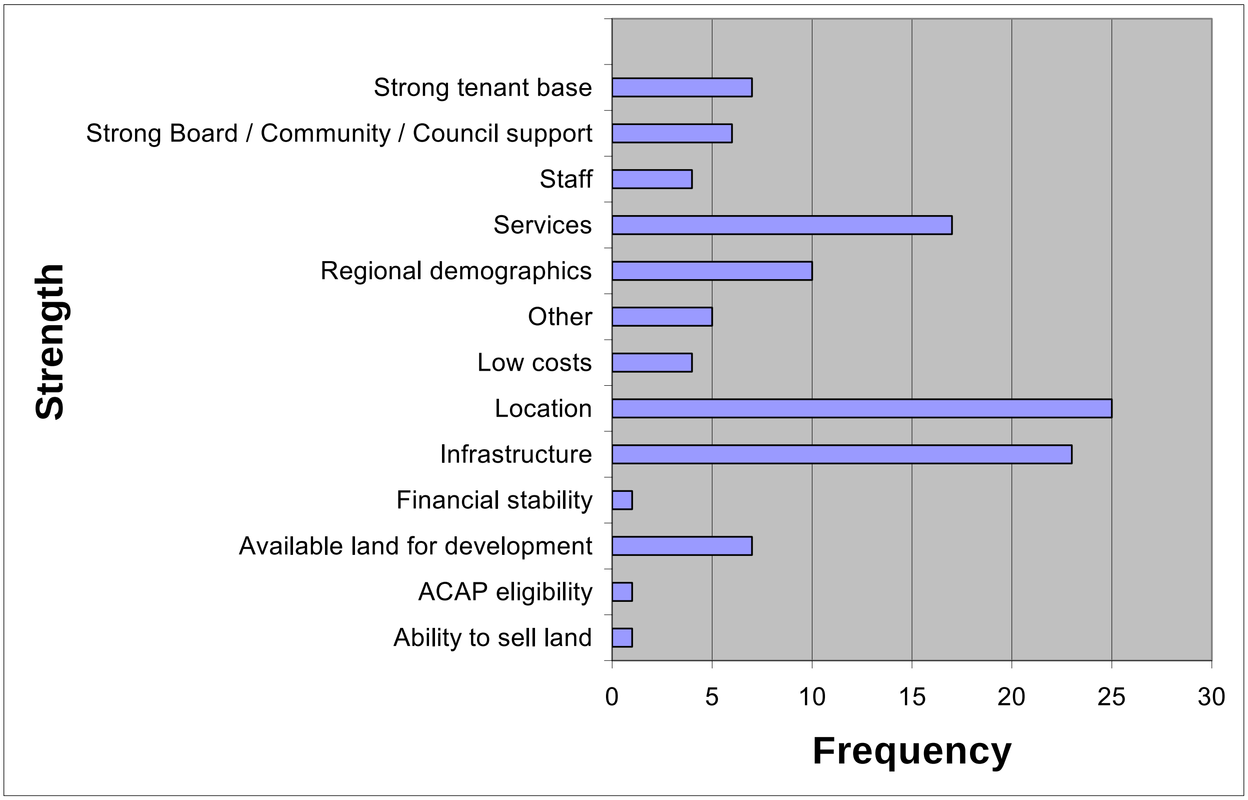
This emphasis on GA continues for both the northern and southern regions of the province, however there are more commercially oriented airports in the north, and more industrial oriented airports in the south.

	North	South	Total
GA	12	12	24
	57%	60%	
Commercial	9	6	15
	43%	30%	
Industrial		2	2
	0%	10%	
	21	20	

Airport Opportunities and Challenges

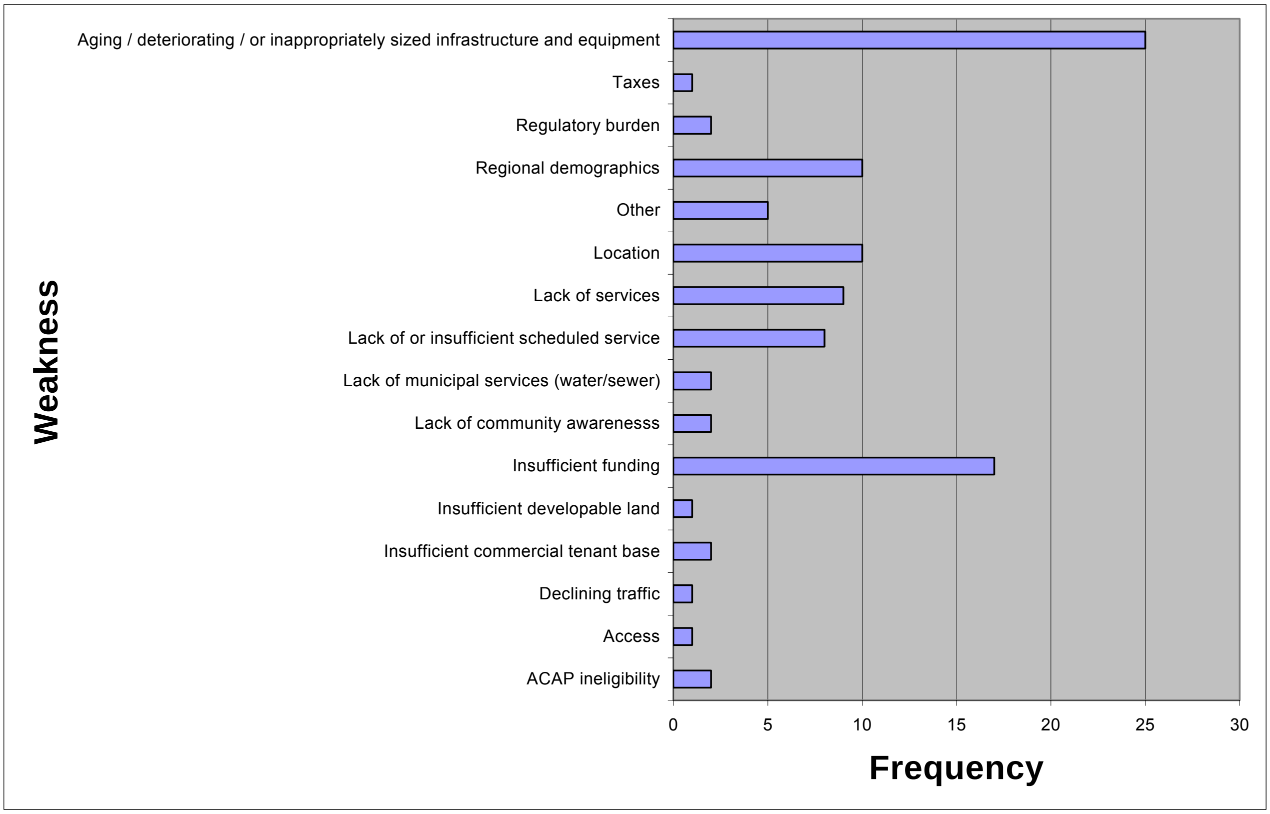
Strengths

Thirty-nine airports listed one-hundred and eleven 'Strengths'. Location was the strength most commonly cited, followed closely by infrastructure (includes airside, groundside, and navigational aids). 'Other' includes responses such as 'weather', 'diversification', and 'very family oriented'.



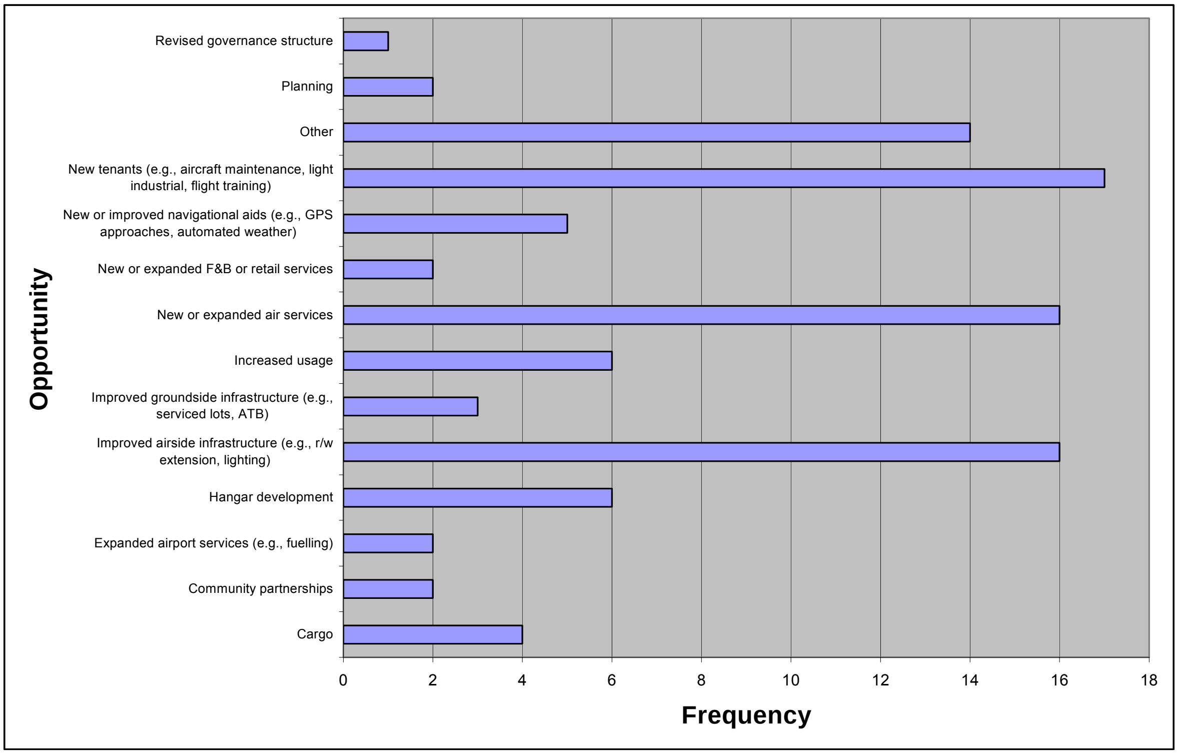
Weaknesses

Thirty-eight airports listed one hundred and one 'Weaknesses". Aging/Deteriorating/or Inappropriately Sized Infrastructure was cited the most often as a weakness, following by Insufficient funding.



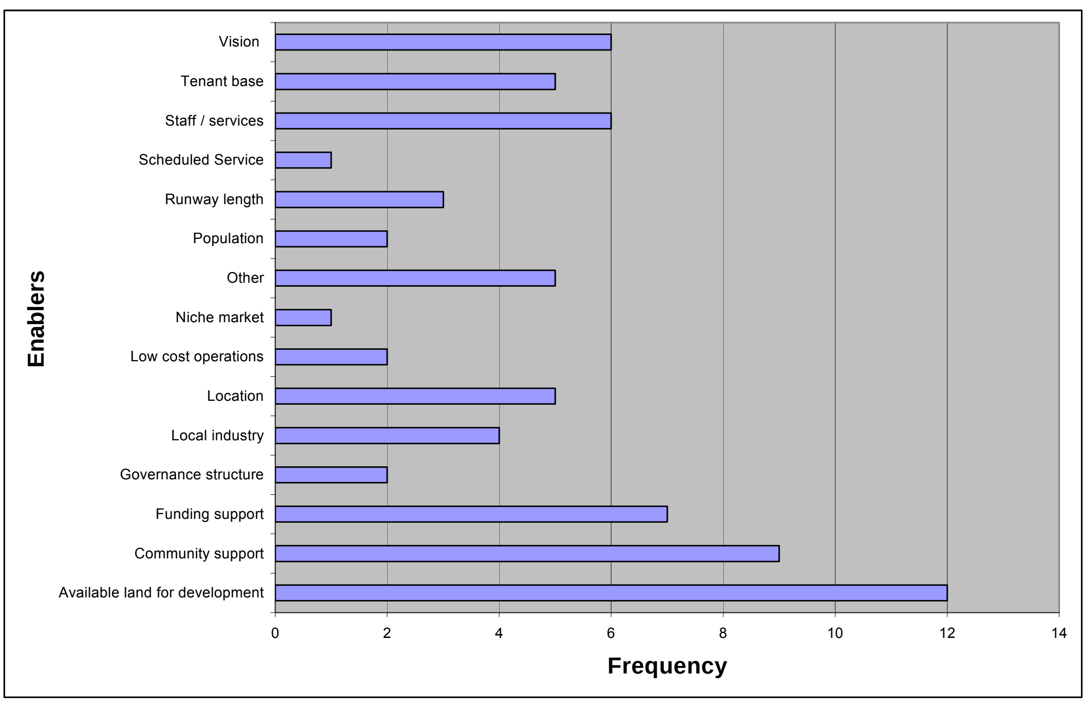
Opportunities

When asked what opportunities were available, thirty-eight airports responded with ninety-six answers. The three most cited opportunities were new tenants (e.g., aircraft maintenance companies, light industrial, flight training), improved airside infrastructure, and new or expanded air service. "Other" includes items such as "diversification", "generation of revenue", "multi-modal hub", "golf course", or "ground transport".



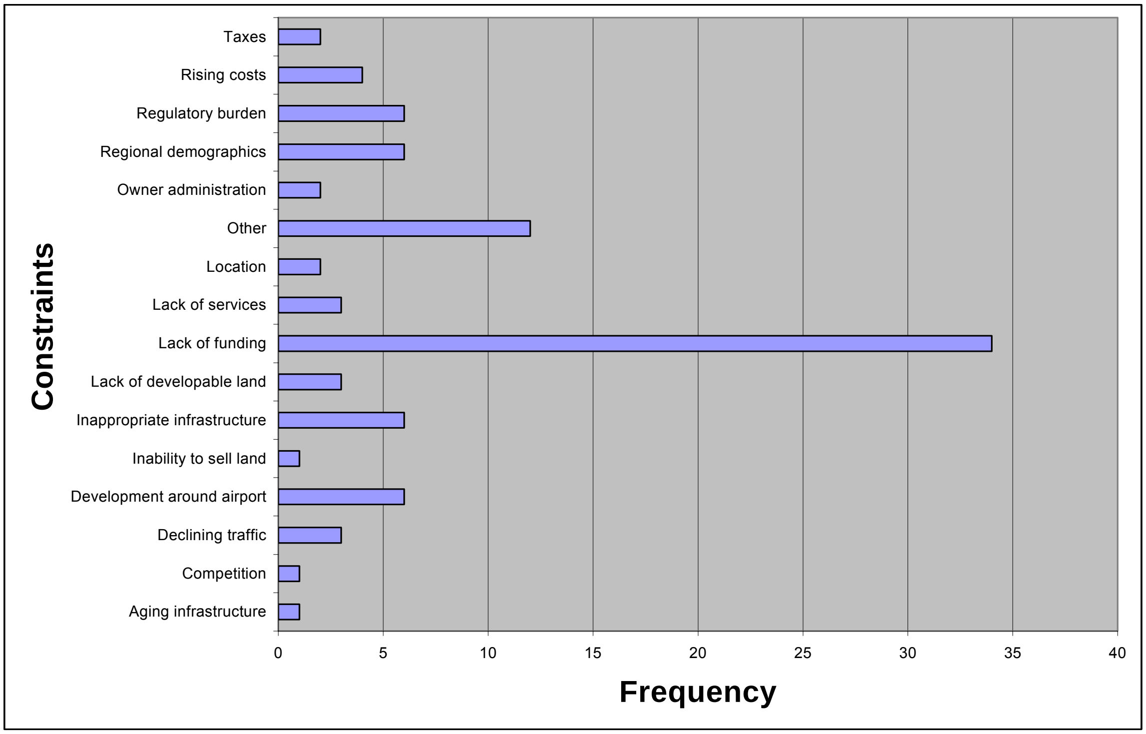
Enablers

When asked what enablers supported airport management in taking advantage of opportunities, thirty-three airports responded with seventy answers. The top three answers include available land for development, community (including Council) support; and funding support (source not specified).



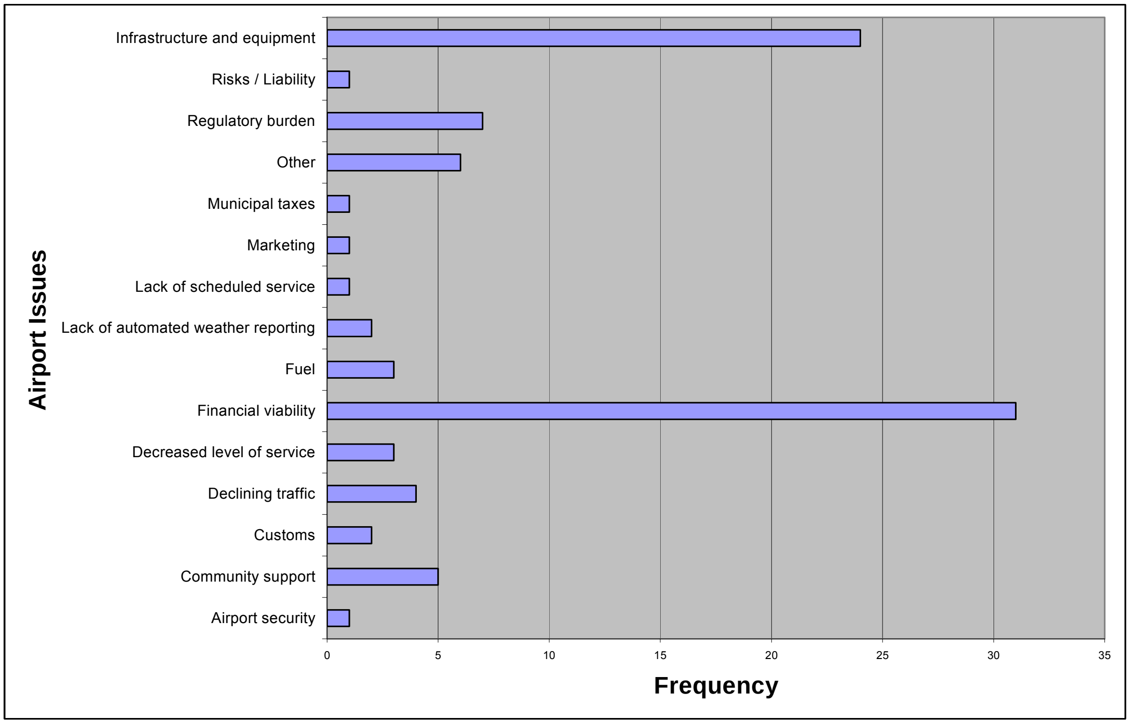
Constraints

When asked what constraints airport management faced in taking advantage of opportunities, forty airports responded with ninety-five answers. Lack of funding was cited the most often, representing thirty-seven percent of the responses.



Airport Issues

When asked about the top three issues being faced by airport management, thirty-five airports responded with ninety-three answers. Financial viability, infrastructure and equipment are by far the top issues.



Management Structure

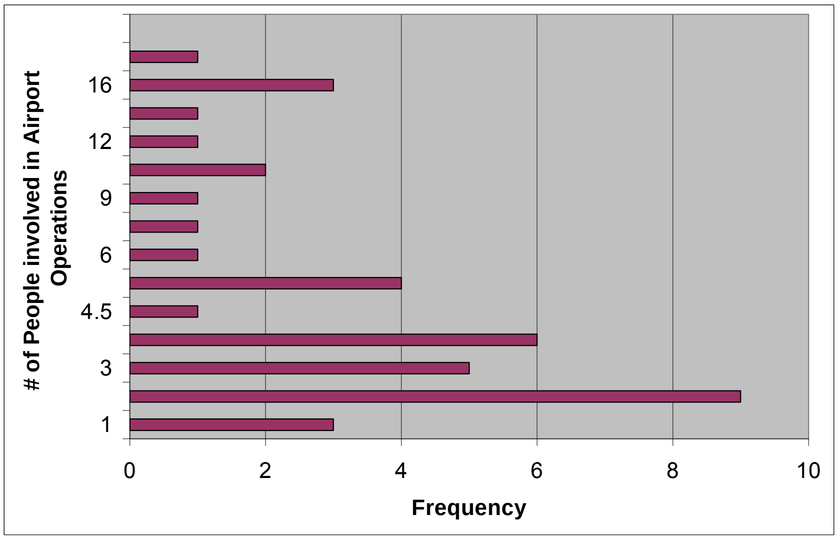
Twenty of the respondent airports reported the management structure at the airport. There is great variety in who the airport manager reports to, as seen in the table below. Some airport managers have a direct link to decision makers (e.g., Boards of Directors at Airport Authorities/Commissions, or directly to Municipal Council), while others face a large hierarchy within the municipal environment.

Count of Airport Mgt reports to:	
Airport Mgt reports to:	Total
Airport Advisory Cttee	1
Board of Directors	4
CAO	3
CEO	1
Commissioner	1
Director Engineering & Planning	1
Director of Public Services	2
Director of Transportation	1
Municipal Clerk	1
Municipal Council	2
Municipal Engineer	1
Planning & Development	1
(blank)	
Director of Public Works	1
Grand Total	20

Employment

Total Airport Staff

Thirty-nine airports provided information regarding staffing levels (people directly related to airport management and operations). Seventy-two percent (28) of the responding airports have five or less people directly involved in airport operations (either full-time or part-time). Some airports do not have any full-time, dedicated airport staff – for example some municipal staff charged with airport operations are also involved in the operation of other municipal works such as roads.



On average, each of the 39 airports (that provided details on staffing levels) has 5.05 full-time equivalent staff involved in direct airport operations; however the median employment is 3.0. In the North, the average is 5.4 FTE while in the South it is 4.7. Winter operations at northern airports generally require more staff than at southern airports. ACAP eligible airports have on average 9.98 FTE while non-ACAP eligible airports have 2.4 FTE involved in direct airport operations. This is because ACAP eligible airports have scheduled service, and generally meet more Transport Canada regulations.

It is important to note that staffing levels at all airports, whether they are ACAP eligible or not, are lower than they were ten years ago. Airports are generally operated at minimal staffing levels, and staff are considered multi-tasking.

Examples of airport operations jobs include airport manager, airfield maintenance technician/equipment operator (snow plow, tractor), mechanic/handyman, office manager/bookkeeper.

Total Direct Employment at Airport

Thirty-two airports provided an estimate of direct employment at the airport, in terms of full-time equivalent positions. One airport (Downsview) had direct employment of over 3,500 FTE, which skewed the results. The figures for this airport have been removed to better reflect the situation at most municipal airports. With the outlier removed, fifty-eight percent (18) of the respondent airports have in excess of 25 FTE in direct employment, including 6% (2) which have in excess of 250.

Direct Employment (FTE)	% of Respondent Airports
≤5	29%
6-10	6%
11-25	6%
26-100	29%
101-250	23%
251 - 500	6%

When segmenting north/south, and removing the outlier mentioned above, Northern airports have more than double the average direct employment. This result could be the result of northern airports included in this study being the sites with the majority of the scheduled passenger service.

North	Average of Total Direct Employment	124
	Min of Total Direct Employment	1
	Max of Total Direct Employment	461
South	Average of Total Direct Employment	53
	Min of Total Direct Employment	1
	Max of Total Direct Employment	211

When segmenting by ACAP eligibility and removing the outlier mentioned above, ACAP eligible airports have almost five times the average direct employment than non-ACAP eligible airports; again most likely due to the ACAP eligible airports being those with scheduled service.

ACAP Eligible	Average of Total Direct Employment	149
	Min of Total Direct Employment	5
	Max of Total Direct Employment	461
Non-ACAP Eligible	Average of Total Direct Employment	32
	Min of Total Direct Employment	1
	Max of Total Direct Employment	165

Certified airports also have on average, four times as much direct employment as registered airports.

Airport Planning

Thirty-nine airports responded to the question about planning processes and documents. As seen below, most airports have little in the way of planning documents, except a master or land use plan, which 63% (25) of the respondent airports have.

	Strategic Plan	Business Plan	Marketing Plan	Master Plan &/or Land Use Plan	Economic Impact Study	Other
Yes	23%	29%	21%	63%	33%	100%
No	77%	71%	79%	37%	67%	0%

This general lack of planning documents could be for a number of reasons including lack of time and/or skills by airport management or lack of funds to hire consultants. Of note is that the provincial funding program that was discontinued in 1996/96 used to provide funding to airports for such studies.

Airport Financial Situation

Payment of Property Taxes

Thirty-two airports responded to the question about paying property taxes or payments-in-lieu (PILT). Fifty percent of these respondent airports and/or their tenants pay property taxes, or payments in lieu of taxes, while the other fifty percent do not.

Of the fifty percent that do pay property taxes or PILT, seventy-five percent (12 of the 16) are located in the same "town" as the airport owner, while twenty-five (4) percent are not. This means that twenty-five percent of the respondent airports are paying taxes paid to "towns" that may not support the airport financially.

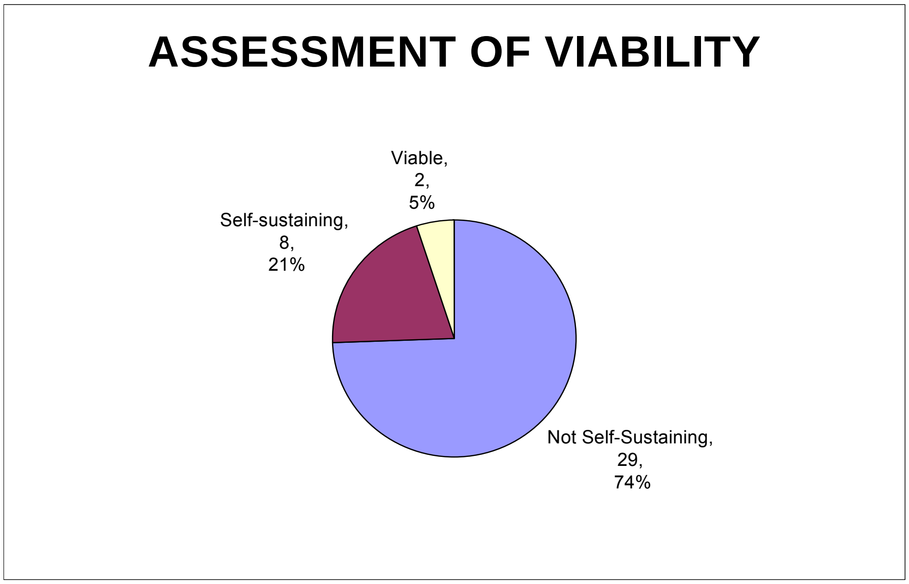
Fourteen airports reported municipal tax or PILT payments. Average payments among these fourteen airports is $73,878, with the minimum reported payment being $396 and the highest being $333,138. From the data reported, it is not clear whether all airports responded the same way; it is suspected that some airports included airport payments as well as tenant payment, while others included one figure only. Although it is not common for municipal airports (the owner) to pay municipal property taxes, it does happen on occasion, taking Sault Ste. Marie as an example.

Assessment of Viability

Airports were asked to assess their financial viability based on the following definitions:

- "Viable" – sufficient revenues to cover operating costs and the airport's share of capital costs
- "Self-Sustaining" – sufficient revenues to cover operating costs
- "Not Self-Sustaining" – insufficient cash flow to cover operating costs

Thirty-nine airports responded to the question regarding financial viability. Seventy-four percent (29) of the responding airports consider their financial situation to be not-self-sustaining; while twenty-one percent (8) consider themselves self-sustaining, and six percent (2) viable.



Interestingly, the only two airports that consider themselves to be financially viable are located in the north, and northern airports are generally financially healthier than their southern counterparts. This is in part because the responding northern airports have a higher percentage of scheduled passenger service than those in the south; i.e. more customers from which to recover their costs. In addition, there is a larger percentage of northern airports that are eligible for ACAP funding.

	North	South	Total
Not-Self-Sustaining	12	17	**29**
	63%	85%	
Self-Sustaining	5	3	**8**
	26%	15%	
Viable	2		**2**
	11%		
	19	20	**39**

One hundred percent (2) of the respondent airports that are financially viable, are eligible for ACAP funding, while sixty-three percent (5) of the self-sustaining airports are ACAP eligible, and twenty-four percent (7) of the not-self-sustaining airports are ACAP eligible.

	ACAP Eligible	Not ACAP Eligible	Total
Not Self-Sustaining	7	22	**29**
	24%	76%	
Self-Sustaining	5	3	**8**
	63%	38%	
Viable	2		**2**
	100%	0	
	14	**25**	**39**

Cut another way, only fourteen percent (2) of the ACAP eligible respondent airports are considered financially viable, thirty-six percent (5) self-sustaining, and fifty percent (7) are not self-sustaining; while eighty-eight percent (22) of the non-ACAP eligible airports are not-self-sustaining.

	ACAP Eligible	Not ACAP Eligible	Total
Not Self-Sustaining	7	22	**29**
	50%	88%	
Self-Sustaining	5	3	**8**
	36%	12%	
Viable	2		**2**
	14%		
	14	**25**	**39**

Thirty-one municipal airports reported details regarding their operating revenues, expenses and operating income/loss. The following table represents the aggregate results of these thirty-one airports. This information, although mixing results from airports with scheduled service, with those that do not, demonstrates the significant variation between the two.

31 Respondent Airports	2005 Operating Revenues	2005 Operating Expenses	2005 Operating Profit/Loss
Average	$661,582	$920,818	-$259,236
Median	$467,579	$410,000	-$73,965
Minimum	$0	$8,105	-$3,759,092
Maximum	$3,084,880	$4,633,314	$333,918

There are two data points considered outliers. When these are removed, the situation changes.

29 Respondent Airports	2005 Operating Revenues	2005 Operating Expenses	2005 Operating Profit / Loss
Average	$627,993	$681,243	-$53,249
Median	$250,000	$389,071	-$50,000
Minimum	$0	$8,105	-$320,710
Maximum	$3,084,880	$3,064,460	$333,918

Of the twenty-nine reporting airports with representative data points, eighteen are located in the North and eleven in the south. The following tables demonstrate the results segmented by geography.

✈ North

- Operating revenues range from $1,100 to $2.5 million
- Operating expenses range from $8,105 to $2.3 million
- Operating profits/losses range from -$315,152 to $333,918
- Average operating losses among the respondent group are $20,025,
- Median loss was higher, at $40,688.

18 Northern Respondent Airports	2005 Operating Revenues	2005 Operating Expenses	2005 Operating Profit / Loss
Average	$721,243	$741,268	-$20,025
Median	$518,840	$612,589	-$40,688
Minimum	$1,100	$8,105	-$315,152
Maximum	$2,448,054	$2,314,302	$333,918

✈ South

- Operating revenues range from $0 to $3.1 million
- Operating expenses range from $20,000 to $3.1 million
- Operating profits/losses range from -$320K to $20,420
- Average operating loss among the respondent group are $107,616
- Median loss is $81,911.

11 Southern Respondent Airports	2005 Operating Revenues	2005 Operating Expenses	2005 Operating Profit / Loss
Average	$475,403	$583,019	-$107,616
Median	$186,690	$314,393	-$81,911
Minimum	$0	$20,000	-$320,710
Maximum	$3,084,880	$3,064,460	$20,420

Of the twenty-nine reporting airports with representative data points, ten are ACAP eligible and nineteen are not. The following tables demonstrate the results segmented by ACAP eligibility.

✈ ACAP Eligible

- Operating revenues range from $0 to $3.1 million
- Operating expenses range from $23,567 to $3.1 million
- Operating profits / losses range from -$315,152 to $333,918
- Average operating profits are $27,659
- Median profit is $33,710

10 ACAP Eligible Respondent Airports	2005 Operating Revenues	2005 Operating Expenses	2005 Operating Profit / Loss
Average	$1,335,433	$1,307,774	$27,659
Median	$1,319,208	$1,173,120	$33,710
Minimum	$0	$23,567	-$315,152
Maximum	$3,084,880	$3,064,460	$333,918

✈ Non-ACAP Eligible

- Operating revenues range from $0 to $1.1 million
- Operating expenses range from $8,105 to $1.2 million
- Operating profits/losses range from -$320,710 to $150. Of these nineteen airports, only one reported an operating profit – a small $150
- Average operating losses are $95,832
- Median loss is $81,922.

19 Non-ACAP Eligible Respondent Airports	2005 Operating Revenues	2005 Operating Expenses	2005 Operating Profit / Loss
Average	$255,657	$351,489	-$95,832
Median	$154,829	$199,485	-$81,922
Minimum	$0	$8,105	-$320,710
Maximum	$1,135,859	$1,233,316	$150

Aeronautical Fees and Charges

The most commonly applied aeronautical fee is for aircraft parking, followed by landing fees and fuel surcharges. This is understandable considering the other fees are generally dependent on scheduled passenger service.

	Yes	No
AIF	6	32
	16%	84%
Landing	30	8
	79%	21%
Terminal	14	24
	37%	63%
Other PFC/PUF	3	33
	8%	92%
Fuel Surcharge	17	16
	52%	48%
Aircraft Parking	35	4
	90%	10%

Of all the respondent airports that indicated they apply aeronautical fees of varying types, generally there are more of these airports located in the north, as demonstrated in the following table.

		North	South	# of Respondent Airports Applying Fee of this Type
AIF		5	1	6
		83%	17%	
Landing		14	16	30
		47%	53%	
Terminal		8	6	14
		57%	43%	
Other PFC/PUF		3		3
		100%		
Fuel Surcharge		12	10	22
		55%	45%	
Aircraft Parking		20	15	35
		57%	43%	

Airport Facilities and Support Services

Facilities and Services Available

Most of the respondent airports have an air terminal building. The size and condition varies from airport to airport. Interestingly enough, 63% (24) of the 38 respondent airports have some level of Customs and Border Services. Most of the airports do not have airport emergency response services (fire fighting), airport security or passenger screening.

	ATB	Customs	ERS	Airport Security	Passenger Screening
Yes	32	24	11	12	8
	80%	63%	31%	32%	22%
No	8	14	24	25	29
	20%	37%	69%	68%	78%
	40	38	35	37	37

Condition of Facilities and Equipment

Airports were asked to rate the facilities and infrastructure on a scale of 1-10, with 1-3 being 'Poor', 4-5 being 'Fair', 6-8 being 'Good', and 9-10 being 'Excellent'.

Overall, the facilities, infrastructure and equipment are in fair to good condition.

	Runways	Taxiways	Apron	Terminal	Perimeter Fence	Garage/ Maintenance Hangar	Other Building	Vehicles / Equipment	Roads/ Parking	Other
Average	7 Good	6 Good	6 Good	7 Good	5 Fair	6 Good	5 Fair	6 Good	6 Good	5 Fair
Min	2	2	2	1	1	2	1	2	3	5
Max	10	10	10	10	10	10	9	10	10	5

It is deemed inappropriate to draw conclusions based on segmentation by geographic region, as each airport's situation is different. Some were transferred from the federal government with infrastructure which was in good condition, others were not. Some airports have sufficient financial support either through ACAP, aeronautical fees, or municipal support, to maintain the infrastructure to reasonable levels.

There were thirteen ACAP eligible respondent airports that provided a numerical assessment of the condition of their facilities / infrastructure. Overall the condition is Fair to Good.

ACAP Eligible Respondent Airports	Runways	Taxiways	Apron	Terminal	Perimeter Fence	Garage/ Maintenance Hangar	Other Building	Vehicles / Equipment	Roads/ Parking	Other
Average	6 Good	5 Fair	6 Good	6 Good	5 Fair	5 Fair	4 Fair	7 Good	5 Fair	
Min	2	2	4	1	1	3	1	5	3	
Max	9	10	9	10	9	8	9	9	8	

There were twenty-five non-ACAP eligible respondent airports that provided a numerical assessment of the condition of their facilities / infrastructure. Overall the condition is Fair to Good. Interestingly enough, the non-ACAP airports view their infrastructure as either in the same condition as the ACAP eligible airports, or in some cases (e.g., runways), in better condition.

A possible reason is that ACAP eligible airports typically have a greater need to have a higher standard of airport infrastructure as a result of regulatory requirements and to satisfy the operating conditions required by scheduled air services. As a result, ACAP eligible airports may provide "rankings" that are lower than non-ACAP eligible airports. Based on the consulting team's experience across Ontario for both ACAP eligible and non-ACAP eligible airports, the ACAP eligible airports airside infrastructure can be categorized as to be in better condition than non-ACAP eligible airports. It should also be noted that a large number of the non-ACAP eligible airports were part of the previous provincially funded *Municipal Airports Program*. This was a highly successful funding program for municipal airports and the airport infrastructure of a number of these airports were re-constructed in the 1980s and early 1990s. As a result, these airports would have airport infrastructure that would be considered "fair" to "good" in the normal life cycle analysis of the major infrastructure of an airport. As noted previously, the *Municipal Airport Program* is no longer available to these non-ACAP eligible airports.

ACAP Non-Eligible Respondent Airports	Runways	Taxiways	Apron	Terminal	Perimeter Fence	Garage/ Maintenance Hangar	Other Building	Vehicles / Equipment	Roads/ Parking	Other
Average	7 Good	6 Good	6 Good	7 Good	5 Fair	6 Fair	5 Fair	6 Good	6 Good	5 Fair
Min	2	2	2	4	1	2	1	2	3	5
Max	10	10	10	10	10	10	9	10	10	5

Stakeholder interviews with public service providers (air ambulance and forest fire fighting) have indicated that the infrastructure at some airports is of particular concern, and if the infrastructure continues to deteriorate (particularly the runways), they may not be able to land at particular airports in the future, thus jeopardizing critical community services.

Aviation Activity

Type of Air Service

Approximately one-third of the respondent airports have scheduled commercial passenger service, while slightly more than half have commercial charter activity. More than half have flight training units, and two-thirds support other types of general aviation activity (e.g., corporate, private flying).

In terms of public service flying, sixty-seven percent of the responding airports support air ambulance activity, twenty-nine support aerial forest fire suppression activities, twenty-eight percent support search and rescue activities, and thirty-eight percent support other policing activities (provincial and federal).

	Scheduled Commercial	Charter Commercial	GA - Flight Training	Other GA	Medevac	Water bombing	Search & Rescue	Policing	Other
Yes	11	20	20	25	24	10	9	12	7
	30%	54%	56%	71%	67%	29%	28%	38%	54%
No	26	17	16	10	12	24	23	20	6
	70%	46%	44%	29%	33%	71%	72%	63%	46%
	37	37	36	35	36	34	32	32	13

The following table demonstrates the types of aviation activities that take place at the northern and southern responding airports. There is more scheduled passenger activity at northern airports, but far more charter commercial and flight training activity at southern airports. There is a significant amount of air ambulance/medevac activity at both northern and southern airports, although more in the north. Aerial fire suppression activity takes place only in the north. Search and rescue activity also takes place predominantly in the north due to the remoteness and more rugged geography. Policing activity takes place at both northern and southern airports, but again, more so in the north.

	North	South
Scheduled Passenger Service	7	4
	39%	21%
Charter Commercial Service	8	12
	44%	63%
GA - Flight Training	5	15
	28%	79%
Other GA	5	12
	72%	71%
Medevac	14	10
	72%	56%
Aerial Fire Suppression	10	
	56%	
Search & Rescue	7	2
	44%	13%
Policing	7	5
	44%	31%

Discussed later in this report is the importance of airports for public service flights.

Traffic

Overall aircraft movements have been stable during the past five years (0% growth per annum.), based on twenty-six airports reporting traffic figures. The maximum growth pattern was 36% p.a. while the largest decline was 20% p.a.

There is however a difference in patterns when segmented geographically. On average, northern airports are seeing a slight growth in traffic while southern airports are seeing a decline. That said, the range between the maximum and minimum reported growth is much greater in the south than in the north.

	North	South
Average	1%	-1%
Max	12%	36%
Min	-11%	-20%

The same twenty-six airports averaged 26,860 aircraft movements in the past five years, with a minimum average of 500 and a maximum of 119,932.

Northern respondent airports reported average traffic levels less than the overall average, while southern airports reported traffic in excess of the overall average. This is due to the high traffic levels at one particular airport in the south.

	North	South
Average	22,338	30,478
Max	56,524	119,932
Min	500	1,000

Community and Economic Information

Population

Thirty-five airports reported data on population growth. Overall, sixty-nine percent of the communities (24) are seeing a growth in population; twenty-nine percent (10) are seeing a decline, and three percent (1) are stable. As seen in the table below, population in the respondent airport's communities in the southern part of the Province are growing significantly more than those in the north. There is however an increasing aboriginal population, particularly in remote northern communities where air service is very important.

Population affects a municipality's tax base and in turn its ability to fund airport infrastructure. Population also impacts an airport's ability to attract a scheduled air carrier.

	North	South	# Respondent Airprots
Growth	9 50%	15 88%	24
Decline	8 44%	2 12%	10
Stable	1 6%		1
	18	17	35

Twenty-eight airports reported population figures for their communities in which they are located. Population ranges from a low of 368 to a high of 3.5 million, with a median of 10,450 – this includes two airports in the GTA.

As seen below, the population counts in southern communities are exceptionally higher than those in the north.

	NORTH	SOUTH
Average	24,699	620,146
Median	5,500	110,000
Minimum	368	7,411
Maximum	165,000	3,500,000
# respondent airports	16	12

When removing the two GTA airports from the data set, we still see that southern airports are located in communities with significantly higher populations than those in the north.

	NORTH	SOUTH
Average	24,699	94,176
Median	5,500	89,223
Minimum	368	7,411
Maximum	165,000	250,000
# respondent airports	16	12

Industrial Activity

Thirty-two airports (16 in the north and 16 in the south) reported the industrial markets of the key users (non-tenants) of their airports. Airports in the north are used primarily by forestry and mining companies, and public service providers (e.g., OAASC, MNR, OPP) while airports in the south are used more often by manufacturing companies or for tourism purposes.

	Forestry	Mining	Manufacturing	Public Service	Energy	Agriculture	Tourism	Government / Institutional	Business Services (e.g., financial, insurance)
32 Respondent Airports	6	5	11	17	3	1	8	4	5
	19%	16%	34%	53%	9%	3%	25%	13%	16%
North (16 respondent airports)	5	5	2	12	1	0	2	3	1
		31%	13%	75%	6%	0%	13%	19%	6%
South (16 respondent airports)	1	0	9	5	2	1	6	1	4
	6%	0%	56%	31%	13%	6%	38%	6%	25%

Private Sector Contribution

Thirty percent (11) of the thirty-seven responding airports have received private sector financial contributions at some point. These contributions vary in both amount and purpose; examples include runway extensions and operating subsidies.

The geographic breakdown of private sector support is shown below. Private sector contribution has historically occurred more often in the south than in the north. From the information gathered during the site visits, and from the airport surveys, we conclude that private sector support is dependent on several factors including the importance of the airport to the local industry, the ability of the airport owner to allocate its own funds, and the ability of the airport management to demonstrate the importance of the airport.

	North	South	
Yes	4 22%	7 37%	11
No	14 78%	12 63%	26
	18	19	

When asked if the private sector was likely to contribute financially to the airport now or in the near future, eleven percent (4) of responding airports said there was a "definite possibility", fifty-four percent (20) said there was a "slight possibility", and thirty-five percent (13) said it would "never happen".

From the geographic breakdown below, we see that there is a greater possibility of private sector contributions in the southern part of the province.

	North	South	
Definite Possibility	1 6%	3 16%	4
Slight Possibility	9 50%	11 58%	20
Will Never Happen	8 44%	5 26%	13
	18	19	37

5. FUNDING REQUIREMENTS OF ONTARIO MUNICIPAL AIRPORTS

Operating Requirements

Using the median profit figure of $33,710 for ACAP eligible airports and median loss of -$81,922 for non respondent non-ACAP eligible airports, we come up with a total operating deficit among the 85 municipal airports, of $5.1 million.

An alterative approach using the financial viability distribution of respondent ACAP eligible and non-eligible airports, multiplied by the average loss within those categories (see table below), and excluding the financials of two ACAP eligible not self-sustaining airports which reported exceptional losses, the total operating requirements for all 85 airports is in the range of $5.9 million.

	Not Self-Sustaining	Self-Sustaining	Viable
ACAP Eligible	50% $Avg -$89,208	36% Avg. $84,986	14% Avg. $233,835
Non-ACAP Eligible	88% Avg -$107,116	12% Avg. $75	

Annual operational funding requirements for municipal airports in Ontario are therefore in the range of $5.1 million to $5.9 million.

Capital Requirements

The following analysis is based on the surveys received; the consulting team's site inspections at ten of the 85 municipal airports; as well as the consulting team's knowledge of airport infrastructure conditions of airports that did not respond to the questionnaire.

As seen in the chapter on the survey results, airport infrastructure is deemed by respondent airports, to currently be in fair to good condition.

Existing Airside Infrastructure

1. Runways

There are a total of 138 Runways for the 85 Airports. 30 of these Runways are either Turf / Gravel with remaining 108 Runways being Asphalt.

When you consider the type of Runways for the ACAP and Non-ACAP Airports, the following represents the % of Turf, Gravel and Asphalt pavement for both ACAP and Non-ACAP Airports.

	Turf	Gravel	Asphalt	Total
ACAP Airports	2 (6%)	1 (3%)	30 (91%)	33 (100%)
Non-ACAP Airports	21 (20%)	6 (6%)	78 (74%)	105 (100%)
Total	**23 (17%)**	**7 (5%)**	**108 (78%)**	**138 (100%)**

As would be expected, the ACAP Airports in which Scheduled Air Service is provided, the predominant type of runway is asphalt (91%). There is much larger % of turf runways in the smaller Municipal Airports, especially in Southern Ontario.

With regards to the surface area for the runways, the figures below illustrate the area for turf, gravel and asphalt pavements for both ACAP and Non-ACAP Airports for all 85 airports.

	Surface Area (ha) (1)			
	Turf	**Gravel**	**Asphalt**	**Total**
ACAP Airports	3.1 (6%)	0.3 (2%)	217.7 (45%)	221.1 (40%)
Non-ACAP Airports	50.8 (94%)	16.6 (8%)	262.9 (55%)	330.3 (60%)
Total	**53.9 (100%)**	**16.9 (100%)**	**480.6 (100%)**	**551.4 (100%)**

Note: 1. 1 hectare = 10,000 sq m
2. Runways include all runways including secondary runways.

The above illustrates that even though the ACAP Airports only represent 21% of the Airports in the Ontario Airport System; ACAP Airports have 45% of the paved surface area for runways.

In total, there are 16 Airports with some form of Visual Approach Aids in the form of SSALRs, ODALs, Low Intensity Approach Lighting, etc. 67% of the ACAP Eligible Airports had some form of Visual Approach Aids but only 7% of Airports that were not eligible for ACAP Funding, have visual approach aids. Similarly, all 18 ACAP Airports have some form of Visual Slope Indicator (i.e. PAPI, APAPI, VASIS) while only 61% of Non-ACAP Airports had Visual Slope Indicators.

For paved runways, the average age of the runways was 15 years. Typically, the ACAP Airports (14 years) had an average age slightly less than Non-ACAP Airports (16 years). This is mainly due to recent funding opportunities that are available to ACAP Airports over the last 10 years.

In Section 4, information on the condition of airport infrastructure based on questionnaire responses, site visits and the consultant's recent knowledge of airport infrastructure of some of the non-respondent airports has been presented.

Summarized below is Average Condition Rating of asphalt runways for ACAP and Non-ACAP airports:

	Asphalt Runways Condition Rating (1 to 10)
ACAP Airports	6
Non-ACAP Airports	6

The average remaining Runway Life Expectancy for asphalt Runways ACAP / Non-ACAP Airports is summarized below:

	Average Remaining Runway Life Expectancy (Years)
ACAP Airports	9
Non-ACAP Airports	10

2. Other Major Airport Infrastructure

In addition to runways, the following major airport infrastructure have large capital requirements at an airport:

- Taxiways
- Aprons
- Terminal Buildings

Following is the average rating of the condition of the above infrastructure based on the questionnaire, site visits and consultant's knowledge.

	Average Condition Rating (1 to 10)		
	Taxiways	**Aprons**	**Terminals**
ACAP Airports	5	6	6
Non-ACAP Airports	5	5	6

3. Cost of Maintaining Airport Infrastructure

To determine the approximate annual costs for rehabilitating / reconstruction of airport infrastructure, calculations were undertaken based on the following assumptions:

✈ Life Expectancy / Type of Rehabilitation

As a guideline, Transport Canada typically anticipates that the Life Expectancy for airside pavements is as follows. The information in brackets is the assumed method of rehabilitation for the purposes of the cost analysis. The actual method of rehabilitation / reconstruction will vary and will depend upon detailed engineering assessment.

- Turf 40 years (cultivation / reseeding)
- Gravel 12 years (gravel resurfacing)
- Asphalt 20 years (asphalt overlay)

Typically, Airfield Electrical Systems also have a Life Expectancy of approximately 20 years. This includes Edge Lighting, Visual Approach Aids, Visual Slope Indicators and Illuminated Wind Direction Indicators.

✈ Rehabilitation Costs

Though rehabilitation costs can vary across the various regions of Ontario, the following costs for rehabilitation have been assumed based on the above noted rehabilitation strategy:

- Turf $5,000 / ha
- Gravel $72,000 / ha
- Asphalt $180,000 / ha

✈ Average Annual Rehabilitation Costs

Based on the life expectancy and capital costs for rehabilitation, the following is the average annual rehabilitation costs:

- Turf $125 / ha / year
- Gravel $6,000 / ha / year
- Asphalt $9,000 / ha / year

The above costs include 25% Contingency for drainage repair / rehabilitation, other contingencies and engineering.

✈ Airfield Electrical

- Low / Medium Intensity $232,000 / km
- High Intensity $250,000 / km

Note: For Low / Medium Intensity, costs have been factored in for replacement of:
  - ODALs or LIA
  - APAPIs (2)
  - IWDI (2)
  - Rotating Beacon

For High Intensity, costs have been factored in for replacement of:

- SSALR
- PAPIs (1)
- IWDI (2)
- Rotating Beacon

Average Annual Airfield Electrical Rehabilitation Costs:

- Low Medium Intensity $11,620 / km / year
- High Intensity $12,500 / km / year

✈ **Taxiways / Aprons**

Taxiways and aprons also constitute a large part of an airport infrastructure. As details on the length of taxiways and size of aprons for all 85 airports are not readily available, it has been assumed that the total area of taxiways and aprons is 25% of the area of the runways. In addition, it has been assumed that the length of taxiway / apron edge lighting is approximately 25% of the length of runway cabling.

Summary – Capital Requirements

The following table provides details of the average annual capital costs for maintaining/upgrading the major components of airside airport infrastructure (i.e., runways, taxiways, aprons, edge lighting, visual approach aids) at all eighty-five municipal airports.

Using a conservative approach for runway repairs (overlays in year 20 versus a complete runway rehabilitation), the estimated airside capital requirements for the non-ACAP eligible airports are in the order of $5.5 million. The $3.9 million estimated for the ACAP eligible airports is expected to be primarily covered by ACAP funding. These estimates do not include estimates for other capital infrastructure such as buildings or equipment; however these costs would only represent approximately 10% of an airport's total capital costs, as 90% of the costs are for airside infrastructure. These estimates are considered medium to long term, as the capital infrastructure at municipal airports in Ontario is currently considered to be in fair to good condition.

Given the limited data collected during this study, it is impossible to add precision to the estimates for capital requirements; it is also not possible to determine the optimal time-path for infrastructure upgrades to minimize costs. This would require an in-depth capital assessment study similar to the one completed for all Alberta airports.

Table 1 Average Annual Capital Costs Requirements Major Airside Infrastructure [1]		
Existing Infrastructure		
	ACAP	**Non-ACAP**
Runways, Taxiways and Aprons [3]		
Turf (ha) [4]	3.9	63.5
Gravel (ha)	0.4	21.1
Asphalt / Concrete (ha)	272.1	28.6
Airfield Electrical [5]		
Low / Medium Intensity (km) [6]	61.1	192.6
High Intensity (km)	58.6	16.0
Average Annual Capital Requirements		
	ACAP	**Non-ACAP**
Runways, Taxiways and Aprons		
Turf	$500	$8,000
Gravel	$2,500	$127,000
Asphalt / Concrete	$2,450,000	$2,958,000
Airfield Electrical		
Low / Medium Intensity	$709,000	$2,235,000
High Intensity	$733,000	$200,000
Total	**$3,895,000**	**$5,528,000**
Note:		
[1] Major existing airside infrastructure includes runways, taxiways, aprons, edge lighting, visual approach aids and drainage works.		
[2] Above costs, do not consider air terminal buildings, perimeter fencing, and heavy airside mobile equipment.		
[3] It has been assumed that the total area for taxiways and aprons is 25% of the area of the runways. Therefore, the area calculated for runways has been increased 25% to determine the approximate area of all airside pavements (i.e.: turf, gravel, asphalt) for all airports in the Ontario Airport System.		
[4] 1.0 Hectare (ha) equals 10,000 m^2		
[5] It has been assumed that the length of edgelighting on the taxiways and aprons is 25% of the length of edgelighting on the runway.		
[6] 1.0 km equals 1,000 m		

6. ECONOMIC IMPACT OF ONTARIO MUNICIPAL AIRPORTS

Economic Impact

Direct impacts result from activities carried out by firms and others with a direct involvement in the operation and management of an airport and associated aviation related services. Most direct impacts are generated on-site. Indirect impacts are attributable to non-aviation industries, largely off-site which result because of airport activity – this activity would not take place without the airport. Induced impacts occur when employees directly linked to the airport spend their wages.

The thirty-one respondent airports (excluding Downsview) reported **direct employment** of 2,642 FTE. Using the distribution of employment at the respondent airports below, we estimate that the 85 municipal airports support direct employment of 7,157 full-time jobs.

Direct Employment (FTE)	% of Respondent Airports
≤5	29%
6-10	6%
11-25	6%
26-100	29%
101-250	23%
251 - 500	6%

Using an industry mean input/output multiplier value of 2.179, **total employment** (direct, indirect and induced) resulting from municipal airport operations in Ontario is estimated to be 15,595.

Using Statistics Canada multipliers for the air transport industry, $1 million in **total output** is equal to 9.03 jobs therefore total output (direct, indirect and induced) resulting from activity at municipal airports in Ontario, is estimated to be $1.7 billion.

Although airports were not asked to estimate labour earnings / wages resulting from employment at the airport, using year 2000 median total income of $24,816[15], and direct employment of 7,157 FTE, it is estimated that **direct earnings** resulting from on-airport activities are in the order of **$177.6 million.** Using an industry mean input/output multiplier of 1.925, **total earnings** (direct, indirect and induced) are estimated to be **$342 million.**

These employees spend a portion of their earnings on personal income taxes. The following provincial taxation rates apply (2005)[16]: up to $34,010, 6.05 per cent; between $34,010 and $68,020, 9.15 per cent; and in excess of $68,020, 11.16 per cent. Provincial taxation on a single person earning $24,816 is therefore $1,501. This figure does not include

[15] Statistics Canada 2001 Census data. Figures for average earnings for full-time labour in Ontario of $47,299 are deemed to be too high for labour at municipal airports in Ontario, therefore the median total income figure was used.
[16] http://www.cga-ontario.org/contentfiles/publications_promotions/ptp/ontario.aspx

provincial surtaxes, or provincial tax credits or exemptions. This translates into **provincial income tax revenues of $10.7 million from direct employment activities** at the airport (7,157 FTE x $1,501), and **$23.4 million from the total employment effect** (15,595 FTE x $1,501).

Fourteen respondent airports reported an average of $73,878 in municipal property taxes being generated. Using this figure, we estimate that all 85 municipal airports in Ontario generate in the order of $6.3 million in direct property tax revenue for communities.

As demonstrated earlier in Chapter 2 of this report, the province collected approximately $58.5 million in aviation fuel tax in 2005.

The following table summarizes the economic benefit of the 85 municipal airports in Ontario.

Economic Benefit	Amount
Direct Employment	7,157 FTE
Total Employment (direct, indirect, induced)	15,595 FTE
Total Output (direct, indirect, induced)	$1.7 billion
Direct Labour Income / Earnings	$177.6 million
Total Labour Income / Earnings (direct, indirect, induced)	$342 million
Provincial Income Tax from Direct Earnings	$10.7 million
Provincial Income Tax from Total Earnings	$23.4 million
Direct Property Tax Revenue	$6.3 million
Provincial Aviation Fuel Tax	$58.5 million

Socio-Economic Importance

Most stakeholders recognize that Canada’s airports operate in a system that is more complementary than competitive. The “hubs” depend on the “spokes” for feeder traffic which ensures the system’s overall health. Even with a gradual erosion of the hub and spoke system given customer preference for point to point services, airports remain dependent on one another. Canada’s larger airports and communities therefore need a network of smaller airports and communities to grow and prosper over the longer term. This network of airports provides a means for Canada’s communities and businesses to connect to one another and to global trade markets, thus enabling a sustainable and growing economy.

Airports, particularly smaller ones, also serve an important societal role that may include medical evacuations, forest fire fighting, and search and rescue missions. Small airports also provide the necessary link for northern and remote communities where only limited or seasonal road access may exist. In short, municipal airports provide several benefits:

- Facilitate trade through links to the global marketplace;
- Feed traffic into larger regional or NAS airports;
- Attract new business which fosters economic development;
- Attracting professionals to a community;
- Provide tourism activities for local communities and regions;
- Provide social functions (e.g., medical evacuation, aerial forest fire fighting, search & rescue); and
- Allow for connections/reunions with family and friends.

Economic activity in rural areas is highly dependent on access to resources and markets through the transportation network. The province's size leaves some remote areas without sufficient infrastructure to connect their local economies with the rest of Canada and beyond.

Investment in the North creates a large demand for construction materials and labour, and airports play a critical role in delivering these resources to northern communities. Airports compete with other national and provincial priorities for investment and investments in major transportation infrastructure are costly and can take years to implement.

The following are examples of how airports support critical societal needs.

Supporting Health Care

Air Ambulance services in Ontario began in 1977 with a single rotary wing aircraft based in Toronto. Effective January 15, 2006, air ambulance services are coordinated by Ontario Air Ambulance Service Co. (OAASC), a non-profit corporation. The air ambulance service is delivered by various service providers currently under contract to the Ministry of Health and Long Term Care. There are over forty aircraft stationed at seven rotary wing bases and eighteen fixed wing bases located throughout the province.

The OAASC also provides medical oversight to all flight paramedics. Currently there are a total of 244 flight paramedics certified at the primary, advanced and critical care levels. Advanced Care Paramedics and Critical Care Paramedics are trained to transport patients safely without the need for referring centres to provide physician, Respiratory Therapist or nurse escorts.

Ontario's air ambulance program is the largest in North America, transporting 17,000 – 18,000[17] emergency and inter-facility patients on flight legs annually. In 2004[18], there were 6,689 air ambulance related aircraft movements (sum of flights in and out divided by 2) at forty-eight municipal airports. Eighty-two percent of this activity occurs in the North (45% of that is at Sioux Lookout airport).

Municipalities are responsible for the provision and funding of land ambulance operations, although the province provides a grant to municipalities for 50% of the approved costs for providing services required under legislated standards. The province however funds 100% of air ambulance activities. Any shift away from air ambulance service to increase land ambulance service will not only have a negative financial impact on the communities, but will result in a reduced level of service as land ambulances (and staff) are taken out the communities while on long (often 4-8 hours) round trips. It is also reported that the level of care provided by paramedics in the air ambulance program is more advanced than that provided by land ambulance.

As trends towards regionalization and centralization of specialized services continue, residents of small, rural communities can expect to travel more for health care. In fact, without air ambulance services, patients would often be forced to spend weeks at a time away from home (e.g., last two weeks of a pregnancy) when the road distance between their home and the hospital is excessive. Air ambulance services therefore increase in importance. Also, the growing Aboriginal population in the north will increase demand for air ambulance in remote communities.

[17] This number includes some patient transfers on scheduled flights (1,458 in 2004), flights for organ retrieval (~ 100/year), charter services, and fixed wing services.
[18] Municipal Airport Air Ambulance Flight Activity for Calendar Year 2004 (July 7, 2006) as prepared for MTO

Fixed wing ambulances (and thus airports) are the primary method of patient transfer (MOHLTC suggests 60% fixed wing, 40% rotary wing). Helicopter air ambulances are used to access remote locations, when patients cannot be transferred to an airport or when it is the most expedient method.

Airports are not only key in providing essential health care services to a community, but simply having access to medevac services assists in recruiting new doctors (in a very competitive environment), and transporting locum physicians.

Protecting the Province's Natural Resources

MNR ensures the coordination of emergency management activities related to those hazards which have been assigned to the Ministry. These hazards include for example: forest fires, floods and low water, gas storage and dam failures. Aviation services are critical in support of this mandate. The Ontario Ministry of Natural Resources has been providing air services for over 80 years.

The Ontario Ministry of Natural Resources aviation services program is charged with meeting the needs of the Ministry for specialized aviation services, and to provide or arrange non-scheduled air transportation for the Ontario Government. To meet these objectives, MNR operates a modern fleet of fixed-wing and rotary aircraft valued at over $270 million. Although much of the flying is in support of forest fire management, the air fleet also flies in support of a number of specialty provincial resource management programs (e.g., rabies baiting, wildlife habitat inventory, fish stocking, enforcement and compliance).

MNR's fleet includes 33 aircraft ranging from rotary wing aircraft and small single engine fixed wing aircraft through to the large twin engine CL-415 water bombers. MNR's Aviation Services group currently employs approximately 150 full-time and seasonal staff. MNR's Aviation Services has seven primary aviation bases throughout the province, where they have full-time staff year round: Sault Ste. Marie, Dryden, Timmins, Sudbury, Muskoka, Thunder Bay, and Toronto Pearson.

Aviation is considered a critical aspect of the Forest Fire Management Program. Pilots and aircraft maintenance engineers (AMEs) are on base during the seven month fire season (April – October). There are two fire regions in the province (East/West), and twenty-nine fire attack bases (including five primary aviation bases and two maintenance bases). Primary Fire Bases where MNR has infrastructure to support self-sustaining operations (e.g., hangarage, accommodation etc.) include Dryden, Greenstone (Geraldton), Sudbury, Chapleau and Kenora.

The Fire Management Program hopes to keep the amount of hectares destroyed annually to a 10-year rolling average of 80,000 ha in the intensive and measured fire management zones, and to keep 95% of fires held at four hectares or in a state of being held by 12 pm the day after the fire is reported. The desired attack radius is 160 kilometres. Given the drier climate in the north-west, the attack radius is tighter.

Ontario's approach to forest fire management is somewhat unique in that it uses larger water-bomber aircraft (CL415) given the abundance of lakes and rivers in the province; and they use many line camps with few people versus other provinces that have larger but fewer base camps. MNR provides the water bombing, some helitack/initial attack, prescribed burns, fire mapping, compliance monitoring, and transport of equipment and crews, with in-house resources, but uses the private sector to provide bird dog, detection services, and most helitack initial attack.

The forest fire management program is seeing the following trends:

- Pressure to reduce negative impacts of fires
- Crisis in wood supply – forest industry cannot tolerate any more loss
- Climate change causing extremes (e.g., flooded one week, totally burned another)
- Fire crews are carrying more gear (a lot of small items) and require heavier life aircraft for personnel transport

MNR responds to approximately 1,200—1,600 fires a year, although some years have seen upwards of 3,000.

MNR must have the ability to land at many airports throughout the province, particularly the North (although several airports in the South are also used – north of Pembroke), to pick up/drop off fire crews and supplies, and to re-fuel (fixed wing and helicopter). Large fires can cause individual communities to be isolated and to disrupt national utility corridors for days at a time. The loss of forests can significantly impact local wood supply. It has been demonstrated that having a forest fire management program in place in the Northern Boreal forest increases the overall sustainable wood supply to the forest industry by 30%.

MNR also uses airports in the south to support resource management programs e.g., they use Brockville and Stratford frequently for the Rabies Baiting Program. These un-congested small airports facilitate the loading of baits onto the aircraft while on the apron.

In 2003/2004, MNR flew a total of 3,369 hours in support of the Fire Program, 4,103 hours in support of the Resource Management Program, and 256 hours in support of Executive Flight Services. They also flew an additional 1,000 hours for other provincial ministries, and external clients. In 2005/2006, the airports used the most frequently (> 250 departures/yr) include Sudbury, Dryden, Thunder Bay, Timmins, although MNR makes use of approximately 85 landing bases throughout the year. Last year, MNR Aviation Services purchased approximately $6 million in fuel ($3 M for their own aircraft, and $3 M for contracted aircraft) - approximately 60% of which was purchased at Ontario airports.

To effectively deliver its mandate, MNR Aviation and Forest Fire Management program requires access to airports within 100 km of the fires for helitack and within 160 km of the fires for water bombing operations. These attack radii imply that a network of airports within 200 km for helitack and within 320 km for water bombers would be adequate. However, fires often occur in clusters and access to more airports increases effectiveness. Having the flexibility to operate from airports closer to the fire increases response time and response success. When responding to multiple fire starts, the option to use additional nearby airports to improve refuelling time, and to avoid congestion at any one airport is desirable.

Helitack operations involve moving personnel and fire suppression equipment to fires. Local airports are ideal as they can supply fuel, provide safe landing zones, and provide adequate space for loading and unloading helicopters. Water bombing operations require good condition runways with a minimum of 3,500’ length, ample apron space for parking/refuelling, and turbine fuel with a pressured fuel system. Fire crews and flight crews require access to lodging and restaurants. The economic impact of MNR operations is significant. Fire crews spend their money in the local community, and often the smaller airports are dependent on revenues and traffic from fire response operations.

MNR also supports evacuations from Northern communities by transporting residents from their home community to host communities. Local airport infrastructure is therefore key in supporting this necessary societal role.

If local airport infrastructure were to deteriorate to the point where MNR could no longer use it, there would be less airports for MNR to use. This would result in increased costs to the taxpayer for fire response. There would also be an increased reliance on ground crews. This all means a possibility of decreased response e.g., instead of dropping six loads of water in an hour, they could only drop two loads.

Ontario municipal airports have some key strengths in supporting the Forest Fire Management Program, which include the number of airports i.e., they fall within the Program's 100 km helitack and 160 km water bombing attack radius. Municipal airports also welcome MNR activity and are therefore accessible, provide an operating environment with few constraints, and airport staff and management are adaptable to meeting MNR's changing demand. They also have reasonable user fees. The most significant challenge seen by MNR is that small municipal airports often rely too heavily on their municipal tax base to support airport operations; and in communities with very small populations, the tax base is insufficient for operations let alone capital upgrades.

Encouraging Tourism

Ontario is Canada's most visited destination accounting for 42% of its visitors and 33% of national tourism revenues. Tourism is Ontario's 7th largest export[19] with over $21.4 billion in tourism receipts (4.1% of provincial GDP) and $11.6 billion in tourism value added (2.2% of provincial GDP). Tourism directly supports over 213,000 jobs and represents 3.3% of the provincial employment. 2004 municipal tourism tax revenues were $198 million. In 2004, Ontario was the source of 61.6% of Ontario's tourism receipts, the United States 20.5%, overseas/international 11% and other Canadian provinces 7.0%.

In 2004, Ontario recorded a total of 94,227,829 visits and, 46,672,218 overnight visits (50% pleasure, 38% visiting friends & relatives (VFR), 12% business).

- **Ontario's Overnight Pleasure Travel Market**[20]: 2.1 million overnight pleasure visitors in 2004 with total spending of $5.9 billion. Summertime is peak season. Roofed accommodation is leading accommodation choice. Top leisure activities were shopping, outdoor/sports activities, sightseeing and visiting friends and relatives. Central Ontario was the top destination.
- **Ontario's Overnight VFR Travel Market**[21]: 17.7 million overnight VFR visitors in 2004 with total spending of $2.9 billion. Summertime is the busiest season for overnight VFR travellers. 85% of person nights were spent in homes of friends or relatives. Toronto and Region was the top destination.

[19] Ontario submission to SCOT in the Impact of the Federal Air Policy Regime on Ontario, 2003 data
[20] Ontario's Overnight Pleasure Travel Market 2004, Ministry of Tourism, The Tourism Monographs No 55, March 2006
[21] Ontario's Overnight VFR Travel Market 2004, Ministry of Tourism , The Tourism Monographs No. 57, March 2006

- **Ontario's Business and Convention Travel Market**[22]: 10.9 million visitors in 2004 spending $3.5 billion. Fall is the busiest season. Hotels benefit from business visitors. Top activities include shopping, visiting friends and relatives, going to bars or nightclubs and sightseeing. 43% of business visitors travelled to Toronto and Region; Ottawa Region and South-Central Ontario each attracted 10% of business travelers.
- **Ontario's Overnight Cultural Tourist Market**[23]: 10.6 million overnight cultural visitors spending $4.5 billion. Summer months are peak. Accommodation in private homes or cottages accounted for 49% of person nights. Top leisure activities include shopping, sightseeing, VFR, visiting historic sites, museums or art galleries. Toronto and Region was the top destination.
- **Ontario's Overnight Outdoors Interest Market**[24]: 18.2 million visitors spending $4.1 billion. 70% of visitors were on a pleasure vacation. Summertime is the peak season. Private cottages were leading accommodation choice (29% of total person nights). Top leisure activities include outdoor sports and activities, VFR and shopping and sightseeing. Central Ontario top destination.

Ontario municipal airports support all of these tourism markets. For example, in Sault Ste. Marie where a major tourism destination project is being developed, air access including regularly scheduled flights at a reasonable rate is a key component of the project's development. Another example is seen at the Muskoka Airport, which generates approximately 19% of its economic impact from tourism (or $6.0 million in total impacts). Airports can and do play a key role in supporting tourism and other economic activity within a community.

The tourism clientele differs from region to region within the province, as does the infrastructure required to support this activity. For example, in Muskoka, with a high-end clientele flying privately owned light jets, the runway needs to be of sufficient length to accommodate these aircraft. In smaller northern communities however with fly-in fishing camps for example, the runway need only accommodate smaller aircraft, however a float base may also be required.

Another role of municipal airports in supporting Ontario's tourism includes providing the necessary infrastructure to support aerial search and rescue and maintenance of Ontario's parks (e.g., Algonquin Park which sees over a million visitors a year including 250,000 people canoeing in the interior). Ontario's Ministry of Natural Resources provides aerial support to the Park by moving parks staff, equipment and supplies to perform maintenance duties, and to destroy extremely dangerous predators. They also provide mercy, search and rescue flights (often 1st response, backup to OPP and air ambulance), and pre-emptory notification of severe weather conditions. MNR has a 'duty of care' responsibility that cannot be quantified – people expect to be safe in a provincial park and expect that if something should happen that the government will provide an appropriate and timely response. As tourism in the Park and elsewhere in the Province increases, air support will become even more important.

[22] Ontario's Business and Business Convention Market 2004, Ministry of Tourism, The Tourism Monographs No 59, April 2006
[23] Ontario's Overnight Cultural Tourist Market, 2004, The Tourism Monographs No 58, April 2006
[24] Ontario's Overnight Visitors with an Outdoors Interest 2004, The tourism Monographs No 54, March 2006

Supporting Industry

Access to an airport is one of the criteria that industry uses when evaluating whether or not to locate in a particular community. Not only do airports provide the necessary support to transport industry's personnel, but they are essential for moving parts and equipment, and provide connectivity to the rest of the province and the country. Access to health services is also on the criteria list, which ties to the availability of medevac services. Business will not locate in a community if they cannot ensure their employees have access to essential services. The mandate of the Ministry of Northern Development and Mines includes economic development and job creation for the North, and has confirmed that municipal airports are a key component of this mandate for the reasons stated above. Many local economic development organizations have also recognized that airports play an important role in economic development, and work together with airport management in developing strategies to attract new business.

In larger urban centres, regularly scheduled flights are important, particularly to Toronto. For smaller airports, industry requires only basic infrastructure and services i.e., runways, taxiways, apron area, hangar space, a small terminal building, and available land for expansion.

As seen previously in the section on *Community and Economic Information*, municipal airports in Ontario support a variety of industries, primarily forest, mining, agriculture, government and health care.

Supporting Policing Activities

Ontario municipal airports support both provincial and federal policing activities. The Ontario Provincial Police (OPP) have in their fleet, one PC-12 located in Thunder Bay, and two helicopters located in Sudbury and Orillia. On average, the PC-12 flies 1200 hours a year – this aircraft is highly utilized. The OPP's aerial support services include search and rescue, surveillance, aerial photography (infrared), and personnel transport (moving tactical and emergency response teams based in Southern Ontario, to location of emergency). The OPP requires airports for two primary purposes – fuel and staging. They cannot provide their aerial services without municipal airports. According to OPP personnel, "there probably is not a municipal airport that we haven't flown into". The airport infrastructure and services required by the OPP include the availability of jet fuel, a minimum runway length of 3,500' (although can land at 2,500' if required), instrument approach or GPS approach, paved or gravel runway, weather reporting (AWOS or someone on site), power for plug-ins, and although not necessary, a terminal building or facility with washrooms and a space for flight planning). The OPP's flying activity is typically distributed as follows:

- 20% in the north-west region
- 6% in the north-east region
- 1% in the central region
- 2% in the western region
- 13% supporting First Nations policing; and
- 58% supporting headquarters operations

Lake Simcoe Regional Airport is considered critical to the OPP as it is close to headquarters, and sees the majority of the origin/destination traffic (75% of all PC-12 flights). The airport is also seen as progressive.

The OPP purchases fuel through MNR’s bulk contracts with Shell and Esso, and are obligated to use contract fuel when available. Unfortunately the fuel contracts do not extend to all airports in the province, and if forced to choose between two airports, everything else being equal, the OPP will land at the airport with the fuel contract.

The OPP does not foresee any program changes in the near future, although there could possibly be an addition to the fleet to complement the PC-12 i.e., a larger aircraft like a Beech 1900 to accommodate a whole tactical team. Given the OPP’s limited fleet, and current crewing only during daytime hours, the organization receives backup support from both the RCMP and MNR.

The RCMP operate a fleet of 33 aircraft, including two PC-12s (based in Ottawa and London), a Piaggio P-180 (based in Ottawa), and a King Air 350 (also located in Ottawa). The RCMP provide similar services to the OPP and rely heavily on municipal airports throughout the province and nationally.

7. SUCCESSFUL AIRPORTS – BEST PRACTICES

Success, for the purposes of this section, is not defined only by the bottom line, but by an airport's ability to respond effectively to the needs of its community, and to generate funds. Based on the input received during the data collection phase of this study, we conclude that successful airports are, have or do the following:

- **Generate sufficient revenues to cover operations and capital rehabilitation.** This does not mean financial self-sufficiency or even viability from operations alone, but rather the ability to attract investment or obtain subsidies from multiple sources.
- **Are customer service oriented.** For example, airport management works with its key customers/users to determine and meet their unique needs – this could be anything from making arrangements for after hours access for air ambulance or OPP operations, or by ensuring appropriate and sufficient hangarage is available.
- **Are well connected with Economic Development plans and activities in their communities.** This can be achieved by many ways, including having the airport manager report directly to the Economic Development Office, or by having the airport involved in economic development committee meetings.
- **Have achieved high awareness with the community (general population and municipal council).** Successful airports, particularly GA airports that rely on municipal funding, promote the economic and socio-economic importance of their airport at every opportunity. The most effective way of doing this is by conducting an economic impact study.
- **Look for creative ways to generate revenues from under-utilized airport lands.** Many airports are now leasing or selling land for non-aviation uses that are compatible within an airport environment. For example, agricultural/farming, light industrial or even drag racing.
- **Balance revenues between aeronautical and commercial sources.** Airports are now attempting to achieve a 50/50 split between aeronautical revenues and commercial revenues. This is not always possible, but diversifying the revenue bases leaves airports less vulnerable.
- **Have a sufficient population and industrial / economic base to support operations** i.e., attract new business (tenants) at the airport, and to generate air service (scheduled, charter, or GA).
- **Take a partnership approach to developing infrastructure projects** requiring multiple funding sources. Successful municipal airports realize that they cannot rely on one funding source for capital rehabilitation or expansion projects, and often look to varying levels of government as well as local industry to fund these projects. Based on a sound business case, infrastructure projects can usually be funded.
- **Are active promoters of the airport.** This can entail anything from press releases, holding public events at the airport, to showcasing community art or working with the local flying clubs to promote fly-in activities.
- **Are persistent.** When one door closes, successful airports keep trying – either they knock again or find another door to open.

8. CONCLUSIONS

The following conclusions are drawn from the input received to this study:

- **Municipal airports in Ontario serve a multitude of community needs, and support a variety of aviation activity.**
    - Municipal airports can be commercially focussed with scheduled passenger service, can be oriented towards the private or corporate user, or can provide access to critical public services such as medevac or aerial forest fire fighting.
    - Municipal airports also play a key role in supporting local industry (be it mining, forestry, agriculture, healthcare, business services, or tourism).
    - There are some unique municipal airports within the Province, for example Pelee Island which can be considered a remote airport where air transportation is the only way to access the island during winter months.

- **Municipal airports in Ontario serve more than just local needs.**
    - They support broader critical societal needs such as access to health care, policing and fire protection.
    - They are necessary transportation infrastructure to connect people to other regions, provinces and countries.
    - They support regional (versus simply local) activities such as economic development and tourism.

- **Municipal airports in Ontario are important/significant and contribute to the ongoing viability of the communities they serve.**
    - Airports are critical in supporting local economic development – without nearby airports, it is difficult to attract industry.
    - They sometimes provide the only reliable transportation access into a community – particularly in remote northern communities.
    - Municipal airports in the north are located more than double the distance between southern airports, where the roads are in better condition, particularly in the winter. It is inappropriate to assume that airports within short distances from one another can be considered substitutes – they each serve a particular market and need, and each have different infrastructure (e.g., paved runways versus gravel or turf) to support that market.

- **Municipal airports in Ontario are integral to the provincial transportation system.**
    - The air transportation network is vital to the continued economic prosperity in Ontario.

✈ **Municipal airports in Ontario are important economic generators.**

- Although many (74% of the 39 respondent airports) municipal airports run at operating deficits, they provide great economic benefit to their communities. This is demonstrated by airports (regardless of their financial viability) that have conducted economic impact studies, for example Muskoka Airport which generates over $30 million in economic activity; Kingston Norman Rogers Airport with 266 FTE of employment and $38 million in total output; or Peterborough which generates 208 FTE of employment and $17.9 million in total output.

Economic Benefit	Amount
Direct Employment	7,157 FTE
Total Employment (direct, indirect, induced)	15,595 FTE
Total Output (direct, indirect, induced)	$1.7 billion
Direct Labour Income / Earnings	$177.6 million
Total Labour Income / Earnings (direct, indirect, induced)	$342 million
Provincial Income Tax from Direct Earnings	$10.7 million
Provincial Income Tax from Total Earnings	$23.4 million
Direct Property Tax Revenue	$6.3 million
Provincial Aviation Fuel Tax	$58.5 million

✈ **Municipal airports in Ontario are struggling with some serious issues.**

- Aging/deteriorating or inappropriately sized infrastructure was the most frequently cited airport weakness, followed by insufficient funding. The two go hand in hand.
- Lack of funding was cited, by far, as the biggest constraint in taking advantage of opportunities.
- Financial viability, infrastructure and equipment (condition, availability) were cited as the top three issues being faced by airport managers.
- Other issues such as regulatory burden, community support, declining traffic and customs and border services were raised both in the survey and during site visits.
- These issues are not unique to Ontario – the same issues are being faced by municipal airports throughout the country.

✈ **There is a trend towards de-certification.**

- Airport managers consulted during this study have commented that the cost of the regulatory burden associated with being a certified airport is the primary reason for the trend towards de-certification.
- This trend causes concern for several reasons, such as it reduces air service options, and it eliminates the requirement for Transport Canada inspections, as well as an airport's requirement to have certain standards and operating procedures in place. This could potentially cause inconsistency in operational and infrastructure standards at airports throughout the province.

- o In the twelve years since implementation of the NAP, Transport Canada has seen approximately half of the certified airports move to a registered status (now 362 certified airports from 726).
- o 71% of Ontario's 85 municipal airports are currently certified.

✈ **Municipal airports in Ontario have achieved maximum cost efficiencies and cost reduction.**

- o Municipal airports are staffed at minimal levels. The average full-time staffing level (FTE) for direct airport operations at respondent airports was 5.05 while the median was 3.0. In the north the average was 5.4 while in the south it was 4.7. Some airports are staffed with only one full-time person. These staffing levels are consistent with airports of similar size in other provinces.
- o Some airports do not have a single full-time dedicated staff at the airport; often municipal staff are involved in maintaining and operating other municipal works.
- o In the last ten years, airports have eliminated, moth-balled or right-sized infrastructure, reduced the amount of mobile equipment used, and have cut utility costs wherever possible.

✈ **Municipal airports in Ontario have found creative ways to increase non-aeronautical revenue.**

- o Some airports are selling under-utilized land as a strategy of last resort, to increase revenues. This is a relatively new trend that provides short term financial relief, and the long-term effects have yet to be seen.
- o Some airports lease under-utilized land for light industrial, agricultural or recreational purposes (e.g., drag racing).

✈ **Many municipal airports have little in the way of economic and financial planning documents.**

- o Other than master plans or land use plans (that are in general very dated i.e., more than 15 years old), few airports have strategic or business plans, economic impact studies or marketing plans. This is most likely due to (i) lack of funds to hire external consultants; or (ii) lack of time and or skills by airport management to do the work in-house.
- o Previous provincial programs provided airports with the necessary funding to conduct such studies.

✈ **Infrastructure at municipal airports in Ontario is currently in fair to good condition, however in the absence of a capital infrastructure funding program, the condition will likely worsen.**

- o 80% of Ontario's municipal airports are not eligible for ACAP funding; while 66% of the airports that responded to the survey are not eligible for ACAP funding.
- o A conservative estimate for the medium – long term airside capital requirement of the sixty-three non-ACAP eligible airports is in the range of $5.5 million a year.

✈ **Municipal airports in Ontario are facing financial difficulty.**

- "Viable" airports are those that can cover both operational and the airport's share of capital costs; "Self-Sustaining" airports are those that can cover operational costs, but not capital; and "Not Self-Sustaining" airports are those that cannot meet their operational budgets.
- 74% or 29 of the 39 respondent airports consider their financial situation to be not self-sustaining (i.e., insufficient funds to cover operational costs).
- 12 of the 20 (63%) respondent northern airports and 17 of the 21 (85%) respondent southern airports consider their situations not self-sustaining
- Of the 29 respondent airports that are not financially self-sustaining, 7 (24%) are ACAP eligible; 7 (50%) of 14 the ACAP eligible respondent airports are not self-sustaining.
- Median operating losses among respondent southern airports with representative data points (-$81,911) were double that of their northern counterparts (-$40,688).
- Reporting non-ACAP eligible airports on average have operating losses while ACAP eligible airports have operating profits.
- The annual operating deficit for all of Ontario airports is estimated to be $5.1 to $5.9 million.

Economic Cost	Amount
Total Operating Deficits	$5.1 - $5.9 million
Total Capital Deficits (airside) for non-ACAP eligible airports	$5.5 million
Total Capital Deficits (airside) for ACAP eligible airports	$3.9 million (although most of this is expected to be covered through the ACAP program)

✈ **Support for municipal airports in Ontario is minimal.**

- The primary focus of the federal government with respect to municipal airports is on those with scheduled service. Financial support is only provided to those municipal airports with scheduled passenger services (where ACAP funding may be provided), or to those in northern Ontario (through FedNor).
- The Province has not provided financial support to municipal airports since the termination of the Municipal Airport Program in 1997/98. The province continues to own and operate 29 northern (remote) airports.
- Several provinces have realized the importance of municipal airports, and have instituted measures to provide assistance (e.g., implementing specific airport or transportation related infrastructure programs or broadening infrastructure programs to include airports; providing operational support; providing strong advocacy support; or eliminating the fuel tax on international flights).

✈ **There does not seem to be any defining characteristics that distinguish viable airports and self-sustaining airports, from those that are not financially self-sustaining.**

- This underscores the complexity of small airports throughout the Province and across Canada. Taken in combination, it is factors such as provision of scheduled passenger service, the state of the infrastructure, access to capital grants and other funding programs, a strong economy, strong community support, and location in or near a regional service hub that impact the overall viability of smaller airports.

Addressing the Issues

Although this study is for information purposes only, the following options are made by the consulting team for consideration in addressing the key issues. These options, although made with input from the Project Steering Committee, are not to be construed as supported by the provincial or federal governments.

Regarding the need for financial support, airports should look to a broader range of government organizations, as well as to the local municipality and the private sector for both financial and in-kind assistance. Airports benefit and/or fit the mandates of many government departments/ministries such as health, Indian and northern affairs, economic development, parks, tourism, industry, as well as transport.

Financial Support for Operations

Currently the position of the Ontario provincial government is not to provide operational subsidies for municipal airports or aviation activities[25]; however this practice exists elsewhere in the country.

As demonstrated in this study, not all municipal airports charge fees for aeronautical services such as landing fees, aircraft parking, or fuelling surcharges; or when they do, they do not necessarily charge all users consistently or at a market based rate. Municipal airports in Ontario are encouraged to review their existing charging practices and fee structures, to determine if there are any opportunities in this area.

Another way of adding to the operational bottom line is to increase non-aeronautical revenues. As seen in the section on Best Practices, many airports are using under-utilized lands to generate non-aeronautical revenues. This includes leasing or selling land, for non-aviation uses such as light industrial, agricultural, or even recreational; although this is unlikely to solve the long-term financial difficulties at many airports.

Although not brought up specifically in the survey results, it is important to note that airports in Canada with federal services such as air navigation (NAV Canada), security (CATSA), and customs and border services (CBSA) currently provide space within the terminal building for the delivery of these services, at no cost to the federal government. Additionally, some airports pay for the delivery of these services, particularly customs and border services, while others do not. Methods to recover the associated airport costs (capital infrastructure, utilities, parking etc.) should continue be explored by aviation associations and individual airports alike.

Financial Support for Capital Rehabilitation

[25] Other than those airports owned and operated by the Province, and in some exceptions (e.g., Pelee Island where the air service is subsidized to provide year-round access to the community).

There is clearly a need for some sort of capital program, particularly for non-ACAP eligible airports. Some options for consideration include:

- Broadening the scope of the ACAP program to include airports that do not have scheduled service; or implementing a capital program specific to municipal airports that do not have scheduled service.
- Re-investing part of the provincial aviation fuel tax revenue.
- Implementing a federal-provincial-municipal program for airports; or broadening the scope of existing or future infrastructure programs to include small airports.

Reduction of the Regulatory Burden Facing Small Airports

Transport Canada should take a cost-benefit and risk analysis approach to CARS changes.

Airports Recognized as Important Infrastructure within the Provincial Transportation System

Legislation impacting municipal airports in Ontario (e.g., the Municipal Act) should be reviewed to determine if there are any areas that could be changed to advance this goal.

Stronger Advocacy Role on Behalf of Municipal Airports

Airports need help dealing with broad issues such as customs and border services, municipal taxation, timely development of GPS approaches, and implementation of automated weather systems.

There are a number of aviation organizations representing the municipal airports in Ontario, and each is attempting to advocate on behalf of their members regarding these issues. Continued efforts are encouraged. There are also a number of municipal organizations such as the Federation of Canadian Municipalities (FCM), and the Association of Municipalities of Ontario (AMO) who are also trying to deal with these issues. Continued efforts are encouraged; recognizing that the advocacy lead should remain with industry.

Beyond these, there remains a need for the provincial government to play an advocacy role for airports – particularly with respect to dealing with the federal government on issues such as regulatory burden.

Raising Awareness About Municipal Airports

Municipal airports could use tools such as best practices, brochures etc. on subjects such as how to raise issues with local Council; how to generate private sector support; how to generate media interest; how to deal with commercial land development; how to conduct an economic impact study etc. Some of these already exist through organizations such as COPA, however AMCO could play a greater role in this area.

Development of linkages with economic development and tourism agencies to jointly promote the community and the airport.

Airports should, where available, actively participate in their local Chamber of Commerce, economic development boards, and tourism associations to develop strategies for the community that include that airport. Joint marketing efforts could also benefit all parties and the community at large.

In Summary

In summary, municipal airports in Ontario are important to the communities and regions they serve – they are however in need of financial assistance in order to continue providing an appropriate and safe level of service.

Many ideas have been generated for solutions to address the issues. Moving forward, it is recommended that a task force be struck, comprising representatives from all three levels of government, aviation associations/organizations and other stakeholders as appropriate, to fully assess all implementation options, and to develop an action plan by the Spring of 2007.

A mile of runway takes you to the world.
A mile of highway takes you a mile.

APPENDIX A

LIST OF MUNICIPAL AIRPORTS SURVEYED

NO.	AIRPORT	NORTH/ SOUTH	RESPONDED ?	ACAP Eligible?	Aerodrome Status
1	Arnprior / South Renfrew	South	X	No	Registered
2	Atikokan	North	X	No	Registered
3	Belleville	South		No	Registered
4	Brampton	South		No	Certified
5	Brantford	South		No	Registered
6	Brockville	South	X	No	Registered
7	Burlington	South		No	Certified
8	Carleton Place	South		No	Registered
9	Carp	South		No	Certified
10	Chapleau	North	X	No	Certified
11	Chatham-Kent	South	X	No	Certified
12	Cochrane	North		No	Certified
13	Collingwood	South		No	Certified
14	Cornwall	South	X	No	Certified
15	Downsview	South	X	No	Certified
16	Dryden	North	X	Yes	Certified
17	Ear Falls	North		No	Registered
18	Earlton-Timiskaming	North	X	No	Certified
19	Elliot Lake	North		No	Certified
20	Emsdale	North	X	No	Registered
21	Fort Frances	North		Yes	Certified
22	Gananoque	South		No	Registered
23	Goderich	South	X	No	Registered
24	Gore Bay -	South	X	No	Certified
25	Greenbank	South	X	No	Registered
26	Greenstone	North	X	No	Certified
27	Grimsby Air Park	South		No	Certified
28	Guelph Air Park	South		No	Registered
29	Haliburton Stanhope	South		No	Registered
30	Hamilton	South		Yes	Certified
31	Hanover/Saugeen	South		No	Certified
32	Hornepayne	North		No	Certified
33	Ignace	North		No	Registered
34	Iroquois	South	X	No	Certified
35	Iroquois Falls	North	X	No	Registered
36	Kapuskasing	North		Yes	Certified
37	Kenora	North	X	Yes	Certified
38	Killarney	North	X	No	Registered
39	Kincardine	South		No	Certified
40	Kingston (Norman Rogers)	South	X	Yes	Certified
41	Kirkland Lake	North	X	No	Certified
42	Lake Simcoe	South	X	No	Registered
43	Lindsay	South		No	Registered
44	Manitoulin East	North		No	Certified
45	Manitouwadge	North		No	Certified
46	Marathon	North	X	No	Certified
47	Mattawa	North	X	No	Registered
48	Midland/Huronia	South		No	Certified
49	Moosonee	North		Yes	Certified
50	Muskoka	South	X	No	Certified
51	Nakina	North	X	Yes	Certified
52	(Welland)	South		No	Certified
53	Niagara District (St. Catharines)	South		No	Certified
54	North Bay (Jack	North	X	Yes	Certified
55	Oshawa	South	X	No	Certified
56	Owen Sound	South		No	Certified
57	Parry Sound	South		No	Certified
58	Pelee Island	South	X	Yes	Certified
59	Pembroke	South		No	Certified
60	Peterborough	South	X	No	Certified
61	Port Elgin	South		No	Registered
62	Red Lake	North	X	Yes	Certified
63	Rene Fontaine	North		No	Certified
64	Sarnia	South		Yes	Certified
65	Sault Ste. Marie	North	X	Yes	Certified
66	Sioux Lookout	North	X	Yes	Certified
67	Sioux Narrows	North		No	Registered
68	Smiths	South	X	No	Certified
69	South River	North	X	No	Certified
70	St. Thomas	South		No	Certified
71	Stratford	South		No	Certified
72	Sudbury (Greater)	North	X	Yes	Certified
73	Terrace Bay	North		No	Certified
74	Thessalon	North	X	No	Registered
75	Tillsonburg	South		No	Registered
76	Timmins	North	X	Yes	Certified
77	Tobermory	South	X	No	Registered
78	Toronto Buttonville	South		No	Certified
79	Toronto City Centre	South	X	Yes	Certified
80	Vermillion Bay	North		No	Certified
81	Waterloo	South	X	Yes	Certified
82	Wawa	North		No	Certified
83	Wiarton-Keppel	South		No	Certified
84	Windsor	South	X	Yes	Certified
85	Wingham	South		No	Registered

APPENDIX B

SURVEY FORM

The Airports Management Conference of Ontario (AMCO), with assistance from a *Steering Committee* composed of representatives from the Ontario Ministries of Transportation, Economic Development and Trade, Northern Development and Mines, and Natural Resources and a representative from FedNor (Industry Canada), are conducting a study of the **MUNICIPAL AIRPORTS IN ONTARIO**.

The purpose of this study is fivefold:

1. to identify the trends, issues, challenges and unique issues facing municipal airports in Ontario;
2. to identify the socio-economic importance of municipal airports to the regional communities;
3. to identify the sustained viability of municipal airports in Ontario;
4. to determine the key short-term (1-2 years) and long-term (5-10 years) needs of municipal airports in Ontario; and
5. to identify possible solutions (private and public sector) to address the key challenges and issues affecting the sustained viability of municipal airports in Ontario.

The attached questionnaire is a critical part of the data gathering process. The success of this study depends upon your participation. I hope that you will be able to take the time to fill out this questionnaire and return it directly to our consultant.

Please return your completed questionnaire directly
(by fax, mail or email) to Sypher,
by MAY 12, 2006.

Responses should be directed to the attention of:

Dianna Millar
Associate Director
Sypher – a Division of Jacobs Consultancy Inc.
220 Laurier Ave. West, Suite 500
Ottawa, ON K1P 5Z9

Tel: 613-236-4318 x 109
Fax: 613-236-4850
Email: dmillar@sypher.aero

On the check box type questions, please bold, change the color, or highlight your response if completing the questionnaire electronically.

Should you wish to discuss the questionnaire, or the project in general, please contact Rick Proulx, AMCO President, at 1-877-636-2626, or Dianna Millar at Sypher.

SECTION 1: AIRPORT GENERAL INFORMATION

Airport Name:			
Location [city/town/ municipality/township]**:**	[Name]		
	Airport located in same town as airport owner?	1 ❑ No	2 ❑ Yes

Airport Owner Name:			
Airport Owner Type: [√ check one]	1 ❑ City 4 ❑ Town	2 ❑ Municipality 5 ❑ Airport Commission / Authority	3 ❑ Township 6 ❑ Other [specify]:
Former Airport Ownership: [√ check one]	1 ❑ Federal Gov't	2 ❑ Provincial Gov't	4 ❑ Other [specify]:

Airport Operator Name:			
Airport Operator Type: [√ check one]	1 ❑ City 4 ❑ Town 7 ❑ Other [specify]:	2 ❑ Municipality 54 ❑ Airport Commission / Authority	3 ❑ Township 6 ❑ Private
Airport Manager Name:			
Contact Information:	Phone:	Fax:	Email:
Website URL:			

Aerodrome Status:	1 ❑ Registered	2 ❑ Certified
ACAP Eligible?	1 ❑ No	2 ❑ Yes

Airport Hours of Operation	Summer:	Winter:

Nearest Airport	Airport Name:	Distance [km]:
Nearest Airport with Scheduled Service:	Airport Name:	Distance [km]:
Nearest Airport with Transborder Service:	Airport Name:	Distance [km]:

Aviation Associations / Memberships [√ check all that apply]	1 ❑ AMCO	2 ❑ CAGC	3 ❑ RCACC	4 ❑ CAC	5 ❑ Other [specify]:
Other Associations / Memberships [√ check all that apply]	1 ❑ Chamber of Commerce	2 ❑ Economic Development Board	3 ❑ Other [specify]:		

SECTION 2: AIRPORT OPPORTUNITIES AND CHALLENGES

Please describe the current role of your airport	1 ❑ Reliever to larger airport 2 ❑ Commercial 3 ❑ General Aviation 4 ❑ Industrial
Do you see this changing in the next 10-15 years?	1 ❑ No 2 ❑ Yes How? [specify]:

What do you believe are the most significant strengths and weaknesses at your airport?	**STRENGTHS** 1. 2. 3.	**WEAKNESSES** 1. 2. 3.

What opportunities do you see in further development/enhancement of your airport?	1. 2. 3.	
What are the biggest constraints/roadblocks, or enablers in further developing/enhancing your airport or services your airport provides?	**CONSTRAINTS** 1. 2. 3.	**ENABLERS** 1. 2. 3.

What are the three biggest issues facing the airport and the airport's users?	**AIRPORT** 1. 2. 3.	**AIRPORT TENANTS / USERS** 1. 2. 3.

SECTION 3: AIRPORT MANGEMENT AND ORGANIZATION

Airport Management Structure [describe reporting relationships – attach organization chart if possible]:	

Total Airport Staff	**# Jobs**	**This is an** 1 ❑ increase 2 ❑ decrease **since transfer** 3 ❑ Not Applicable		
Airport Staff	**Position Title**	**Quantity**	**Role / Job Functions**	**Avg. Hours Per Week**

SECTION 4: AIRPORT PLANNING

Please attach all relevant documents or identify website address (URL) for download.

Strategic Plan?	1 ❑ No	2 ❑ Yes	Date [specify]:
Business Plan?	1 ❑ No	2 ❑ Yes	Date [specify]:
Marketing Plan?	1 ❑ No	2 ❑ Yes	Date [specify]:
Master Plan &/or Land Use Plan?	1 ❑ No	2 ❑ Yes	Date [specify]:
Economic Impact Study?	1 ❑ No	2 ❑ Yes	Date [specify]:
Other Document [specify]:			
Other Document [specify]:			
Comments:			

SECTION 5: EMPLOYMENT AT THE AIRPORT

[indicate estimate of full time equivalent positions for each activity category]					
Airport Staff		**Airport Contracted Resources**		**ANS (Nav Canada)**	
CATSA		**Air Carriers**		**Charter Operators**	
Flight Training Schools		**Flying Club (mgt & admin)**		**Aircraft Maintenance Companies**	
FBOs and Fuelling Providers		**Car Rentals**		**Retail / F&B**	
Other [specify]		**Other** [specify]		**Other** [specify]	

SECTION 6: AIRPORT FINANCIAL SITUATION

Please attach detailed financial statements if possible. ***All financial details will be kept confidential by the consultant, and will only be used in the aggregate without attribution.***

FINANCES $	**2005**	**2004**	**2003**	**2002**	**2001**
Operating Revenues					
Operating Expenses					
Operating Profit / Loss					
Operating Grants [specify amt & source]**:**					
Capital Grants [specify amt & source]					
Revenue Distribution (aeronautical / commercial)	:	:	:	:	:
Property Taxes or Payments in Lieu of Taxes Paid?	1 ❑ No		2 ❑ Yes	If Yes, 1 ❑ $ or 2 ❑ PILT	
If yes, indicate amount paid (for each of the 5 years)					

Did your airport receive any grants prior to 2001?	1 ❑ No	2 ❑ Yes If YES, please provide information on the type of grant (capital or operating), the name of the funding organization, the amount, and a brief description of the project funded.

Assessment of Viability	1 ❑ Viable (sufficient revenues to cover operating costs and airport's share of capital costs)	2 ❑ Self-Sustaining (sufficient revenues to cover operating costs)	3 ❑ Not Self-Sustaining (insufficient cash flow to cover operating costs)
Comments: on Viability			

Aeronautical Fees Charged [check all that apply]	1 ❑ AIF	2 ❑ Landing	3 ❑ Terminal	4 ❑ Other PFC/ PUF	5 ❑ Fuel Surcharge	6 ❑ Aircraft Parking
Current Rate [list for each applicable fee type]						
Exemptions [list for each applicable fee type]						
Date of Implementation						

Commercial Revenue Rates [check all that apply]	1 ❑ Terminal Space (per m2)	2 ❑ Land Lease (per m2)	3 ❑ Concessions (F&B, retail)	4 ❑ Other (specify)	5 ❑ Other (specify)
Current Rate [list for each applicable fee type]					
Exemptions [list for each applicable fee type]					
Date of Implementation					

SECTION 7: AIRPORT FACILITIES AND SUPPORT SERVICES

Air Terminal Building	1 ❑ No	2 ❑ Yes	ATB Size (m2):
Customs	1 ❑ No	2 ❑ Yes	If YES, ❑ full service or ❑ CANPASS
ERS	1 ❑ No	2 ❑ Yes	Service Provider:
Airport Security	1 ❑ No	2 ❑ Yes	Service Provider:
Passenger Screening	1 ❑ No	2 ❑ Yes	Service Provider:

Runway Designation	Length [m]	Width [m]	Surface Type	Size of Apron	Taxiways (L x W)	Runway Design Aircraft

CONDITION OF FACILITIES AND EQUIPMENT OWNED BY THE AIRPORT										
Rating Scale	Poor			Fair		Good			Excellent	
	1	2	3	4	5	6	7	8	9	10

	Rating [insert score]	**Age (years)**	**Comments**
Runways			
Taxiways			
Apron			
Terminal			
Perimeter Fence			
Other Building [specify}:			
Other Building [specify}**:**			
Vehicles / Equipment			
Roads / Parking Area			
Other [specify]			

SECTION 8: AVIATION ACTIVITY

Type of Air Service [√ check all that apply]:	1 ❑ **Scheduled Commercial**	2 ❑ **Charter Commercial**	3 ❑ **GA - Flight Training**	4 ❑ **Other GA** (list types)	4 ❑ **Public Service**
List Carriers / Operators [for each air service type that applies]	1. 2. 3. 4.	1. 2. 3. 4.	1. 2. 3. 4.	1. 2. 3. 4.	1. 2. 3. 4.
Primary Aircraft Types Used [for each air service type that applies]					
Number of Based Aircraft:					
Other	Destinations Served: (direct) 1. 2. 3. 4. 5.	Destinations Served: (direct) 1. 2. 3. 4. 5.			Types 1 ❑ Medevac 2 ❑ Water bombing 3 ❑ Search & Rescue 4 ❑ Policing 5.❑ Other

Aircraft Movements	**2005**	**2004**	**2003**	**2002**	**2001**
Itinerant					
Local					
TOTAL					

Passengers	**2005**	**2004**	**2003**	**2002**	**2001**
Scheduled Passenger					
Charter Passenger					
Other					
TOTAL					

Cargo	**Average Annual Tonnage**	**Types of Cargo** [list]	**Types of Aircraft Used** [list]	**Importance of Cargo to Community** [describe]
		1. 2. 3.	1. 2. 3.	

SECTION 9: COMMUNITY AND ECONOMIC INFORMATION

What communities are in your airport's catchment area [list]**?**	1. 2.	3. 4.	5. 6.
Population	Your immediate community's current population [insert #]:	Immediate community is experiencing population 1 ❑ Growth 2 ❑ Decline	

Please provide information about the key businesses which are significant users of the airport				
Company Name (incl. Contact name & phone #)	**Industry**	**Total Employment** (in airport catchment area)	**Importance of Airport / How Airport is Used**	**Frequency of Use**

Has any private sector organization ever contributed financially to the airport?	1 ❑ No 2 ❑ Yes [specify name of company, amount contributed, date of contribution and purpose of contribution]:		
How likely is the private sector to contribute financially to the airport now or in the near future?	1 ❑ Will never happen	2 ❑ Slight possibility	3 ❑ Definite possibility

SECTION 9: COMMUNITY AND ECONOMIC INFORMATION (continued)

Does your community have an Economic Development Office?	1 ❑ No 2 ❑ Yes [name]:
Does your community have a Destination Marketing Office or Tourism Bureau?	1 ❑ No 2 ❑ Yes [name]:
Does your community have a Chamber of Commerce?	1 ❑ No 2 ❑ Yes [name]:

Please list any upcoming activities / new business ventures etc. planned that could affect air transportation in the community or region.	Title / Description	Impacts (+ / -)

SECTION 10: GENERAL COMMENTS

What would you do if given the chance to enhance the effectiveness of the airport in serving community needs?	
What potential partnerships would you foresee that might benefit the airport, community, region, or all?	
Other comments	

The survey is intended for informational purposes only and does not reflect the views or positions of the Governments of Ontario and Canada on any matters contained in the survey.

APPENDIX C

LIST OF STAKEHOLDERS

STAKEHOLDER GROUP	CATEGORY	INPUT RECEIVED	
		Directly	Indirectly
Airports Management Conference of Ontario (AMCO)	Aviation Association	X	
Community Airports Group Cooperative (CACG)	Aviation Association		
Regional Community Airports Coalition of Canada (RCACC)	Aviation Association		X
Canadian Airports Council (CAC)	Aviation Association		X
Air Transport Association of Canada (ATAC)	Aviation Association		
Canadian Owners and Pilots Association (COPA)	Aviation Association		X
Canadian Business Aircraft Association (CBAA)	Aviation Association	X	
Northern Ontario Aviation Committee	Aviation Association	X	
Ministry of Natural Resources	User	X	
Ontario Provincial Police	User	X	
Ontario Ministry of Health and Long Term Care	User	X	
Ontario Air Ambulance Services Company	User		X
Ontario Ministry of Tourism	Other	X	
North of Superior Tourism	Other		
Transport Canada - Ontario Region	Other		
Ministry of Finance	Other	X	
FedNor	Other		
Ministry of Transportation	Other	X	
Ministry of Northern Development and Mines	Other	X	
Bearskin Airlines	Carrier	X	
Voyageur Airlines	Carrier		
Nor Air	Carrier		
Wasaya Airways	Carrier	X	
North American Charters 2000	Carrier	X	
Air Canada Jazz	Carrier		
Thunder Air	Carrier		

APPENDIX D

LITERATURE SEARCH / DOCUMENT REVIEW

EXECUTIVE SUMMARY

Introduction

Together, Sypher and the Steering Committee for the Study of Municipal Airports in Ontario, compiled a list of documents and studies to be reviewed. Eighteen reports or report summaries were reviewed. Each of these reports or studies focused on or referenced the viability of smaller Canadian airports. A one-page summary on each has been provided. These summaries quote directly from, or paraphrase the study being reviewed, and do not necessarily reflect the views of Sypher.

Overall Summary of Studies Reviewed

All of the studies reported that smaller airports provide important socio-economic benefits to the communities they serve, particularly in large geographic areas with a dispersed population. While local airport operation has proven to be successful, since devolution most small airports have exhausted the opportunities for efficiencies and are in need of financial assistance.

Socio-Economic Benefits of Small Airports

The most commonly cited socio-economic benefits for small airports included:

1. Provide access to the provincial and national air transport network;
2. Provide access to distant emergency health services;
3. Contribute to the preservation of the country's natural resources by providing a base for aerial forest fire suppression and crop spraying operations;
4. Provide capacity to accelerate responses to natural disasters or emergencies, including search and rescue operations; and
5. Provide a base for training tomorrow's pilots.

Common Issues/Challenges Affecting Viability

Approximately half of the small airports are unable to meet their operational requirements let alone make a contribution to capital. The key issues cited as affecting the viability of small airports are:

1. **Traffic**
   Several of the studies citied traffic as a factor affecting viability. The demography of each catchment area, such as population, income and industry has a direct impact on the operational and financial opportunities that might be available to an airport operator.

   Although the figures differ depending on the study, there is a threshold below which an airport is not able to be self-sufficient. The federal study[26] on viability suggests that airports with operating surpluses typically had in excess of 30,000 E/D passengers, 13,000 revenue movements, and are located in catchment areas with a population base of more than 15,000. The Sypher study[27] noted that viable[28] airports have more than 5 times the traffic of not-self sustaining[29] airports, and 1.5 times more traffic than self-sustaining[30] airports – the threshold appears to be 65,000 annual E/D passengers to be self-sustaining, and 75,000 annual E/D passengers to be viable.

   Historical trends demonstrate that traffic volumes are generally declining, which hampers the ability to achieve cost recovery of airside operations through aeronautical fees.

2. **Insufficient Funding for Capital Infrastructure Renewal**
   The airports that are able to cover their operating costs still need help with capital investment. Many airports rely on ACAP funding but the fund is oversubscribed and limited to airports with scheduled service and projects that are related to airside safety only. Eligibility restrictions on ACAP deny funding to community airports without scheduled passenger service but who nevertheless provide essential economic and social services to the community.

3. **Federal Regulatory Burden**
   Several studies cited rising costs to meet federal regulations as a threat to viability. Between 1999 and 2005, more than 32 safety regulations and standards directly affecting airports have been tabled through the CARAC process. It was felt that Transport Canada adopted an inappropriate "one size fits all" approach to regulations that imposed unnecessary and onerous obligations on small airports for little or no return. Several studies suggested that Transport Canada should conduct comprehensive cost-benefit studies as well as extensive consultations, prior to implementing new regulations.

4. **Airlines**
   Small airports have suffered financial losses from airline downsizing and restructuring. The introduction of WestJet and discount fares has distorted the marketplace by favouring one airport over others in a region. Some studies recommended that policies should be implemented to encourage competition.

5. **Community Support**
   Support from municipalities and provinces varies greatly. Many small airports depend on support from municipalities either in the form of operating subsidies or reduced taxes. It was recommended that provinces reduce or eliminate tax on aviation fuel.

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[26] Transport Canada TP14283B *Regional and Small Airports Study*, July 2004
[27] *Study of the Viability of Smaller Airports in Canada*, August 2002, Sypher:Mueller International
[28] Viable: sufficient revenues to cover operating costs and debt service on forecast capital investments (net of ACAP contributions)
[29] Not Self-Sustaining: insufficient cash flow to cover operating costs
[30] Self-Sustaining: sufficient revenues to cover cash operating costs but not capital

6. **Rent**
   Small National Airports System (NAS) airports are hampered by rent payments. Some studies suggested that the federal government relieve the smaller NAS airports from paying rent, while other studies suggested that the rent revenue currently collected from all NAS airports be reinvested in the smaller airports (with and without scheduled service) to a greater degree than it is now.

7. **Stewardship**
   Since devolution there has been no regional or national framework or standards for training, or planning (business, strategic and master planning/land use planning). Airports are therefore left to manage on their own with limited resources, relying on their peers and aviation associations to provide some standards and guidance.

Addressing the Issues

Although some of the studies had opposing views on how to address the issues, most seemed to agree that it is a shared responsibility, among various levels of government, the airport and aviation community, and local industry. Below are some of the most common suggestions.

1. Federal Government
   - More closely match support for airports to the rent paid by NAS airports;
   - Expand the scope and financial purse of ACAP;
   - Contribute additional funds to small airports (even those without scheduled service);
   - Conduct thorough cost/benefit studies and implement extensive consultation processes prior to implementing any new regulations;
   - Remove or lessen legislation on airports with fewer than 2 million annual E/D passengers;
   - Level the playing field with respect to Canada Border Services; and
   - Timely development of GPS approaches.

2. Provincial Government
   - Provide a rebate on the aviation fuel tax.

3. Municipal Government
   - Recognize airports as vital transportation infrastructure that does not necessarily need to be self-sufficient; and
   - Provide financial assistance by dedicating a portion of property taxes paid by the airport and its tenants.

4. Airports
   - Larger airports in the region could share their expertise in areas such as marketing and planning with the smaller airports;
   - Cooperative actions among airports for training, equipment sharing and equipment training. Smaller airports should seek to expand non-aeronautical revenue;

- ✈ Develop community awareness of the economic and socio-economic benefits of the airport in their community;
- ✈ Airports should 'right-size' their runways and facilities; and
- ✈ The airport community should work together more closely when dealing with governments.

5. Tourism Industry
   - ✈ Provide marketing and advertising support for regional airports

6. Local Business
   - ✈ Provide financial assistance for capital projects

What's Been Done?

As demonstrated above, over the past several years, may studies have been done regarding the viability of smaller airports, and many suggestions have been made to address the issues.

Ontario municipal airports in general, similar to municipal airports throughout the country, have maximized cost efficiencies by cutting costs, rightsizing infrastructure, and maximizing revenue opportunities. Alone, there is not much more that can be done to improve the situation.

The federal government has not yet implemented any of the specific recommendations found in the majority of these reports; however they are succumbing to extensive lobby efforts on behalf of the industry by aviation associations, but usually on a case by case basis (example CAR 308). The federal government also has several programs in place based on geography, through which airports can access some funding (e.g. FedNor, Western Economic Diversification, and ACOA).

Some provincial governments have implemented specific airport or transportation related programs to assist municipal airports; or have opened up infrastructure programs to include airports. Others have provided a rebate on the aviation fuel tax. Ontario however lags behind other provinces in that other than the Northern Ontario Heritage Fund that can only be accessed by northern airports, no programs currently exist to provide municipal airports with grants for either capital infrastructure, or studies.

Although it is not known if any municipality reinvests a portion of property taxes paid by the airport and its tenants, in airports, some municipalities in the province have been very supportive of their community airports, by covering operational deficits as well as providing capital funding. Unfortunately not all municipalities have a sufficient tax base to provide this kind of support.

It is also unknown whether or not the tourism industry is providing any marketing and advertising support for regional airports however it is known that the tourism industry and economic development agencies are at a minimum engaged by the airport in some communities throughout the province.

Regarding local businesses, as demonstrated by the case studies in Appendix G, local business can be very supportive of municipal airports however the level of support is not consistent in every community.

Applicability to Ontario Municipal Airports

Small airports in the context of many of the studies reviewed are larger than most of the municipal airports in Ontario. The federal government as part of the NAP define "Regional/Local" airports as those with scheduled service with less than 200,000 annual passengers; and "Small" airports as those without regularly scheduled passenger service and service local needs only such as general aviation and recreational flying. The Canadian Airports Council (CAC) "Small Airports" members category includes nine Ontario airports, including two of Ontario's four NAS airports (London and Thunder Bay). The other seven CAC "small" airports in Ontario (Sudbury, Hamilton, Kingston, Sault Ste. Marie, Waterloo, Windsor, Toronto City Centre) all have regularly scheduled service (with the exception of Toronto City Centre).

That said, most of the issues identified in the studies reviewed remain relevant to municipal airports in Ontario, with the exception of traffic, airline restructuring and rent payments.

The following reports are the most representative of Ontario municipal airports, given the size of the airports included in the studies: "Regional Airports in Saskatchewan: A Review Report" the "Small Airport Challenges Workshop, Post Workshop Report", and the "Socio-Economic Impact Assessment of Select Alberta Airports".

Canadian Airports Council (CAC) Small Airports Committee Priorities 2006

Author: Canadian Airports Council

Publishing Date: December 2005

Summary:

In spite of difficulties faced by the aviation industry in recent past, small airports have demonstrated the ability to manage effectively, in a fiscally prudent manner, and to respond to the needs of their communities. Over 55% of the traffic at small airports is business related and almost half of all aircraft movements are cargo flights. Small airports also make a significant contribution to the well-being of their catchment populations by supporting programs such as MedEvac, fire-fighting and organ transport. Small airport traffic feeds the larger international airport system and provides essential links to national and international centres of trade and commerce. The last 5 years have witnessed significant traffic and revenue reductions due to airline bankruptcies and restructuring, war, terrorist attacks, SARS and increasing regulatory burden. Airports have had to assume the post transfer costs of insurance, municipal taxes and GST. The financing that continued after transfer has now expired and the ACAP fund is over-subscribed, leaving many airports without the means to properly maintain or replace core facilities. It is the cumulative impact of reduced revenues and increasing costs that is causing a financial strain on small airports, rather than a single mitigating factor.

To survive these challenging times, small airports have been successful in reducing staff and operating costs and attracting new, non-aeronautical revenue. Aeronautical fees and charges have been increased only when necessary and in all cases remain well below cost recovery. Many small airports have implemented airport improvement fees to fund essential capital, and in some cases, operating expenses. Small airports are seeking government support through policies and programs that will enable them to reach their economic potential and serve their communities. They also require the flexibility to implement new and innovative ways of doing business including the freedom from restrictive regulations that do not properly apply to small airports.

The CAC Small Airports Committee has approved the following priorities for 2006, in order of importance:

1. **Airport legislation and economic regulation.** CAC's position is that airport legislation should not apply to airports with fewer than 2 million annual passengers
2. **Regulatory burden**. CAC recommends that the Minister of Transport initiate a departmental review of the cumulative economic impact of all regulations on small airports and the measurable benefit to the travelling public.
3. **Airport rent payments.** CAC's position is that the smaller NAS airports (< 2 million E/D passengers) must be relieved of the requirement to pay for rent as it imposes an unreasonable financial hardship on airports that are already struggling to cover cost.
4. **Canadian Border Services**. CAC's position is that airports must be given the opportunity to make a reasonable business case to support increased demand for public services and, where that case is successfully made, sufficient resources should be allocated to meet demonstrated border clearance requirements at no additional cost.
5. **Airports Capital Assistance Program (ACAP).** CAC"s position is that adequate and predictable funding to support essential, safety-related, capital projects is necessary to meet the needs of small airports and to ensure continued operation.
6. **Membership.** CAC should continue to look for opportunities to attract new members by making CAC more affordable for small airports

Regional and Small Airports Study

Author: Transport Canada

Publication No: TP 14283B; ISBN# 0-662-38001-0; Catalogue # T52-4/9-2004E-PDF

Publishing Date: July 2004

Summary:

Transport Canada responded to industry concerns regarding the viability of regional and small airports, by conducting an analysis of the airports outside of the National Airports System (NAS) that had been transferred at the time of the study. The objectives of the study were to identify systemic drivers and key factors that influence the current and future financial viability of regional and small airports and understand the impact of divestitures on the communities served by those airports.

FINANCIAL OBSERVATIONS	NON-FINANCIAL OBSERVATIONS
✈ 2% of airports had an operational surplus (subsidies excluded). The majority generated over $1,000,000 of revenues. These airports have significant passenger (≥ 30,000 E/D pax) and revenue aircraft movement levels (≥ 13,000). Individual cost elements such as insurance, property taxes, utilities and security costs do not seem to have a significant impact on the bottom line of these airports; ✈ Half of the study airports are not able to cover their annual cost of operations. Revenues at these airports range from $50,000 to $500,000, and their deficits are on average, 31% of total revenues. Most of the airports currently running at an operating deficit (excluding subsidies) are either still benefiting from Transport Canada transition contributions, or are presumably being subsidized by their municipalities ✈ Airports with positive cash flows are self-financing approximately 25% of their capital requirements, while airports with deficits are unable to finance capital at all; and ✈ There does not seem to be any evidence that the financial position of airports operated by municipalities is materially different than airports operated by private operators or commissions.	✈ Airports with an operating surplus are located in catchment areas that are more densely populated; ✈ Most airports located in a catchment area with a population of less than 15,000 are in a deficit position; ✈ Airports in catchment areas where the population is decreasing are more likely to be in a deficit; ✈ Most airports with surpluses are located more than 250 km from a NAS airport while the majority of airports with deficits are located within a 250 km radius; ✈ In 82% of the cases where airports are unable to cover their operating costs, the population of the catchment area had been declining.

CONCLUSIONS

- The airports currently running operating deficits almost all have the same obstacle – insufficient potential passenger base to attract or support significant air carrier service. In most cases there is no apparent problem with the airport operation per se, it is simply a lack of users to support the level of facilities and services maintained.
- Divestiture, in and of itself, has had a neutral or positive impact on the financial state of these airports. The great majority of airports that were in a deficit position at the time of transfer have been able to significantly reduce that deficit, or even generate a surplus since divestiture. This was possible even in the face of adverse circumstances, particularly since September 2001.
- The demography of each catchment area, such as population, income and industry has a direct impact on the operational and financial opportunities that might be available to an airport operator.
- In those cases where the outlook is negative, a number of options suggest themselves, although they are beyond the scope of this study. Airport operators could further rationalize airport infrastructure and services to match demand, increase user fees, or implement a combination of these measures.

Study of the Viability of Smaller Canadian Airports

Author: Sypher:Mueller International Inc.

Submitted to: Provincial departments responsible for transportation

Publishing Date: August 2002

Summary:

Many small airports in Canada expressed concern with their financial viability as a result of devolution from the federal government and major changes in the air carrier industry. The purpose of the study was to identify the current operating and financial position of smaller airports in Canada. Twenty-six airports with less than 200,000 annual enplaned/deplaned passengers were selected, representing a wide range of traffic levels and governance types. Interviews were also held with a broad base of stakeholders.

Of the 26 airports surveyed:

- 13 (50%) are not self-sustaining i.e., insufficient cash flow to cover cash operating costs
- 9 (35%) are self-sustaining i.e., sufficient revenues to cover cash operating costs
- 4 (15%) are viable i.e., sufficient revenues to cover operating costs and debt service on forecast capital investments (net of ACAP contributions)

Looking at the mechanisms to achieve viability – increased efficiency, increased revenues, and traffic growth – the ability to achieve self-sufficiency for many of the smaller airports does not look promising:

- Substantial efficiency gains have already been achieved and are reflected in the current financial position of the airports;
- Revenue growth at many of the airports has already been significant in the past several years
- New federal regulations have the potential to drive up airport costs and reduce revenues; and
- Given the history of declining traffic levels, significant traffic growth appears to be unlikely for most of the smaller airports.

The key factors affecting viability are:

- Passenger traffic volumes. The viable airports have, on average, over five times the traffic of the not self-sustaining airports, and 1.5 times the traffic at the self-sustaining but not viable airports
- Magnitude of the AIF/PFC. Under the hypothesis of a uniform $20 AIR/PFC being applied to all the study airports, 13 of the 26 airports are projected to be viable at current traffic levels. At the currently not self-sustaining airport however, this implies average per enplanement fees of $62.00 (plus the $24 security fee per round trip), making it difficult to maintain current traffic levels.

It appears that airports transition from not self-sustaining, to self-sustaining at ~ 65,000 annual E/D passengers, and achieve viability on a cash basis (for the non-NAS airports) at ~ 75,000 annual E/D passengers, assuming the continued funding of all ACAP eligible projects.

Since devolution, most of the smaller airports have reduced their costs and increased commercial and aeronautical revenues. The transition to local operation of airports has clearly demonstrated that local operation is efficient. Nonetheless, many smaller airports in Canada will continue to need external financing for operations and capital over the long term. Recognizing that external financial support will be an ongoing requirement for many of the smaller airports and that there is a need to continue the transition to a business-like footing, there should be a national dialogue on external support and business enhancement.

Getting the Facts: Assessing Issues of B.C. Airport Viability

Author: InterVistas Consulting Inc.

Submitted to: B.C. Ministry of Transportation and Highways

Publishing Date: March 2001

Summary:

The study was commissioned to explore key issues affecting B.C.'s airports and to examine the impact on financial viability. The study discusses 24 B.C. airports which include 19 regional, 4 NAS and the single designated remote airport.

To 5 Concerns for Regional Airport Managers:

1.	CAR 308	83%
2.	Potential new regulations	83%
3.	Lack of air carrier competition	83%
4.	ACAP	78%
5.	Airfares	72%

Key Issues

- **Regional airport viability after devolution.** Financial viability appears to be a major issue for some of B.C.'s regional airports. Roughly 40% did not break even in 1999 and did not expect to do so in 2000. 83% indicated they would not meet their capital budgets over the next 5 years.
- **Federal regulations and CAR 308.** The cost impact of CAR 308 is substantial – it exceeds any impact which airline restructuring may have had on airports. There is considerable divergence between the higher airport manager cost estimates and those of Transport Canada. The consultants' analysis concludes that many of the airports may be underestimating the impact of CAR 308.
- **Perceived declining federal financial support.** Funding renewal of ACAP appears inadequate for increasing demands on the fund.
- **Property taxation.** Airports owned and operated by municipalities do not pay property tax, while airports operated by airport authorities or societies do. As well, some airport operators say that property taxes are being assessed in excess of what was anticipated prior to devolution. Even with a property tax assessment review process in place, one-third of all airport managers perceive property taxation as an issue.

Other Findings

- **Air carrier restructuring impacts.** Overall negative impacts on most airports have been modest; however this is only the first year or restructuring, and more impacts may come. The analysis does not include the economic &/or community impact of air carrier restructuring.
- **NAS airport rents.** It is estimated that Transport Canada currently receives ~ $210 million / year, far in excess of their current expenditures on airports. Both Vancouver and Victoria pay rents which are inequitable relative to their peers.
- **NAS structure.** The 18 smaller NAS airport authorities should be moved out of the NAS and should not be required to pay rents.
- **Long-term stewardship and governance.** There is no national training standard or program to train the next generation of airport managers.

Community Airports Survey

Author: London Consulting

Submitted to: Federation of Canadian Municipalities

Publishing Date: July 2001

Summary:

The original survey report was not available for review therefore the following summary is taken directly from the Canadian Airports Council's (CAC) *Consolidated Review of Small Airport Viability Studies* (March 2006).

The objective of the study was to "determine the current and anticipated future financial status of the country's small airports in order to facilitate discussions with Transport Canada". It involved a questionnaire that was distributed to a select group of small airports; 53 responses were received.

Challenges for Small Airports

- ✈ Staffing levels and operating expenditures suggest that opportunities for efficiencies have been exhausted;
- ✈ Traffic volumes and service levels constrain the ability to achieve cost recovery of airside operations through aeronautical fees and charges;
- ✈ Opportunities to attract alternative revenue sources are limited by the economic development potential of the local community;
- ✈ Consolidations within the airline industry have resulted in lower revenues and reduced services, which frustrates development.
- ✈ Legislative restrictions on debt financing eliminate commercial financing options for many airports and others are unable to meet basic lending criteria due, at least in part, to instabilities in the aviation industry;
- ✈ The dependence on government funding programs is crucial to survival, yet current demand for the ACAP exceeds the supply; and
- ✈ Eligibility restrictions on ACAP deny funding to community airports without scheduled passenger service but who, nevertheless provide essential economic and social services to the community.

Small Airport Challenges Workshop, Post Workshop Report

Author: Westac and the Van Horne Institute

Submitted to: Unknown

Publishing Date: November 2004

Summary:

The original workshop report was not available for review therefore the following summary is taken directly from the Canadian Airports Council's (CAC) *Consolidated Review of Small Airport Viability Studies* (March 2006). The workshop, organized by Westac and the Van Horne Institute, was attended by representatives from airports, provincial, municipal and territorial governments and Transport Canada. The results of the workshop were expressed under four headings (summarized).

Opportunities to Cut Costs ~ Looking Under Every Stone	Still Have Challenges to Overcome
✈ Small airports require the active support of the local community ✈ Staffing levels have been 'right-sized'. Small airports need people who are flexible and able to multi-task ✈ Airports should take opportunities to work more closely with air carriers ✈ Airports should seek to recover more of their operating costs from non-aviation sources ✈ Partnering with others creates opportunities to grow passengers.	✈ Communities should not expect their airport to be self-sufficient ✈ One size should not fit all when it comes to regulations – federal government should conduct a risk assessment to ensure that unnecessary regulations do not exist ✈ Small airports must start succession planning now to ensure they have people with the proper skills to operate airports in the future
Airports Can Do More	**Others To Help**
✈ Airports should right size their runways and facilities ✈ Airports should be realistic about growth opportunities and the need for additional capacity; ✈ The airport community should work together more closely when dealing with governments	✈ Small airports need help from others – governments, air carriers, larger airports, communities and local businesses and industry to survive ✈ The federal government was urged to continue the ACAP program ✈ The federal government should contribute additional funds to small airports to more closely match the rent paid by the large airports ✈ Other departments within the federal and provincial governments could fund small airports ✈ Provincial and territorial governments were encouraged to provide a rebate on the aviation fuel tax ✈ Local communities can help small airports by dedicating a portion of property taxes paid by the airport to help fund the airport ✈ Business should provide financial assistance to their local airport ✈ Larger airports can help by sharing their expertise in areas such as marketing and air service development

Transportation as an Economic Growth Engine: Challenges, Opportunities and Policy Suggestions

Author: Dr. Michael A. Goldberg, University of British Columbia

Submitted to: BC Progress Board

Publishing Date: December, 2004

Summary:

The original survey report was not available for review therefore the following summary is taken directly from the Canadian Airports Council's (CAC) *Consolidated Review of Small Airport Viability Studies* (March 2006).

The BC Progress Board prepared a paper following the BC Ministry of Transportation's plan for the future, *Opening up BC: A Transportation Plan for British Columbia, 2003*. The paper "seeks to provide a broad overview and discussion of some of the key challenges, opportunities and public policy issues facing transportation in British Columbia.". The report separated airports into categories: NAS airports and regional and local airports. It was acknowledged that regional airports face unique challenges not faced by the four NAS airports:

1. The cost of firefighting has increased and local airports must foot the bill with no or diminishing subsidies from the federal government;
2. Small airports are facing a rising cost base due to a variety of federal taxes and regulations including: airport security tax, rising fuels costs, NAV Canada charges;
3. With the arrival of WestJet in a number of secondary airports, the viability of adjacent airports is questioned as passengers will often drive extra distances to get better service.

As a result, the report concludes, "local and regional airports outside the NAS must become much more strategic and cooperative." Recommendations for airports include:

- ✈ Some smaller airports are finding it difficult to meet growing security and safety requirements in the absence of significant federal support. The federal government should put more back directly or through arrangements with YVR and its regional feeder system in the form of lower YVR rental fees.

On a multi-modal level, the report concludes:

- ✈ Transport Canada, Foreign Affairs Canada, International Trade, Citizenship and Immigration, and other agencies whose mandates affect the movement of people and goods should work together to forge an integrated national, provincial and local policy framework within which transportation can flourish.

Air Access in Atlantic Canada: Challenges and Opportunities

Author: Seven members of the Atlantic Liberal Caucus, including four MPs and three senators

Submitted to: Atlantic Liberal Caucus Task Force on Air Access in Atlantic Canada

Publishing Date: October 2002

Summary:

The original survey report was not available for review therefore the following summary is taken directly from the Canadian Airports Council's (CAC) *Consolidated Review of Small Airport Viability Studies* (March 2006). The study made 20 recommendations in all, for action by the Government of Canada, three of which referred specifically to airports, but all of which were aimed at improving air service to Atlantic Canada:

- (1-3) Immediately formulate and adopt an air transportation policy that promotes healthy and sustainable competition and that takes into account the requirements of all areas of this country, including all remote and rural regions. Adopt policies that promote and sustain healthy competition within the airline industry. Vigorously enforce all government laws and regulations that prohibit anti-competition behaviour in the airline industry;
- **(4) Prior to making any changes to the laws or regulations dealing with the operation of smaller regional airports, conduct all necessary risk analysis and cost benefit studies;**
- **(5) Should any legislation or regulations be enacted or adopted by the Government of Canada that increases expenses to smaller regional airports, then these expenses should be paid for by the Government of Canada;**
- (6-9) Exclude the application of any security fee on any passenger traveling on an aircraft whose capacity is 60 passengers or less. Apply the fee to all segments of the airline industry, including the air cargo and air courier industries. Provide the taxpayers with accurate and timely information as to the present and projected future cost of providing the enhanced security service. Reduce the fee to an amount that takes into account only the cost of providing this enhanced security service;
- (10 -15) Continue its efforts to conclude reciprocal cabotage agreements with US carriers. Increase the foreign ownership restriction on Canadian airlines from 25% to 49%. Grant the right of establishment to all foreign carriers that meet all Canadian regulations and guidelines. Assist any Canadian carriers who want to establish new or expand existing linkages between north-eastern United States and Atlantic Canada. Allow any American carriers entering Atlantic Canada to code share, on reasonable terms, with the dominant Canadian carrier, to allow access to other regions in Atlantic Canada. Conclude negotiations with US authorities that will see the establishment of an US pre-clearance facility at the Halifax International Airport;
- **(16) Extend and enhance the existing ACAP program to include operating expenses for smaller non-NAS airports, and that smaller NAS airports be eligible for funding capital expenditures;**
- (17) Implement a program whereby any regional carrier may, on reasonable terms, interline or code share with the dominant Canadian carrier;
- (18 – 20) Examine all existing Government policies and program to ensure that they create an environment that encourages the growth and viability of regional air service. Eliminate any policies that are found to be counter-productive to the development of regional air service in Atlantic Canada. Adopt a small carrier strategy that would encourage the growth of regional air service.

In conclusion, the Chair of the task force was quoted as follows: "It is the view of the taskforce that the problems of this region have to do with policy as much as financial support. We require debate on our regional air transportation system, and specifically how this system relates to achieving some of the broader social and economic objectives of the region."

Québec Air Transportation Policy

Author:

Publication No. ISBN 2-550-40683-4

Publishing Date: 2003

Summary:

Air transportation plays a strategic role in the economic growth of all of Québec's regions at a time of market and trade globalization. At the same time, there is an inalienable right of residents of remote and isolated regions, to air services that enable them to travel for medical, family, leisure and other reasons. Despite its strategic position, the air transportation industry remains highly sensitive to external factors such as international events, the economic situation, the legislative and regulatory framework, and political action.

In the past twenty years there has been a significant decrease in passenger air transport – in 1980, over 700,000 passengers passed through Québec's main regional airports, by 1999 this number had declined by 50%. James Bay explains much of this decline. Other factors influencing the decline in passenger traffic on domestic flights includes:

- The high cost of air transport
- The existence of less expensive means of transportation
- The emergence of new information technology
- Migration from Québec's regions to the large urban centers of Montreal and Québec City
- Demographic changes, particularly an aging population
- A relatively weak economy in some regions
- A low average household income in some regions

The challenge is that regional air transportation in Québec serves a small market spread over a vast geographic area.

Approach to Québec's Air Transportation Policy

- Fostering dialogue among users, carriers and regional stakeholders to better identify their needs and support new initiatives
- Promoting the use of air transportation for tourism and social development
- Better targeting the needs of regional customers by funding market studies in cooperation with regions
- Establishing a formal mechanism for monitoring fares and service quality
- Increasing the involvement of community stakeholders in air transportation development, such as municipalities, Local Development Centers, Regional Development Boards and others
- Establishing financial and other measures to stimulate demand for improved accessibility to regional air transportation
- Consolidating public, broader public and private sector needs in order to create a critical mass of customer demand
- Identifying policy orientations regarding services for isolated regions through consultation with the communities
- Working with organizations to reexamine and establish a rate structure for the services provided based on the economic reality of the regions, especially as pertains to airports and air navigation
- Conducting public awareness campaigns to publicize users' rights with regard to air service

Air Liberalization and the Canadian Airports System – Province of Ontario Submission to SCOT

Author: Province of Ontario – Ministry of Tourism and Recreation in collaboration with the Ministry of Transportation, the Ministry of Economic Development and Trade, the Ministry of Northern Development and Mines, the Ministry of Consumer and Business Services

Submitted to: House of Commons Standing Committee on Transport (SCOT)

Publishing Date: May 25, 2005

Summary (section on Small and Remote Airports Serving Northern Communities):

Regional airports such as Thunder Bay, Sudbury, Sault Ste. Marie, North Bay, Timmins and others, are vital to the regions they serve and support the delivery of an effective transportation network for all of Northern Ontario. Air services provided through these regional airports are crucial to the long-term socio-economic prosperity of the region and provide an essential trade link for goods and services, as well as serving a broader public interest including medical and emergency evacuation, search and rescue, policing, forest fire fighting (based in facilities contiguous with these airports) and tourism.

Similarly, Ontario has 29 remote airports, owned and operated by the Ministry of Transportation that provide essential services to remote and First Nations communities. Twenty-seven of these airports provide the only form of year-round transportation access to those remote communities. These remote airports are essential lifelines to northern communities providing access to healthcare, social services and basic needs such as fuel for electric generators. Air services provided through these remote airports provide the most cost effective means for the federal government to fulfil its fiduciary responsibility towards Aboriginal peoples.

Any policy should consider that Ontario's north, which contains less than 10 percent of the province's population but is about 90 percent of its area, requires ongoing air service from carriers serving other parts of Canada and the continent. Air transportation complements the highway, road and winter road networks to ensure connection between widely dispersed and remote communities and larger centers in Ontario, other provinces and northern U.S. states. The north is highly dependent on trade in goods and services, and with an increasingly globalized economy, will need to rely on fast efficient transportation including air transport.

Accordingly, Ontario supports a policy that continues to recognize small regional airports as important elements of a national air policy. Any federal air policy decision that could impact on the long-term viability of small and remote airports should be discussed with the province prior to any decisions.

Currently federal funding support for small and remote airports in northern Ontario is minimal. Ontario would support federal action to increase support to these vital facilities through changes to the Airport Capital Assistance Program (ACAP) or though other means. Airport-based charges must be limited and fair, in recognition of the potential impact on demand for use of an airport. Unconstrained increases in airport user fees to recover the additional costs of servicing those airports would be unacceptable if they alter demand patterns and cause disruptions to regions' economies or diversion to other (sometimes limited or impractical) alternatives.

Air Liberalization and the Canadian Airports System – Province of Nova Scotia Submission to SCOT

Author: Province of Nova Scotia – Department of Transportation & Public Works

Submitted to: House of Commons Standing Committee on Transport (SCOT)

Publishing Date: March 10, 2005

Summary:

Since transfer under the NAP, many of the small airports have not been able to bridge the entire operating gap on their own, and they struggle on a daily basis. Increasing federal regulatory burdens, efforts to maintain a stable traffic base, and mounting insurance and operating costs are a few of the factors that make life difficult for Canada's small airports.

The Province of Nova Scotia believes Canada's airports are a "system", and that as a system, they are self-sustaining. In the wake of the NAP however, Transport Canada has collected escalating rents from the larger NAS airports, while not investing any federal money in their capital expansions. Concurrently, apart from the Airports Capital Assistance Program (ACAP), Transport Canada has provided no support for Canada's small airports. The Province has come to the "inescapable conclusion that our federal government regards Canada's airport system as a revenue generator rather than an economic enabler".

In November 2002, in a submission to the Canada Transportation Act Review Panel, Nova Scotia recommended a modest federal annual operating assistance program for regional and local airports in Canada, in recognition of the vital role that small airports play in supporting Canada's larger airports as well as in serving a broad public interest in medical evacuations, search and rescue, policing, forest fire fighting, trade and tourism. The Review Panel supported the Province's recommendations and suggested that it be financed from the air system revenues and be designed to encourage and improve efficiency and create incentives for airport rationalization. There has been no substantive federal action to-date.

Bill C-26 an Act to Amend the *Canada Transportation Act* – Province of Saskatchewan Submission to SCOT

Author: Saskatchewan Department of Highways and Transportation

Submitted to: House of Commons Standing Committee on Transport (SCOT)

Publishing Date: June 2002

Summary:

The following is taken from the Province's response submission to SCOT on Bill C-26 – an Act to Amend the Canada Transportation Act.

The province submits that competition is essential to ensuring Saskatchewan's prosperity and providing choices for shippers and travellers, and that one way of achieving these objectives is to ensure that the air services are linked to a system of provincial and municipal airports that connect to the national system through regional carriers. Continued federal support for remote airports is necessary to ensure northern residents, primarily First Nations, have access to employment and educational opportunities and medical services.

The Western provinces face transportation challenges and opportunities distinct form the rest of Canada due to sparse and wide spread populations, unique geography, distance from export and import markets and an economic base weighted heavily on primary and resource based products.

Saskatchewan, in consultation with its stakeholders, recommends that the SCOT not progress Bill C-27 as the proposed legislation "increases regulation and reduces flexibility of airport authorities". With respect to small airports and carriers, the following amendments were suggested:

- Viable airports are required to promote the economic and social development of Saskatchewan. Eliminate or reduce airport rents to levels representing a fair return on the federal government's historical investment, as the airport authorities are responsible for the operating and capital costs;
- Viable airlines are needed to ensure the movement of business and leisure travellers and air cargo to/from Saskatchewan. Eliminate or further reduce the Air Travellers Security Charge. Security is viewed as a national responsibility that should be paid for from national revenues.
- Improved airport infrastructure in remote and rural areas in northern Saskatchewan is essential to connect our isolated communities to health, education and employment. Continue the Airport Capital Assistance Program and initiate a Small Airports Assistance Program to finance operations and capital requirements.

The province also articulated the shippers and travellers argument that the federal government has unduly increased its level of regulation without appropriate cost-benefit considerations, and that this is a major departure from the government's own policy direction as set out in the mid 1980's in its publication "Freedom to Move". The Province feels that the federal government must view the transportation sector as an essential service, requiring investment, as it is by our competing G8 countries.

The Economic Impact of Canadian Airports (2002)

Author: Airports Council International North America (ACI-NA)

Publishing Date: 2002

Summary:

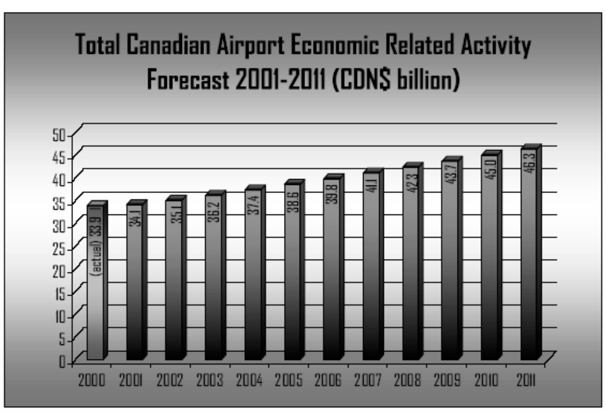
Over 233,000 passengers each day rely on Canadian airports for business and leisure travel. Airports are important because they provide significant economic impacts and transportation benefits:

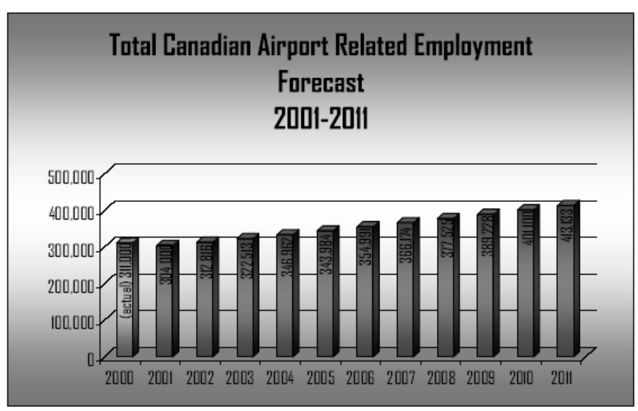
- Transportation Benefits:
  - Time and cost savings
  - High levels of safety
  - Comfort and convenience
  - Access to national and international destinations
  - Enhancements to community well-being
  - Inbound tourists
- Economic Benefits:
  - Airports generate wealth - Airports create CDN $34.1 billion each year in total economic activity – a 10.7% increase from 1997
  - Airports generate employment – over 304,000 jobs in Canada, with 143,000 jobs on-airport and 161,000 jobs in local communities – a 4.1% increase from 1997
  - Airports generate taxes – over CDN $3.9 billion

2001 Total Economic Impact of Canadian Airports				
	Output	**Earnings**	**Tax Benefits**	**Employment**
Direct Impact	$18.5 bn	$4.8 bn	N/A	143,000
Total Impact	$34.1 bn	$10.1 bn	$3.9 bn	304,000

The Growth of the Canadian Airport Industry

Traffic Type	2000	2014	Percent Change
Scheduled Passengers	87 million	129.2 million	+ 49%
Domestic Passengers	52.9 million	73.2 million	+ 38%
Transborder Passengers	21 million	33 million	+ 57%
International Passengers	12.7 million	23 million	+ 81%





A Socio-Economic Impact Assessment of Select Alberta Airports

Author: RP Erickson & Associates

Submitted to: Aviation Alberta

Publishing Date: January 2005

Summary:

The study documents the socio-economic impact of 12 airports located throughout the province. These 12 airports represent 4 Tiers of airports differentiated on the basis of aviation activity and on-site users.

2003 Results	Economic Benefits	Average Direct FTE	Average Labour Income	Average Total Impact	Operating Income / Loss	Ability to Cover Capital
Tier I Regional carrier nodes with large GA presence	Economic engine	300	$15 million	$45 million	Deficit ~ $77,000/year	None
Tier II Perhaps scheduled service, and significant GA	Significant economic benefits	30	$2 million	$7 million	Deficit ~ $21,000/year	2/3 No
Tier III No scheduled service with limited GA	Economic Benefits	9	$500,000	$2 million	Deficit ~ $45,000/year	None
Tier IV Turf strips, limited recreational aircraft	No measurable economic activity					None

Additional Economic Benefits. Airports in the survey generate significant positive impacts and off-site economic benefits related to non-resident visitor spending by travellers arriving in the community by air. These benefits provide a customer base for tourism, convention and other hospitality operators. More northerly or isolated airports generate substantial non-resident spending patterns from transient resource sector workers. Data was unavailable to accurately assess this additional, through very important impact. All local community leaders discussed the importance of their airport in facilitating commercial opportunities for off-airport businesses.

Social Benefits:

- Airports provide residents with access to distant emergency health care services;
- Airports provide crucial access to the Province and Canada's national air transport network. While each airport operates individually, it is apparent that the Province's airports act as a network, which provides immeasurable social interactive opportunities of critical 'quality of life' value to every Albertan;
- Airports acts as a focal point for recreational, hobby, career development and volunteer opportunities; thus the presence of airports helps to build the social capital of the communities each airport serves;
- Airports provide the province with important air-related environmental services, which contribute to preserving the province's natural and renewable resource base e.g., aerial crop spraying, base for aerial forest fire suppression. Local airports also provide a substantive capacity to accelerate responses to natural disasters or emergencies mitigating the loss of life and property while protecting resource bases for future generations.

Wings of Change - Air Policies for a Competitive Canada

Author: AIM BC

Publishing Date: September 2005

Summary:

Recent dramatic and rapid changes in the aviation industry have outpaced the evolution of Canada's air transportation policy. Externalities such as 9/11, global instability and SARS have had a significant impact on international travel to Canada. At home the merger of Air Canada and Canadian, and the demise of Canada 3000 and others have led to a significant reduction in seat capacity that has yet to be replaced, despite Air Canada's high load factors. Canadian air policy is making Canada uncompetitive with Canadian growth in arriving seats lagging far behind that of its competitors for the last four years. Only the US which is facing a crisis among several of its major carriers has fared worse.

AIM BC recommends that the federal government:

- Pursue more Open Skies agreements with open access to all Canadian cities and with fifth freedom rights with other countries;
- Add fifth freedom rights and modified sixth freedom rights to the Canada-US Open Skies Agreement;
- Adopt a "Right of Establishment" airline ownership policy that can be tailored to meet Canadian needs;
- Eliminate the Air Travellers Security Charge (ATSC) or at the very least apply it as a percentage basis (ad valorem) to the base price of the ticket;
- **Increasing funding and expand the scope of the ACAP to improve the financial viability of regional and local airports;**
- Increase the foreign ownership limits of Canadian carriers from 25% to 49% of the voting equity; and
- Reduce rents paid by the NAS airports.

Regional Airports in Saskatchewan: A Review Report

Author: Department of Highways and Transportation
Northern Access, Air and Safety Unit

Publishing Date: December 2002

Summary:

The purpose of the study was to review and assess the issues affecting small airports with special reference to airports in southern Saskatchewan that do not have scheduled service; and to identify their economic contribution using three case studies. The study team consulted stakeholders, other government departments, and surveyed 47 community airports. The following major issues were identified.

1. **Aging and deteriorating infrastructure.** Although many of the airports are essential for air ambulance, RCMP aircraft, crop spraying and business, the available traffic is too low to generate revenues necessary to enable these airports to undertake major capital improvements. These improvements include such things as runway resurfacing, rehabilitation, improved lighting, runway extension and other major capital improvements.

   Some airports are used extensively for regional purposes serving not only local residents but also the surrounding rural municipalities. These municipalities were interested in what role the province, as well as others, had in helping to address the need for airport improvements.

2. **Effectiveness of department's existing Community Airport Assistance Program.** The program, currently funded (2002) at $104,000 per annum provides assistance to airports for annual maintenance, but not capital projects. Disbursements range from $750-$3,700 depending on the size of the airport. Although airports see the value in the program, they question the strategic value in support of airports in Southern Ontario. Some groups suggested that DHT change the focus of the program from maintenance to capital assistance and enrich the funding available.

Conclusion

DHT concluded that there was a problem with communities in southern Saskatchewan being able to fully fund major airport capital improvements. These airports do not have scheduled service but are important to communities for economic and social development. DHT also concluded that community and regional airports are important for regional economic and social development; however DHT at the time did not have the financial resources to support an enriched capital airport program.

Airport Classification

The study also included an inventory of Saskatchewan airports. There are 148 airport/aerodromes in the province. Also, the study team reviewed the airport classification system proposed in 1994 and suggested revisions. The suggested criteria included: (i) population; (ii) airport utilization; (iii) base operators; (iv) runway geometrics; (v) critical aircraft; (vi) airport usability; (vii) runway lighting; and (viii) certification status. This criteria resulted in the following classification system being proposed for discussion.

	Regional Airports (Major Transport)	Primary Airport (General Transport)	Secondary Airport (Basic Transport)	Local Airport (General Utility)
Population	> 5,000	2,000 – 5,000	1,000 – 2,000	< 1,000
Hospital	> 50 beds	15 – 49 beds	1 – 15 beds	No hospital
Airport Utilization	Wide usage	Moderate usage	Some usage	Limited usage
Base Operators	Several	Fewer than regional	Limited number	Very limited
Runway Geometrics	Asphalt (4,000 x 100') TC Code 3	Asphalt (3,000 x 75') TC Code 2	Hard surfaces (2,625 x 75') TC Code 1	No hard surface
Critical Aircraft	Small jets	GA, single engine & light twin engine	Single engine & light twins	Single engine
Airport Usability	High usability, IFR & VFR	Limited with non-instrument	Non-instrument	Non-instrument
Lighting	Medium to high intensity	Low to medium intensity	Low intensity	No lighting
Certification Status	Certified	Registered	Registered	Registered

COPA Guide to Public Airports

Author: Canadian Owners & Pilots Association (COPA)

Edition: 8th Edition

Publishing Date: March 2006

Summary:

Successful airports have much air traffic, although not necessarily scheduled air service. They also tend to have services such as fuel, aircraft storage and maintenance. They allow medevac flights, bring forest fire-fighting aircraft into communities, provide a base for scheduled passenger, charter, flight training, agricultural aviation and search & rescue operations. They also provide a facility for population evacuation or to bring in disaster and relief supplies. They facilitate the influx of tourists and visitors who spend their money in the community; they bring business and commerce into the community; and they provide a focal point for community gatherings and a destination for field trips.

Airports are transportation infrastructure, but they are **not** big business – they are transportation infrastructure and need to be treated like any other form of transportation infrastructure (roads, sidewalks and highways). Their role is to act as economic generators and bring big business into the community – not to be big business themselves.

The *National Airports Policy* (NAP) has been a failure for most airports. The money that the federal government used to put into airports now has to come from local taxpayers instead, and now local governments need to find ways to fund the shortfall. The NAP has left the future of many of the airports in the hands of municipal officials who often have little experience or expertise in aviation and make decisions based on "big business" expectations, without considering the effects on the surrounding airports or the national transportation infrastructure. Also, certified airports in Canada, with the *Canadian Aviation Regulations* (CARs), and TP312 TC *Aerodromes Standards and Recommended Practices*, are over-regulated by Transport Canada compared to other forms of transportation, and are under-funded.

Successful small and regional airports:

- Maximize business use of the airport, including commercial lots sold or leased to those businesses that have an advantage in being at the airport;
- Maximize the location of uses on or near the airport that are not noise-sensitive
- Ensure that visiting aircraft are not expected to pay for the airport;
- Sell hangar lots so that owners can build their own hangars on the airport;
- Avoid "vesting clauses" whereby buildings put up on leased land are forfeited at the end of the lease period.
- Rely on fuel pumpage charges and not on "annoyance fees' such as car parking, and aircraft parking;
- Attract airline and larger aircraft that are less sensitive to fees;
- Reinvest taxes earned within the airport fence, in the airport;
- Have a separate governing airport authority reporting to municipal council, and comprised of many stakeholders;
- Have airport management that has aviation knowledge, enthusiasm for the job, creativity and good communication skills
- Know their flying customers and their needs;
- Make good use of volunteers;
- Market their airport to their own community to build support, on an ongoing basis;
- Find effective partnerships to promote and grow the airport; and
- Support those organizations that support airports.

General Aviation Policy for Canada (drafted by COPA)

Author: Canadian Owners & Pilots Association (COPA)

Publishing Date: early 2005

Introduction:

COPA sent this draft document to Transport Canada in early 2005 in an effort to encourage Transport Canada to create and adopt a General Aviation Policy for Canada, as none currently exists. After review and some discussion, Transport Canada informed COPA that as their organization did not represent airports, this document would be given no further consideration.

Summary:

The issues that most affect General Aviation currently include:

- **A crumbling national airport infrastructure that has proven not to be sustainable by user fees and other meagre sources of funding.** Airports are competing against other modes of transportation (roads, rail, shipping) that all have generous government tax subsidies that airports no longer receive. Infrastructure projects are being cancelled and airports are falling into disrepair. Canada is not competitive with the USA when it comes to its approach to smaller airports and business travel. In the US, smaller airports are seen as necessary for any community. They are funded by various levels of government as transportation infrastructure on the same basis as other transportation infrastructure. In Canada, the only national, capital infrastructure program is ACAP which has two distinct drawbacks: it only provides support to airports that have scheduled passenger service, and it is vastly under funded for the number of infrastructure projects that are required.
- **Financial difficulties at NAV Canada**. Since 2001, NAV Canada has been having financial difficulties. This has resulted in annual increases in fees to all users of the air navigation system. Although the cost to the airlines (and their passengers) is less than when the air transport tax was in place, it has been an additional burden for non-airline operators. These fee increases have now made Canada non-competitive with other countries where the government provides the air navigation services without user fees. The increases in fees have driven some users away from aviation as a mode of transport and this trend is expected to continue.
- **An excessively high government regulatory burden** that is seriously hurting the competitiveness and viability of the entire Canadian aviation industry in comparison to Canada's foreign competitors, particularly the US. Since the Canadian Aviation Regulations (CARs) were introduced in 1996, they have grown in size and volume considerably. New regulations are added every year, while old ones are not removed. Many airports are now required to have detailed and TC approved Winter Maintenance Plans, Wildlife Control Plans, and Safety Management Systems in place, even if they cannot afford to hire sufficient staff to manage the programs. Even single-person Approved Maintenance Organizations will soon have to have approved Safety Management Systems. There is also a proposal for these same organizations to have an approved Fatigue Management System – even for a one-person operation.

COPA recommends that the Federal Government adopt a policy for General Aviation that includes a statement that describes the value of non-airline aviation to Canada; a commitment to provide adequate federal funding under ACAP to airports that do not have scheduled service; a commitment to review the model under which NAV Canada was formed; and a commitment to significantly reduce the regulatory burden represented by the CARs.

APPENDIX E

NATIONAL AIRPORTS POLICY (NAP)– AIRPORT CLASSIFICATION DEFINITIONS

Under the 1994 National Airports Policy (NAP) Transport Canada's role changed form that of an airport regulator, owner and operator, to one of regulator and landlord. This change was intended to allow airports the opportunity to tailor operations and match levels of service to local needs by operating a commercial environment that would see operating subsidies phased out. Twenty-six nationally significant airports comprise the National Airports System (NAS) and are considered essential to Canada's air transportation system supporting both domestic prosperity and international competitiveness. These airports are operated locally by Airport Authorities. They remain Crown land and are operated through long term leases. All other regional and local airports not included in the NAS were divested to local entities. The federal government continues to be responsible for all aspects of aviation safety.

The NAP defines 6 categories of Canadian airports: "National Airports System (NAS)" airports which are considered essential to Canada's air transportation system and have over 200,000 passengers per year; "Satellite" Airports which complement NAS airports by relieving them of smaller, GA air traffic; "Regional/Local" airports which have scheduled traffic with less than 200,000 passengers per year, and typically move people to/from the larger hub airports; "Small Airports" which serve local interests only and do not support regularly scheduled passenger service; "Remote Airports" where air service is the only reliable means of year-round transportation; and "Arctic" airports which are located in any of the three Territories.

1. National Airports System (NAS) Airports

The NAS includes those airports considered essential to Canada's air transportation system, supporting both domestic prosperity and international competitiveness. The NAS includes airports in all national, provincial and territorial capitals, as well as airports with annual traffic of 200,000 passengers or more. Currently, the 26 NAS airports serve 94 per cent of all scheduled passenger and cargo traffic in Canada and are the points of origin and destination for almost all inter-provincial and international air service in Canada.

2. Satellite Airports

Several of the larger international airports within the NAS group are complemented by "satellite" airports. These airports help ensure the safe and efficient operation of the larger international airports they serve by diverting small, general aviation (recreational and training aircraft) away from the larger airport. Federal funding for satellite airports was withdrawn within five years of devolution.

3. Regional / Local Airports

At the time of devolution, the federal government was involved in 71 non-NAS airports that had regional or local significance, and served six percent of the total annual passenger/cargo traffic in Canada. At Regional / Local airports, passengers usually being or end their trips at that airport, and fly from regional/local airports to busier 'hub' airports for connections to larger domestic or international centres. Regional/Local airports are defined as those sites:

- whose scheduled passenger traffic is less than 200,000 a year for three consecutive years;
- not the national capital or a provincial or territorial capital;
- not classified as Arctic or remote airports;
- where there is currently some form of ongoing federal financial involvement relating to the ownership or operation of the airport;
- with scheduled passenger traffic.

4. Small Airports

At the time of devolution, there were 31 small, federally-supported airports which did not have regularly scheduled air service, and served local interests only such as general aviation and recreational flying. In many instances, these airports were operated on behalf of the federal government by municipalities or other local entities. Some received funding for annual operations from local sources while others received federal subsidies. Further to the NAP, each of these 31 airports were devolved to the communities they served, and received no federal funding other than a small grant at the time of transport.

5. Remote and Arctic Airports

Under the NAP, the federal government will continue to fund the operation of 13 remote airports, recognizing the need for ongoing support if these communities are to remain accessible year-round. Airports are considered to be remote if air transportation is the only reliable year round mode of transportation available to the community it serves.

At the time of the NAP, the federal government owned an operated 11 Arctic Airports in the Northwest Territories and the Yukon. The intent under the NAP was to transfer these 11 airports, along with the associated funding, to the respective Territorial Governments.

APPENDIX F

AIRPORT SUPPORT PROGRAMS IN CANADA

Currently, the federal government, along with many provincial governments offer programs to assist airports. There is much variation in levels of support between provinces. The following information was gleaned from a number of sources, including a summary of provincial/territorial support spreadsheet that was . Its currency and accuracy will be checked for publication in the final report.

1. Federal Government

- ***Airports Capital Assistance Program (ACAP).*** The ACAP fund was created through the 1994 NAP and was to be funded from NAS rent payments. "Regional and local" airports as defined in the NAP, with regularly scheduled passenger service are eligible for limited capital funding for safety related infrastructure upgrades, but not expansion, under the Airports Capital Assistance Program.

  To be eligible for the Federal Government's Airports Capital Assistance Program (ACAP), airports must have year-round regularly scheduled passenger service which are not owned or operated by the Federal Government, with a minimum of 1,000 annual passengers, and must meet the requirements of TP312 with respect to certification. In the case of an airport designated "Remote" under the NAP, the eligibility requirements to receive regularly scheduled passenger service do not apply. Projects must be: (i) essential to maintain or improve safety, protect the asset or significantly reduce operating costs; (ii) meet accepted engineering practices; and (iii) be justified on the basis of current demand. First priority is given to safety-related projects such as rehabilitation of runways, taxiways, aprons etc. which are necessary to maintain the airport's level of protection as required by regulation. Other projects in order of priority include heavy airside mobile equipment, air terminal building/groundside safety related projects, and asset protection/refurbishing/re-lifing or operation cost reduction projects.

  Since 1992, the Government's reinvestment in "small" airports has totalled $229 million, which amounts to less than one year's rent payments. The amount dispensed through the ACAP fund accounts for only 12% of Transport Canada's accumulated revenues from airports[31]. CAC reports that the fund is over-subscribed and the list of approved but not funded projects totals $10 million. Assuming each of the 200 qualifying airports in Canada has at least one runway that required major maintenance every 15 years, the average annual cost just to maintain runways would be in the order of $30 million, or almost all of the currently available annual funding on an ongoing basis. This leaves only $5 million annually to support essential safety needs such as lighting, visual aids, runway sweepers, snowploughs, friction testing equipment, sand storage shed and utilities.

The purpose of the $1 billion ***Municipal Rural Infrastructure Fund (MRIF)*** is to improve and increase the stock of core public infrastructure and to provide a balanced

[31] CAC Small Airports Committee Priorities 2006 (December 2005)

response to local infrastructure needs in urban and rural Canada. On February 12, 2004, the Government of Canada announced negotiations with each province and territory. Each province, territory and First Nations community will receive a base allocation of $15 million with the remaining funds being allocated on a per capita basis. At least 80% of the MRIF funding will be dedicated to municipalities with a population of less than 250,000. The MRIF is cost-shared with the Government of Canada contributing on average, one-third of total project eligible costs. Provinces and municipalities will contribute the remainder. Government of Canada objectives on the environment, sustainable development, climate change, water quality, urban life, and innovation will guide project eligibility.

- The $4 billion ***Canada Strategic Infrastructure Fund*** complements Canada's other infrastructure programs but differs in its orientation. It emphasises partnerships with any combination of municipal, provincial, territorial governments as well as the private sector, and each partnership will be governed by specifically tailored arrangements. Investments will be directed to large-scale projects of national and regional significance. Regional equity considerations are taken into account and costs are generally shared between the three levels of government. Investments are made in areas that are vital to sustaining economic growth and supporting an enhanced quality of life for Canadians. The Government of Canada will contribute to a maximum of 50% of total eligible costs and is embracing a broader range of partnerships.

- **FedNor,** is a federal regional development organization in Ontario that works with a variety of partners, as both a facilitator and catalyst, to help create an environment in which communities can thrive, businesses can grow and people can prosper. FedNor's ***Northern Ontario Development Program (NODP)*** promotes economic growth throughout a large and diverse geographic area – stretching from Muskoka Lakes to James Bay, and from the Manitoba border to western Quebec. Program contributions are available to support projects in six areas: community economic development; innovation; information and communications technology; trade and tourism; human capital and business financing. FedNor also has a ***Community Futures (CF) Program,*** which supports 61 Community Futures Development Corporations (CFDCs) – 24 located in the North, and the remaining 37 serving rural Eastern and Southern Ontario. CFDCs offer a wide variety of programs and services supporting community economic development and small business growth. FedNor has been a supporter of airports in Northern Ontario.

- The goal of the **Atlantic Canada Opportunities Agency (ACOA**) is to improve the economy of Atlantic Canadian communities through the successful development of business and job opportunities. ACOA administers the federal ***Infrastructure Canada Program*** whereby program initiatives including local transportation, roads and bridges, affordable housing, telecommunications and tourism, cultural and recreational facilities can be funded. ACOA also recently had a ***Strategic Community Investment Fund*** (ended March 31, 2005) which helped communities throughout Atlantic Canada create opportunities for economic development to stimulate investment and job creation. See section on Nova Scotia for examples of ACOA funding at airports.

- **Western Economic Diversification Canada (WD)** works to strengthen western innovation, entrepreneurship and community economic development. As such, WD administers partnership programs such as the Western Economic Partnership Agreements, Urban Development Agreements, and the Canada-Saskatchewan

Northern Development Agreement. WD also contributes directly through or administers programs such as the Western Diversification Program, the Loan and Investment Program, and the Municipal Rural Infrastructure Fund which will invest $278 million in the West to improve and increase the stock of core public infrastructure in areas such as water, wastewater, culture and recreation. The source of funding for this program is Transport, Infrastructure and Communities. WD has been supportive of airports in the west, primarily with funding for studies.

2. Provincial Government

- ***British Columbia.*** The Ministry of Forests operates 2 or 3 airstrips for fire protection services; otherwise the province is not involved in the ownership or operations of airports. In 2003, the province introduced its **Transportation Partnerships Program (TPP)**, whereby the province of British Columbia provides capital contributions to those port and airport infrastructure investments that will result in significant, incremental economic benefit. The Ministry has reserved $10 million per year for three years for capital contributions to public transportation infrastructure at ports and airports. Local/Regional government, airport and port authorities, and select third parties are eligible. The three year period expires in 2006. Program requirements include the Ministry as a minority contributor to the project; some investment in the project by the private sector; applications based on a sound business case rationale; provincial conditional contribution governed by an agreement with all financial contributors; and the ministry's contribution is normally provided on a project completion or phased with project milestones basis. The Ministry of Transportation will fund up to one third of the project costs, depending on the risk level. Approximately $1 million of the TPP budget is available for capital rehabilitation projects at airports that are not eligible for ACAP funding. There are approximately 60 small community airports in this category[32].

  BC also has a **Community Airport Exemption Regulation** which currently applies to 12 airports and exempts them from property tax levies on airport related improvements[33].

  The province also operates an **Airport Land Program** that offers free crown land to local and regional airports.[34]

  The BC government has **reduced the provincial fuel tax** from 5 cents per litre to 2 cents per litre for domestic and international operations. There is also a 100% fuel tax rebate for international all-cargo flights and a proportional amount for cargo carried on international passenger flights.

  The **Community Futures Development Association of British Columbia**, in partnership with **Western Economic Diversification Canada**, fosters local entrepreneurship and promotes, coordinates and implements a variety of community development initiatives. **Community Futures Development Corporations (CFDC)** offers a variety of entrepreneurial programs, business counselling, loan programs and business information to community members interested in expanding or starting their own businesses. They provide entrepreneurs with small business loans up to $125,000 when traditional financial institutions are unable to help. Loans

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32 http://www.vanhorne.info/Reports/Small%20Airport%20Challenges/Wong%20Presentation.pdf
33 http://www.qp.gov.bc.ca/statreg/reg/C/CommuCharter/369_2003.htm#section1
34 http://intervistas.com/4/reports/BCregionalAirports.pdf

are available for new business start-ups, business expansion or can be put towards stabilizing an existing business. A loans committee comprised of community volunteers is involved with the loan review process to ensure community input on loan approvals.

The province also supports various aviation and airport studies such as the provincial study of the viability of smaller Canadian airport; studies on the liberalization of Canada's international air policies; and development of a northern airport strategy in collaboration with the province of Alberta. The province also plays an advocacy role by acting on behalf of the provincial airport/airline community in dealing with various other industry participants (i.e., federal government, NAV Canada, etc) when appropriate, and as issues arise. The province also participates in BC Aviation Council activities (although not members per se); is an associate member of ATAC; has appointees on the Boards of Directors at Victoria and Prince George Airport Authorities; and participates in a YVR/Provincial government consultative committee that meets annually. Various provincial ministries such as Ministry of Transportation, Intergovernmental Relations, Tourism BC, and Ministry of Economic Development participate in the activities of the Airline Industry Monitoring Consortium of British Columbia (AIM BC), formed to advocate for changes to federal air policies that will sustain and enhance the viability and competitiveness of the aviation sector.

Between 1978 and 2002, the **British Columbia Air Transport Assistance Program (ATAP)** provided financial assistance for capital works at community-owned airports. The program did not fund operation or routine maintenance. The main purpose of ATAP was to provide BC communities with basic air access, especially for medevac and resources protection requirements. Over 70 community airports benefited from the program. Program funding averaged $2.57 million per year.[35]

- ***Alberta.*** Alberta Sustainable Resource Development operates several airstrips throughout the province in support of fire protection; otherwise the province is not involved in the ownership or operation of airports. Alberta provides support for rehabilitation work on airside surfaces to the smaller airports through its **Community Airport Program (CAP)**. In Alberta, community airports are considered a necessary party of the transportation infrastructure and provide access to communities for resource, medical, tourism and personal travel. Alberta's overall goal is to maintain and protect the existing network of public licensed community airports in support of safe airport operations, general aviation operations and commercial charters, forest fire suppression, medevac operations and local and regional economic development. Funding contributions could be available up to 100%. In 2005 the CAP funded three airports to a total of $1.6 million; in 2004 it funded seven airport projects for a total of $2.4 million. There are 72 community airports eligible for this program. The CAP currently provides $2 million a year in funding for small airports (currently 72 are eligible) without scheduled service.

  The **City Special Transportation Partnership Program** is a municipal infrastructure support program which is eligible for airport related expansion projects although to-date has only been used for road and transit projects. A municipality must provide 25% of the project cost.

[35] http://www.vanhorne.info/Reports/Small%20Airport%20ChallengesWong%20Presentation.pdf

Alberta has **removed the 1.5 cents per litre fuel tax** on international traffic (both cargo and passenger) which is expected to provide $3M in annual savings to the aviation industry. Fuel tax for domestic traffic remains at 1.5 cents per litre. .

The ***Alberta Municipal Infrastructure Program (AMIP)***[36] is a $3 billion ten-year (2005-2015) program to assist municipalities in addressing their municipal capital infrastructure needs. Funding supports the development, enhancement and rehabilitation of core capital infrastructure projects such as municipal roads, bridges, public transit vehicles and facilities, water and wastewater systems and facilities, storm drainage systems and facilities, emergency service vehicles and facilities, and infrastructure management system software. Included in the list of eligible projects are design and engineering services, construction and rehabilitation, vehicle purchase, and land acquisition. Where the core capital infrastructure needs have been addressed, the available funds may also include other capital projects such as cultural and recreational facilities, community environmental and energy systems and facilities, solid waste management systems and facilities, municipal buildings and other municipal physical infrastructure. Based on the estimated 2006 census population, each municipality will receive a grant allocation of approximately $180 per capita per year for the first three years of the program.

The recently announced (April 19, 2006) ***Canada-Alberta Municipal Rural Infrastructure Fund (CAMRIF)*** will see a $176 million investment by the federal and provincial governments, matched by municipal contributions for an anticipated total of $264 million. Eighty percent of CAMRIF investments will benefit municipalities with populations of less than 250,000. Projects should be completed by 2010. Eligible projects include water and sewage treatment, solid waste management, public transit, and energy improvements to municipal buildings. The fund also supports better roads and bridges, cultural, recreational and tourism projects, and improved broadband Internet access. Although airports are not specifically mentioned, it is understood that they may be eligible (municipalities can use funding under the CAMRIF for their 1/3 share).

The province also supports various aviation and airport studies such as the provincial study of the viability of smaller Canadian airports; an inventory of Alberta airports to examine the conditions of existing facilities and to forecast future capital infrastructure needs for smaller airports; a study (cost shared by DoT and ED) examining the operating viability and socio-economic benefits of some selected airports and development of a northern airport strategy in collaboration with the province of British Columbia. The province also participated in the development of the Aviation Strategy Action Group, now known as Aviation Alberta; and are now involved as ex-officio members of Aviation Alberta and attend their annual general meetings. The province also participates at the Edmonton Airports Appointers Board meetings.

Other possible non-traditional funding sources and potential roles include the ***Regional Partnership Initiative*** program through Alberta Municipal Affairs which provides up to $75,000 for the development of a business plan and up to $150,000 to implement the business plan. The project must include at least 3 municipalities and contribute at least 25% of the total project cost, in addition to in-kind contributions. ***Alberta Economic Development*** also provides advice and may fund studies from time to time related to economic development opportunities in

[36] http:///www.aamdc.com/Policy/Publications/News%20Releases/AMIP%20Program%20Update.pdf

conjunction with airport operators. **Alberta Capital Financing Authority** provides loans for capital projects at the lowest possible rates to airport authorities that are recognized under the Alberta Regional Airports Authorities Act. As of May 2006, one airport has exercised this option as a source of funding for airport expansion projects. **Aviation Alberta** provides advice for member airport operators only and acts as an advocacy group for aviation issues for its members. **Western Economic Diversification** has provided funding in the past for aerospace related projects in the province, but this has yet to extend to airport projects.

- ***Saskatchewan***. The Department of Highways and Transportation owns and operates 18 northern airports at an approximate cost of $1.5 million/year. In 1974, the Department of Highways and Transportation assumed responsibility for the ***Community Airport Assistance Program (CAAP).*** The program provides financial assistance for airport operations and maintenance only. Previously it provided capital assistance but due to limited funding in recent years the focus of the program is now on community airport maintenance. Communities are classified as primary, secondary and local depending on their population, distance from nearby airport facilities and community service. The current allocation for the CAAP program is $111,800. To be eligible for classification under the program, a community must have a population of in excess of 300 people, and be located more than 16 km from an adequate airstrip. Eligible airports must have a minimum runway dimension of 3,000 ft x 75 ft. Primary and secondary airports can apply for assistance to a maximum of $2,800 once every four years for surface treatment.

  Although Saskatchewan does not currently have a provincial capital assistance program for community airports, several airports were able to access funding under the former Canada-Saskatchewan Municipal Infrastructure Fund, administered by Saskatchewan Government Relations.

  The 2005-2006 budget reduced the **aviation fuel tax** from 3.5 cents per litre to 1.5 cents. Transborder and international flights are exempt from aviation fuel tax through a rebate program.

  Saskatchewan airports are not eligible for assistance under the new gas tax deal for cities and communities.

- ***Manitoba.*** The province owns and operates 24 northern remote airports at a cost of $10 million a year. The province has two programs that provide financial assistance for its community airports that do not receive scheduled service. The ***Manitoba Airport Assistance Program (MAAP)*** provides grants to certified or registered public airports. The current budget allocation for these operating grants is $75,000/year. The MAAP is available to airports that have at least one runway 2,000 ft x 75 ft, has the ability to expand to 2,500 ft x 100 ft, is certified or registered for day/night Visual Flight Rules (VFR) flying, and meets all zoning requirements. The operating grants are $1,200 for airports with an unpaved runway and $2,400 for airports with a paved runway.

  Until 2004, the ***Manitoba Airport Capital Assistance Program (MACAP)*** provided financial assistance for airport planning and capital investments at small airports that were not owned by the Manitoba government or operated by airport authorities or qualify for ACAP assistance. The purpose of the program was to increase aviation safety and to support economic development. The annual budgetary allocation was

$300,000. The applicant had to agree to fund the proposed project on a 50/50 basis for projects valued at $5,000 or more.

The province exempts air cargo on certain international flights from the provincial fuel tax.

The province has supported several recent studies such a the provincial study of the viability of smaller Canadian airports; several business planning or feasibility studies related to the divestiture of an airport; has assisted the Winnipeg Airports Authority with at least one study; and has completed an economic impact study on aviation.

Several provincial staff are members of the Manitoba Aviation Council (MAC) and attend their annual conference; other staff attend meetings with the Association of Manitoba Municipalities (AMM) Airport Operators Committee; the province is a member of two Winnipeg Airports Authority Committees; and has attended RCACC meetings held in Winnipeg.

✈ ***Ontario.*** The province owns and operates 29 remote airports at a cost of $6.0 million/year plus $2.5 million/year in capital assistance for these airports. Through the Northern Ontario Heritage Fund Corporation[37], the ***Infrastructure and Community Development Program*** encourages partnerships that find effective ways to create jobs and improve economic prospects in the North through improvements to infrastructure. Although the program will not generally fund new airports or airport runway improvements, lighting and navigational systems, we understand that 6 airports have received some funding in the past. The program will fund other economic development activities which could be considered necessary to further an economic goal or improve the quality of life in Northern Ontario.

The Ministry of Transportation (MTO) previously offered a ***Municipal Airport Program*** which provided financial assistance to municipalities for the development and operation of a system of public airports. Capital subsidies were provided at the rate of 80% for basic infrastructure and 50% of the operating deficit to a maximum of $24,200 (in 1996/97). A total of 50 community airports were eligible for capital subsidy assistance with funding also provided for special projects. Municipalities remained responsible for the development, construction, operation and maintenance of municipal airports. Municipalities identified project needs and priorities based on the airport master plan, local transportation requirements, local economic development strategies, Transport Canada inspection reports, pavement evaluation reports, and business plans. The Ministry's involvement in administering the Municipal Airport Program included:

- Developing capital plans and funding priorities based on the inventory of needs and health of the airports system;
- Generating and allocating subsidy assistance and ensuring compliance with all capital and operating/maintenance subsidy approvals;
- Providing advice and guidance in planning, design, construction, operation, maintenance and administration of airports;
- Developing technical guidance documents;
- Promoting aviation awareness to airport administrators and to the general public;

[37] www.nohfc.com

- o Coordinating airport development with federal government and other agencies; and
- o Liaising with the federal government, provincial ministries/agencies and associations.

In November 1995, the province announced the withdrawal of subsidies for municipal airports starting in 1997/98. On January 15, 1997, in response to the recommendations of the *"Who Does What"* Panel, the province announced that municipalities would be fully responsible for funding municipal airports. The province felt that by clarifying provincial and municipal roles, the ministry was reducing duplication in the delivery of local transportation services to provide better service at lower cost to the taxpayer, and that local government should be responsible for the funding of a facility that is owned by the municipality. As a result, the province terminated both operating and capital subsidies for municipal airports effective April 1, 1997 except for outstanding contractual commitments and some exceptions[38]. Municipal airport operating subsidies for 1996/97 amounted to $.660 million with no subsidies in 1997/98, and capital subsidies were $2.962 million in 1997/98. The estimated operating and capital cost impact on municipalities for municipal airports in 1996/97 was $3.6 million (based on the provincial operating subsidy amount and the annualised capital replacement needs based on multi-year planning estimates). The following table summarizes the level of provincial support for the fourteen years between 1985/86 and 1998/99[39]. It is unknown how many of the 50 eligible airports applied for subsidies each year, but if we assume that all 50 did apply, the average operating and maintenance subsidy per airport ranged from $17K - $25.2, and the average capital subsidy (normal program which excludes subsidies for anti-recession, STIP and the Buttonville Airport lease) ranged from $57K - $118K.

Provincial Expenditures (Transfer Payments)
Municipal Airports Program
($ millions)

Fiscal Year	Operating & Maintenance	Capital	Total Transfer Payments
85/86	$0.96	$2.95	**$3.91**
86/87	$0.83	$2.86	**$3.69**
87/88	$0.85	$4.31	**$5.16**
88/89	$0.89	$4.84	**$5.73**
89/90	$1.11	$5.90	**$7.01**
90/91	$1.15	$5.38	**$6.53**
91/92	$1.16	$6.84 (normal pgrm $4.42)	**$8.00**
92/93	$1.26	$7.99 (normal pgrm $4.52)	**$9.25**
93/94	$1.16	$6.54 (normal pgrm $4.98)	**$7.70**
94/95	$1.15	$9.93 (normal pgrm $3.00)	**$11.08**
95/96	$1.15	$9.42 (normal pgm $3.87)	**$10.57**
96/97	$0.66	$7.01 (normal pgm $3.01)	**$7.67**
97/98 (est)	$0	$2.76	**$2.76**
98/99 (est)	$0	$0.89	**$0.89**

In 1998, Ontario's ***Municipal Capital and Operating Restructuring Fund (MCORF)*** was a one-time unconditional payment to the municipalities that had assumed the new airport funding responsibilities downloaded by the province. The

[38] Exceptions include supporting air access to remote communities without year-round road access, such as Pelee Island.
[39] Source: MTO *"Municipal Airports Program Wind-down– Who Does What"*

purpose of the MCORF funding was to assist the municipalities in seeding their capital reserves and to help maintain the airport infrastructure. The allocations for municipal airports were based on a contribution towards the five (5) year capital needs of airports and the average allocation distributed for forty-nine (49) municipal airports was $128,571.
The province has also supported various aviation and airport studies such as the provincial study of the viability of smaller Canadian airports; and this study of municipal airports in Ontario.

The province does not provide any aviation fuel tax exemptions.

In 2000, the province passed legislation that cause payments in lieu of taxes (PILT) for airport authorities to be based on a throughput measure such as passengers.

The province acts on behalf of the provincial airport/airline community in dealing with various other industry participants (e.g., federal government, NAV Canada etc) when appropriate. The province also participates in the CARAC meetings. Ontario also has provincial representatives on four airport boards of directors (minimal involvement in the appointment process); are members of AMCO, CACG and CAC. MEDT monitors, and from time to time meets with representatives of the airline industry (ATAC, IATA etc). The Ministry of Tourism and Recreation is part of a Federal – Provincial/Territorial group which reports and lobbies the federal government on aviation issues (e.g., ATSC).

Of interest is that the Governments of Canada and Ontario are each contributing up to $298 million to the **Canada-Ontario Municipal Rural Infrastructure Fund (COMRIF)**. With municipal investment, this program is expected to stimulate up to $900 million in infrastructure investments over five years to help meet local priorities. COMRIF has been responding to local needs and priorities by helping to provide cleaner water, better sewage systems, upgraded water management processes and safer roads and bridges. Airport infrastructure projects are not eligible under this program.

- ***Quebec.*** Transports Quebec owns 27 airports, mostly in remote locations, at a cost of $12 million a year plus $5 million/year in infrastructure investment. Seven of these 27 are operated in-house and 20 are operated by contract. 22 have scheduled services. There are no aeronautical fees or charges at the provincially owned airports. Some other government agencies e.g., Hydro Quebec also own and operate airports. The province implemented its Quebec Air Transportation Policy in recognition of the strategic role of air transportation in the economic growth of all Quebec's regions. The province provides financial assistance to municipalities and for air service to remote or isolated regions e.g., Air Fare Reduction Program ($650K/year) for isolated population of Nunavik, Lower Coastal North Shore, and Magdalen Islands; ad-hoc funding to develop new regular air services or to maintain regional air services; and an agreement with Air Canada for regional service at a cost of $2.5 million/year. The province also exempts jet fuels used for both international and domestic flights from fuel tax.[40]

  The provincial government funds studies from time to time on an ad hoc basis, for example the provincial study of the viability of smaller Canadian airports; a study

[40] http://www.fin.gc.ca/susdev/sdscat_1e.html

concerning the reliability and security of new generation single engine airplanes; air transport in Quebec; and a profile of regional air transport demand of passengers in Quebec.

The province does provide an advocacy role on behalf of the provincial airport/airlines community in dealing with various other industry participants, when appropriate; and they participate in CARAC meetings.

The province financially supports the Conseil des aéroports du Québec (CAQ), participates in their development, and has one observer on the board of directors. The province also financially supports the Association québecoise des transporteurs aériens (AQTA); and financially supports the Association des gens de lèair du Québec (AGAQ) which promotes the use of French language in the air transport industry.

- **Nova Scotia**. The province does not own or operate airports, nor do they provide any specific airport capital assistance. The province has however contributed to several airport studies such as the provincial study of the viability of smaller Canadian airports; and the Nova Scotia Office of Economic Development (NSOED) has occasionally provided funding for airport marketing and business plans. The province contributed funds to the start-up of the Atlantic Canada Airports Association (ACAA), maintains membership in the ACAA, and attends airport stakeholder and annual general meetings.

  Under the Canada-Nova Scotia Cooperation Agreement for Economic Diversification (EDA), the Sydney Airport Authority received $888K and the Yarmouth Airport Commission received $440K spread over two years (1998/99 – 1999/2000) for various items including hangar construction/expansion and development of marketing plans. Funding was 70% ACAO, 30% NSOED. No similar funding has been provided since 2000. The EDA expired on March 31, 2006.

  The province acts on behalf of provincial airports, airlines and community interests, including trade and tourism, in dealing with various other industry participants, as appropriate.

- **Newfoundland & Labrador**. The province owns and operates 22 airstrips (13 with scheduled service in Labrador and 9 without scheduled service on the island portion of the province), at a cost of $1 million per year for the 13 airports without scheduled service. Under a Federal-Provincial agreement signed in 1982, Transport Canada provides Capital Restoration (approximately $1 million/year) for the 13 Coastal Labrador airports.

  The province acts on behalf of provincial airports, airlines and community interests, including trade and tourism, in dealing with various other industry participants, as appropriate.

  Funding support (through the Department of Innovation, Trade and Rural Development) has been provided to cover the Trustees fees in the Stephenville Bankruptcy Protection (max. $150K) and a repayable loan guarantee (max. $350K) to facilitate credit settlement and restructuring costs.

  The province has supported several studies such as the provincial study of the viability of smaller Canadian airports; the Department of Innovation and Trade & Rural Development has funded a number of studies addressing airport viability, marketing opportunities, due diligence and business plans (as they are related to economic development). The DOT contributed funds to the start up of the ACAA and retains annual membership. A DOT representative also attends airport stakeholder and annual general meetings. The province has been requested to appoint, and has put forth names for consideration, for a representative to the two NAS airport and three of the Regional and local boards of directors.

The province exempts international flights from the aviation fuel tax.

- **Prince Edward Island.** The Department of Development has funded several capital projects such as the development of the Charlottetown Airport Business Park, and the province has participated in the provincial study of the viability of smaller Canadian Airports. The Charlottetown Airport is exempt from provincial property taxes. The province also contributed funds to the start-up of the ACAA and retains annual membership

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- **New Brunswick.** The province provides operational and capital support to small airports on an ad-hoc basis (e.g., $269K for snowplow equipment, and airport property survey, and interim operational support for the Charlo ($125K) and St. Leonard ($275K) airports to allow them to maintain their operations. A Federal/Provincial Infrastructure Program funding on a cost shared basis (1/3, 1/3, 1/3) assists with various airport infrastructure upgrades e.g., in 2002 $1.05 million ($3.15M in total) for Moncton airport, $1.5 million ($4.5 M in total) for a runway extension at Fredericton airport, and $270K in 2006 ($809K in total) for the construction of an 8500 sq. ft. multi-use pavilion at the Fredericton airport.

  The DOT has supported various studies including the provincial study of the viability of smaller Canadian airports and a study on the viability of potential cross-border air service. DOT has also assisted in purchasing airline data for use in research done by the department and by airports. The department also contributed funds to the start up of the ACAA and has a representative at airport stakeholder and annual general meetings; as well as has representation on the 3 NAS airports boards of directors.

  The Department of Finance offers a fuel tax rebate on international air service. The province also exempts airports from provincial property tax (over $1M in savings each year to NB airports).

  The province also participated in the travel bank that initiated Delta Airlines service between Fredericton and Boston by investing $240K into prepaid air travel to a 2-year period. Business NB also provided a $1M loan guarantee for this service. The Department of Tourism and Parks helped secure charter services for Moncton-Paris, and Moncton-Hanover for 2004 and 2005. Provincial funding was used to market these new services abroad (approx. $100K and $30K respectively). In 2004 the province pledged approximately $150K to the Bathurst airport for a $300K revenue guarantee/marketing campaign to retain Air Canada’s twice daily service to Montreal. The Province also launched a $500K New York tourism campaign to coincide with the introduction of a new Newark-Moncton service from Continental Airlines.

  The province acts on behalf of provincial airports, airlines and community interests, including trade and tourism, in dealing with various other industry participants, as appropriate.

3. Comparison to the United States

- The Federal Aviation Authority's (FAA) ***Airport Improvement Program (AIP)*** provides grants to public agencies and in some cases, to private owners and entities, for the planning and development of public-use airports that are included in the National Plan of Integrated Airport Systems (NPIAS). The NPIAS which is prepared and published every 2 years identifies public-use airports that are important to public transportation and contribute to the needs of civil aviation, national defence and the Postal service. For large and medium primary hub airports, the grant covers 75% of eligible costs, and for small primary, reliever and general aviation, the grant covers 95% of eligible costs. Eligible projects include those improvements related to enhancing airport safety, capacity, security and environmental concerns. In general, sponsors can use AIP funds on most airfield capital improvements or repairs except those for terminals, hangars and non-aviation development. Projects related to operations and revenue-generating improvements are typically not eligible for funding. The demand for AIP funds exceeds the availability, therefore the FAA bases distribution of the funds on present national priorities and objectives.

  2007 approved API funding is $3.52 billion[41] When AIP funding drops below $3.2 billion, all "entitlements" for GA airports are eliminated[42].

  There are 2,556 GA airports in the US, which rely heavily on AIP for needed infrastructure development.

- The **State Block Grant** program which began in 1987 currently includes nine states (IL, MO, NC, MI, NJ, TX, WI, PA and TN) whereby the Block Grant States administer the AIP funds by issuing AIP grants to GA, reliever and non-primary commercial service airports within the state. Block Grant States also play an important role in developing airport capital improvement plans, including: determining programming needs and project funding schedules; assuring sponsors comply with grant assurances; coordinating and approving airport layout plans; reviewing and approving requirement environmental documents; coordinating and approving on-airport construction studies; and responding to Congressional inquiries. The benefits of the Block Grant Program include but are not limited to: efficiencies in administrative functions and economies of scale; "one-stop shopping" through the State Aviation Office; States well positioned to prioritize projects with a better understanding of airports' needs, and financial abilities and economic development of local communities; and greater flexibility allowed in distributing Federal and State funds, along with matching dollars[43].

- States also spend approximately $400 million annually on airport development (20% to match federal grants, and 80% for state-only grants and loans)[44]. In 2002, NASAO stated that general aviation projects account for 35% of all funded projects in all categories, nationwide. Examples of State programs include:

  - **Pennsylvania** (www.dot.state.pa.us). The Bureau of Aviation administers 3 grant programs for airport development: the Block Grant Program (federal), the

[41] July 26, 2006: "Senate approves $3.52 AIP program for 2007" – Source: http://www.nado.org/lefaffair/issupdate/dot.php
[42] "Proposed FAA budget leaves little funding for small airports", March 2006, *Aviation International News*
[43] NASAO Briefing for TRB Session #228 Airport Improvement Program: Block Grant Impacts (January 14, 2002)
[44] ibid

Aviation Development Program (state), and the Capital Budget/Transportation Assistance Program (state), amounting to approximately $20 million annually. The Aviation Development Program (ADP) is funded through taxes on jet fuel and Avgas, the revenues from which are collected and deposited into Pennsylvania's Aviation Restricted Account. These funds are normally used to pay for eligible project costs up to 75% at state obligated airports and 5% at federally obligated airports. The amount available for funding through the ADP is currently $9.0 million annually.

- **Washington** (www.wsdot.wa.gov). Each year WSDOT Aviation provides crucial financial assistance to many of the state's 130 public airports through its Local Airport Grant Program. Any municipality or federally recognized tribe, which owns and airport that is open and available for public use can apply. The maximum amount WSDOT Aviation can award to an individual sponsor in a single grant is $250,000. WSDOT requires a minimum local match of 5%. Local matches can be in-kind volunteer labour and materials. In the 2005-2007 biennium, WSDOT has given $3.1 million in state funds to 47 airports. Under the new Airport Aid Grant criteria, requesting airport sponsors had to define projects that were specific to pavement, safety, and maintenance, security and planning.
- **Michigan (www.michigan.gov/aero).** The Airports Division administers the state airport development program which provides project management for the programming, planning, design, safety evaluation, and construction of airports throughout Michigan. The Bureau of Aeronautics works closely with sponsor to find innovative solutions to problems which threaten their airports. Grants are available to air carrier airports for capital improvement, carrier recruitment and retention, and airport awareness activities. Of Michigan's 243 public-use airports, 19 are served by scheduled air services.

APPENDIX G

CASE STUDIES

The following case studies are based on the ten site-visits made as part of this study. Information was gathered from airport management, tenants and community stakeholders. These case studies have been included with the approval of each respective airport manager

Atikokan

The Atikokan airport is owned and operated by the Township of Atikokan. It is a registered aerodrome, open on weekdays, and on weekends and holidays on an on-call basis. The airport has one paved runway (1067 x 30 m) and two taxiways. The runway was designed to handle Swearingen Metro 111 aircraft. Airport management deems all of the infrastructure to be in poor condition with the exception of the terminal building (102 m2) which is in fair condition. Airside pavements are cracking due to frost heaving at certain areas, with sub-structure failure. The airport dropped its certification several years ago due to the poor runway condition. The airport is staffed by two people, although not full time on airport operations – the Public Works Director and the Public Works Foreman who is at the airport daily.

The population of Atikokan is 3,500. Key industries include forestry (wood by-products) and energy, and recently there is a renewed interest in mining. Industrial opportunities include a proposed new $70 million LVL wood processing plant that would create 140 jobs, and a proposed $4 million bio-fuel applied technology facility to be built in Atikokan. These projects are both multi-million, multi-year project requiring various scientific, engineering and technical experts to fly into the site. The alternative would be for them to fly into Thunder Bay and then drive 2.5 hours to Atikokan. Atikokan is also a popular tourist site (visitors from Thunder Bay and International Falls). The community is targeting Americans, however the airports does not currently have customs services. The Economic Development Office is also working to bring Atikokan into the golf tour circuit, as well as to help develop the lodge /camp market.

The primary uses of the airport are for corporate use, medevac and aerial forest fire fighting. It is also considered an important east-west fuel stop. Other uses include a strategic site to support Quetico Park (bring supplies in/out), for MNR wildlife surveys, and to assist the OPP with search and rescue activities.

> "I feel strongly that the airport is an essential part of delivering adequate health care to the patients of Atikokan and that the loss of the airport facilities would hamper our ability to manage seriously ill patients and would undoubtedly result in delays in diagnosis and treatment. This would almost certainly contribute to increased patient morbidity and mortality". Roberto Campanaro, M.D.

The Atikokan General Hospital relies on air ambulance services for the transfer of both critical and non-critical patients. Many patients are transported by fixed wing aircraft as the helicopter is not suitable for the length of trip required. Examples of this are patients who travel to Winnipeg for cardiac angioplasty, patients going to Duluth for neurosurgery, and patients who go to Toronto for neo-natal obstetrics. In addition, the Thunder Bay Regional Hospital is often closed to the region (at capacity) in which case the patients have to go by air to hospital further away. If the Atikokan airport were not available for fixed-wing air ambulance use, it would mean up-staffing the land ambulance with another crew, at an estimated cost of $500,000/year (exclusive of overtime, fuel and ambulance maintenance costs). Aside form the significant incremental cost, the most critical impact would be loss of service as land based transfers require at least four to five hours for a round trip. With an aging population, access to air ambulance services becomes more critical.

Atikokan is also a strategic location for MNR forest fire fighting activities, as the area is surrounded by forest. If the airport were unavailable, forest fire suppression activities would be provided out of Dryden and there would be a reduced response time.

Both the ambulance service provider and MNR have indicated concern regarding the failing infrastructure. If not addressed, there will come a point where service can no longer be provided from this airport.

The Township recognizes the importance of the airport to the community; however the municipal well is dry. In 1992, the Township estimated its capital requirements to be $3.1 million to bring the airside infrastructure up to standard however the amount in airport reserves is only $100,000, and the entire Township's capital budget is only $400,000 a year. Given the small population base, a 1% tax increase would be required to fund a $20K capital project. The Atikokan airport is not financially self-sufficient, although its annual operating loss is less than half that of the average for non-ACAP eligible airports that provided financial data for this study. Overall, the Atikokan airport is typical of many small GA focussed municipal airports in the north as it does not have scheduled service, the community has a small population base, and the airport is critical to providing essential public services.

Brockville – 1000 Islands Regional Tackaberry Airport

The Brockville airport is owned by the Corporation of the City of Brockville and located in the Township of Elizabethtown-Kitley. The airport is located half way between Kingston and Ottawa (80 kilometres from scheduled service and Kingston, and 80 km from Ottawa for trans-border service). The airport is operated by Brock Air Services Limited. It is a registered airport with one paved runway (1,372 m) recently paved and extended, and one turf runway. The taxiways are considered to be in poor condition however the aprons are in good condition. The other airport infrastructure, including the terminal building, is considered to be in good condition. The airport is managed by four people however only the airport manger is full-time.

The strengths of this airport are the runway length, a published IFR approach, and on-site maintenance staff. The airport is however challenged financially. When the provincial airport subsidy program ceased, the airport needed to come up with other ways of generating sufficient operating income. Airport management has been very creative and successful in this area; for example they now lease out 200 acres of land for agriculturally purposes; and they received sufficient external/private funding for a runway extension which now enables corporate jets to land at the airport, in turn increasing revenues. Airport management has also been very successful in marketing and promoting the airport to both City Council and to the community at large. They call the local press every time a corporate jet lands at the airport; they have conducted an economic impact study; they asked the local industry for letters of support before asking for money; they fostered a relationship with their MPP, and they worked in the industrial economic development committee to develop new opportunities for community growth; and they promote local fly-in breakfasts with the flying club.

The airport also plays an important socio-economic role in terms of medevacs, a military base during the ice-storm, a base for MNR's rabies bait program, and a base for search and rescue operations. Brockville is central to the united counties (east west) and is the only airport with Jet fuel and Customs in the area (other than Kingston).

The Brockville Airport is not financially self-sufficient, and incurs an annual operating loss typical of the average for non-ACAP eligible airports that provided financial data for this study. The Brockville Airport is considered a typical small municipal GA airport in southern Ontario in that it does not have scheduled service, and the airport is very important to local industry.

Earlton-Timiskaming Regional Airport

The Earlton-Timiskaming Regional Airport is owned and operated by the Township of Armstrong; and managed by a municipal services board comprising 18 municipalities. It is one of the only year-round airports within 100 km. It is a certified aerodrome, with one paved runway (6,000') and one gravel runway (3,500'). The runway was designed to handle Boeing 737 aircraft. Airport management deems the airside infrastructure as well as the equipment to be in poor to fair condition. The terminal building however is in excellent condition as it is new. The airport is staffed by four people including one part-time bookkeeper.

The population in the catchment area is approximately 25,000, and is growing. The key industry is forestry and the major employer in the area is Grants Forest Products. In fact, Grants Forests Products contributed one-third of the cost to build the new terminal building and hangar, and operate their executive and charter air services from this location. Grant Forest Products employs fifty people in their flight department, and 450 people locally for forestry operations Mining is also very important in this area – there is potential for new mining activity in the near future.

Airport management works closely with economic development agencies both locally and regionally, as well as the Chambers of Commerce. It is recognized that the airport plays a key role in attracting businesses and health professionals, not to mention tourists.

The airport is feeling the effects of regulatory burden – for example, fencing for wildlife control is estimated at $1 million; airport management indicated that the time limit on their exemptions are now running out.

Although the airport is not financially self-sufficient, airport management is very proactive and creative. Landing and maintenance fees have been increased to bring them in line with other airports; federal funding from various departments has been secured for various works in recent years; they are trying to attract new scheduled service; and fuel is being sold to the mining exploration sector.

Earlton-Timiskaming Airport is a typical example of a small GA focussed municipal airport in the north in that it does not have scheduled service therefore it is not ACAP eligible. It is however eligible for FedNor funding. The airport is very important to local industry, and essential in the provision of essential public services.

Kingston (Norman Rogers) Airport

The Kingston (Norman Rogers) airport is owned and operated by the City of Kingston. It is a certified aerodrome with two paved runways of 1,524 m and 1,199 m. The runways are considered acceptable with the remainder of the airside infrastructure in good condition including the air terminal building, security fencing and maintenance garage. Administration and operations includes five full time staff. The Airport Manager reports through the Director of Transportation who reports to the Commissioner of Public Works and Emergency Services, who reports to the CAO. Some administrative and operational functions are centralized within the City.

Scheduled passenger air services are provided by Air Canada Jazz, with charters and flight training available through on-site tenants. Aircraft movements for 2005 totalled 29,739. Following a 4.4% rise during 2001, passenger volumes started a declining trend in 2002, as a result of a combination of factors which included the effects of September 11, 2001, SARS, the downsizing of the economy and the receivership of Air Canada. A total of 68,895 E/D passengers were recorded in 2005.

The airport has also been home to the Kingston Flying Club for the past seventy-seven years. Customs services (CANPASS) are available 24/7 and considered a key service as US traffic has tripled in the last three years (many US citizens own 1000 Islands properties).

The current population of the Kingston Census Metropolitan Area is estimated at158,353 and is growing. The economy of Kingston has historically been driven by government services, education and health. Kingston is a regional centre for medical care - one of four cancer clinics in the province; hosts two major post-secondary institutions (Queens' and RMC); as well as several correctional facilities.

City Council is quite supportive of the airport, and the airport has just begun the process of developing a Master Plan which will guide long-term development. In addition, the airport regularly commissions economic impact studies and compiles statistical information.

Kingston (Norman Rogers) Airport is a financially self-sustaining municipal airport. It is considered a typical example of a commercial airport offering scheduled passenger service, in the south-eastern part of the province.

Muskoka Airport

The Muskoka airport is owned and operated by the District Municipality of Muskoka. It is a certified aerodrome, with one paved runway (1,829 m). Airport management deems the airside infrastructure, vehicles and roads/parking area to be in fair to good condition however the terminal building requires work. Airport management includes four full time staff. The airport manager reports through the Commissioner of Planning and Economic Development who reports to the CAO, who reports to the Muskoka Airport Committee Chair.

There are no scheduled services at the Muskoka airport, however the airport does see many private aircraft during the summer months, as the Muskokas are a high-end tourist destination, and many celebrities and wealthy business people (both Canadian and American) vacation in the area. The key strengths of this airport are the availability of customs services, and the runway length which is sufficient to handle corporate jet aircraft. The airport also serves as a base for MNR, and a new base for Air Ambulance services. Muskoka is a strategic location for emergency medical services as it is close to the highway and to two hospitals; the airport also serves as an emergency landing spot during disasters. If the airport did not exist, patient transfer time (by land) would increase three-fold. MNR conducts resource management surveys out of Muskoka airport, and also supports Algonquin Park from this location. Given the long runway length, this airport can serve as a fire base for the province's CL-415s.

Muskoka Tourism deems the airport "critical" as without it, travel to the area would be limited to vehicular traffic and intermittent train and bus service.

A recent economic impact study completed to raise community and Council's awareness of the importance of the airport concluded that the airport generates in excess of $30 million for the community, even though it operates at a loss. The airport has been working hard recently to dispel the idea that the airport is only for the rich, but an important community asset.

The airport is not financially self-sufficient, and its operating loss is somewhat greater than the average of non-ACAP eligible airports reporting financial data for this study. Airport management has recently chosen to sell airport land as a method of generating on-airport business – it is premature to comment on the results.

The Muskoka Airport is a typical example of a certified GA airport operating within a municipal structure however it is not typical in that it caters heavily to high-end private and corporate aircraft owners on a seasonal basis.

Pelee Island Municipal Airport

The Pelee Island Municipal Airport is owned and operated by the Corporation of the Township of Pelee. It is a certified airport with a paved runway of 3,300' and a gravel runway of 1,800'. The airside infrastructure is in very good condition, in large part due to ACAP funding. The airport would however benefit from automatic weather reporting, hangars and fuel service. The small terminal building however is in very poor condition. The airport is managed by one staff member who spends approximately 20% of his time on airport operations, and the rest on other municipal functions. There is also a part-time assistant who has a minimal amount of time on airport operations. Although maximum cost efficiencies have been gained, and the airport is staffed at bare bones levels, the airport incurs annual operating losses well in excess of the median loss of ACAP eligible airports that provided financial data for this study.

The population of Pelee Island is approximately 247, however it reaches a high of approximately 2,000 – 3,000 during the summer season. The key industry is tourism – the Pelee Island Winery (vineyard) is located on the island and is a major employer. Other industry includes agriculture and other tourism such as bird watching and pheasant hunting. There are currently proposals being developed for a golf course and high-end condominiums, although the details including timing remain undetermined at this time.

Air is the only method of access during the winter, as the ferry to the mainland closes for 3-4 months. During this time, high school students are flown via Cessna Caravan to the mainland (out on a Sunday, returning Friday). Georgian Air[45] provides scheduled service, and also provides charters for UPS (school supplies, medical supplies, groceries, and mail).

[45] Georgian Air receives provincial subsidies

There is no doctor on the island, therefore patients in need of a routine physician appointment must go to the mainland. In the winter, air transport is the only way to reach the mainland for these routine medical services. During this time, water samples are also transported by air twice weekly to the mainland for testing.
The airport is an official port of entry and during the first nine months of 2006, the airport has seen 875 international flights with a total of 3,279 international passengers.

Air service is clearly critical to the community, given its isolation during the winter months. This is not typical of a municipal airport, particularly in the southern part of the province.

Peterborough Municipal Airport

The Peterborough Municipal Airport is owned by the City and operated by the Municipality. The airport is located within the Township therefore it is the Township, and not the City (the airport owner) that reaps the financial benefit from taxes generated at the airport. Airport operations are sub-contracted to a private operator who has a full-time staff of two. The airport is certified and has one paved runway (1,525 m) and one turf runway. Airside infrastructure is deemed to be in good condition, however the terminal is considered fair. The roads and parking, as well as the maintenance building are in need of repair.

The Peterborough Airport is a transportation hub for other communities, towns and cities within 100 km of the airport. The airport is not operationally self-sufficient, and incurs annual operating losses slightly above average for non-ACAP eligible airports that reported financial data for this study.

The airport no longer has scheduled service however they do have CANPASS services which facilitate corporate activity (although CANPASS is not available beyond 4 pm on weekdays and generally unavailable on weekends). There are nineteen tenant organizations on-site.

Peterborough's population is 71,445 and is growing. Key industries that use the airport include auto parts manufacturers, chemical products, aerospace controls, mining, hydro and oil reclamation and financial services. MOH and OPP are also key users of the airport, as is DND for training.

Peterborough's economic development office is in its infancy stage however they are committed to working with the airport – for example they would like to have an aviation related topic at the next conference. City Council recognizes the airport as a serious employment zone with potential. The focus of the airport is as an aviation industrial park – it is close to major centres, it has a runway of sufficient length to handle larger aircraft, it has land available for development, and costs are low. The airport is being thought of as an employment zone as well as a transportation zone.

The Peterborough Municipal Airport is considered a typical southern GA airport operating within a municipal body.

Sault Ste. Marie Airport

The Sault Ste. Marie Airport is owned and operated by the Sault Ste. Marie Development Corporation (i.e., privately owned), although it serves the interests of the municipal community. The airport is certified with two paved runways (1,829 m each) considered in good condition. The airport has sixteen full time staff; and the airport manager reports to a Board of Directors.

The strengths of this airport are that there is no political involvement, the multi-tasked workforce and active Board participation. It is challenged however by declining passenger traffic (due to its proximity to a US airport with lower fares), high municipal tax payments, and an increasing regulatory burden. Much of the airport's revenue is dependent on aeronautical sources; and although the airport is looking for revenue diversification (e.g., development of a 4-seasons entertainment venue featuring moto-sports on airport property), it is actively seeking new air service opportunities by offering incentives to new carriers.

The population of Sault Ste. Marie is 74,500 and is considered stable. Key users of the airport include MNR which bases its Aviation Services operation at the airport (incl. winter maintenance base for the water bombers), Algoma Steel, the Ontario Lottery Corporation, the Sault Area Hospitals, Sault College and other government offices (that travel to Toronto). The Economic Development Office understands that if senior corporate executives are to remain in the area, that efficient and cost-effective air service (typically going west) must exist. A $54 million Gateway site (including a sports & entertainment centre) is also currently being built in Sault Ste. Marie which is expected to drive up tourism numbers The airport actively works with Tourism Sault Ste. Marie, the Sault Ste. Marie Economic Development Corporation, the Chamber of Commerce, as well as travel agents to increase awareness and develop opportunities (e.g., joint marketing for international visitors). The City is also in the process of completing a multi-modal study of which the airport plays a part (potential to be a staging area for cargo destined for the US.

Sault Ste. Marie is a typical commercial airport in that it competes for air service. Its ownership structure however is more likened to that of an airport authority or commission than one operating within a municipal structure. There are no municipal subsidies available to this airport however the airport is eligible for ACAP funding. The Sault Ste. Marie airport is not financially self-sufficient, due to the high level of municipal taxation applied to the airport owner.

Sioux Lookout Airport

The Sioux Lookout Airport is owned by the Municipality of Sioux Lookout and operated by the Sioux Lookout Airport Commission. The airport is certified with one paved runway (1,615 m) which is considered to be in poor condition. The airport has 10.5 full time staff; and the airport manager reports to the Airport Commission. The airport is financially viable, and is able to cover both its operational and capital needs subject to ACAP and other capital infrastructure programs being in place.

Scheduled services are provided by three carriers. The airport also provides charter services, flight training, aircraft maintenance services, and supports other GA flying (private and corporate) as well as public service flights. CANPASS services are also available to support the US tourism market. Air traffic has continued to grow in the past four years, with 2005 seeing 32,680 aircraft movements. Passenger traffic has also increased the last two years and was at 136,000 E/D passengers in 2005. Air cargo is also important to the community as food and basic supplies and equipment are shipped north.

The community's population is 5,800 and is growing. Sioux Lookout is the service hub for 29 northern communities where air access is the only way in/out. Key users of the airport include the Meno Ya-Win Health Centre, Tikinagan Child and Family Services, and Health Canada. There is also a new hospital being built in the community, and new mining research on the horizon. Airport management believes the success of this airport is in large part due to its location, and its ability to build strategic partnerships with the First Nations they serve.

The municipality is supportive of the airport and understands the benefits to the community and to the communities they serve. Tenants have indicated that the airport has been responsive to their requests and does not seem encumbered by 'red tape', and that the airport has a long-term vision.

Sioux Lookout is not a typical municipal airport but is representative of airports that are hubs for northern communities who rely on air transportation as their main transportation system.

Stratford Municipal Airport

The Stratford Municipal Airport is owned by the City of Stratford, but located in the Township which means taxes are paid to the Township not the airport owner. Operations are sub-contracted to the owner of the flying school. The airport is certified, and has two full-time and two full-time employees. The airport manager reports to the Economic Development Office. The runway is beginning to show its age and the City is putting away $50-$60,000/year in reserves. The terminal building is in excellent condition.

There are no scheduled services at the Stratford Airport. The airport sees primarily corporate traffic, has a flight training unit based at the airport, has 43 based recreational aircraft, and supports medevac activities. With the Toyota plant in Woodstock (within 35 km), there has been an increase in corporate traffic and just in time delivery of parts. Companies in town are typically US based therefore the airport sees much visiting aircraft.

Both the City and the community at large are supportive of the airport, and understand the economic importance of it. The Economic Development Office uses the airport's existence as a selling feature when trying to attract new businesses to the community.

Tourism is also a large market for Stratford, particularly with the Stratford Festival. Private aviators fly from all over to come and see plays.

The airport is challenged by the current regulatory environment. It is also hoping for a GPS approach, and weather reporting to improve services. Another challenge exists in that there have been times where the Township and the City do not share similar views on airport issues or development.

Stratford Municipal Airport faces the same challenges as most municipal airports, however they are fortunate that they have a direct relationship with Economic Development, and that the City is very supportive of the airport. Their infrastructure is also in better condition than most. The economic development of Stratford relies heavily on tourism and the airport is seen as a key access point for this market.