

City Staff Report

Report Date: November 25, 2020

Meeting Date: December 1, 2020

To: City Manager

From: Director of Community Services

Subject: Airport Strategic Initiatives

Purpose

The purpose of this report is to provide information to Council regarding the management of the Quesnel Regional Airport and to identify potential strategic initiatives that will improve the airport's long term financial viability.

Summary

Specifically this report will:

1. Provide an overview of the recommendations of the 2015 Airport Business Plan by Dillon Consulting and provide commentary on their recommendations and an update of actions taken to date.
2. Provide an update on recent factors that have impacted operations at the airport, most notably the COVID-19 pandemic and the actions taken to date.
3. Provide clarification regarding 'Registered' and 'Certified' status of the airport, the process to change the airport's status, and an overview of the pros and cons of maintaining 'Certified' status or becoming a 'Registered' aerodrome.
4. Recommend specific strategic actions going forward with regard to the airport in order to improve its long term financial viability.

Recommendation

This report is provided for information and discussion

Attachments

- Airport Business Plan Review of Recommendations

Background

2015 Airport Business Plan

- Dillon Consulting completed a Business Plan for the Quesnel Regional Airport in 2015. A previous Business Plan had been completed in 2006.
- The 'Recommendations' provided in the Business Plan are, in many cases, self-evident objectives with only vague direction provided with regard to how to achieve them (roughly the equivalent of telling a business that in order to increase sales they should get more customers).



- In the case of the 'Other Strategic Actions' provided in the Plan, many of these suggestions arose during the stakeholder brainstorming sessions. Many of these ideas are impractical, unrealistic, or unlikely to increase air traffic or airport revenues and were often suggestions of a single individual at a stakeholder meeting.
- A summary of the 'Recommendations' and "Other Strategic Actions' recommended by Dillon Consulting in their 2015 Business Plan is attached with comments and an overview of the actions taken to date.

Recent Factors Impacting Airport Operations

- Our commercial air carrier, Central Mountain Air (CMA) experienced a significant decline in passengers due to the COVID19 pandemic in mid March which led to a decrease in the number of flights to and from Quesnel and ultimately a complete suspension of service in April, 2020.
- It is expected that CMA's suspension of service will result in a loss of approximately \$275,000 - \$300,000 in airport revenues in 2020, that similar losses will continue into 2021, and depending on how long the pandemic remains a factor, possibly beyond that.
- In response to the projected revenue shortfall the City has taken a number of actions to reduce capital and operating expenditures and at this time it is expected that the net negative impact on the 2020 budget will be in the range of \$30,000 - \$40,000.
- The City actively lobbied for Provincial and Federal Government support to help sustain regional airports like the Quesnel Regional Airport.
- In November the City was advised that it would receive \$2.5 million from the "COVID-19 Safe Restart Grants for Local Governments" which is intended, in part, to help local governments address revenue shortfalls due to COVID-19, such as those experienced at the Quesnel Regional Airport.
- While the COVID Safe Restart Program is not specifically intended to support airport operations, it is funding that can be used to help offset lost revenue caused by the COVID-19 pandemic and can enable the airport to remain sustainable in the short term.
- Despite the absence of Central Mountain Air flights, the airport remains an essential transportation hub for private and corporate air traffic, wildfire suppression efforts, and air ambulance transfers.
- There have been a number of positive developments at the airport in 2020 despite COVID-19, including the doubling in size of the fire attack base and a new lease with a company interested in establishing a light manufacturing operation in Quesnel that may, at some point, involve shipping product by air throughout Northern Canada.
- The combined direct impact of these two leases is an increase in airport revenue of nearly \$20,000/year. Additionally there are indirect benefits to the community and the potential for secondary revenue for the airport through increased air traffic movements and fuel sales.
- In recent months charter flight activity has increased considerably and fuel sales have been robust, despite the absence of commercial scheduled flights.



- In the fall, the airport purchased de-icing equipment from Central Mountain Air in order to ensure that aircraft, including charters and air ambulance, can depart from the Quesnel Regional Airport in winter conditions.

Certified Airport Status

- There are two different categories of aerodromes in Canada, (excluding those that consist of small airstrips on private property): Public airports are either Certified or Registered.
- The Quesnel Regional Airport is a Certified Airport.
- Certified Airports are certified under the Canadian Aviation Regulations (CARs) in order to protect both the fare-paying public and people residing in the vicinity of the airport who could be affected by unsafe airport operations.
- Aerodromes must be 'Certified' if they are used by an air carrier as a main operations base or for scheduled passenger carrying service. Airports may also be required to be 'Certified' if they are located in a densely populated area or if the Minister considers certification to be in the public interest.
- Certification requires an operator to maintain and operate the site in accordance with applicable standards listed in Transport Canada's TP 312— Aerodrome Standards and Recommended Practices (TP 312).
- Transport Canada staff conduct regular inspections of Certified Airports to ensure compliance with these standards.
- Registered Aerodromes on the other hand are listed but are not certified as airports in the Canada Flight Supplement (CFS).
- Registered Aerodromes are not subject to ongoing inspection by Transport Canada however they are inspected periodically to verify compliance with CARs and to ensure the accuracy of information published in the CFS. While it is recommended that Registered Aerodromes follow TP 312 standards, it is not a requirement, and a much lower standard applies.

Pros and Cons of Certification

- There are advantages to being a Certified Airport. The primary advantage is that an airport must be 'Certified' to have scheduled passenger service, whether from a commercial airline or from charters.
- The other significant advantage is that only Certified Airports are eligible for the Airports Capital Assistance Program (ACAP) which provides 100% funding for eligible projects.
- The City currently has an ACAP application submitted for an \$8.5 million project to repave the runway at the airport.
- The primary disadvantage to being a Certified Airport is the onerous administration requirements and costs associated with compliance with Transport Canada regulations.
- As a Registered Aerodrome, the airport would no longer be required to adhere to TP 312 standards and therefore would not be required to maintain manuals/plans like the Airport Operations Manual, Winter Maintenance Plan, and Wildlife Plan. It would no



longer be necessary to organize emergency exercises, maintain a Safety Management System or undertake numerous other administrative tasks required by the regulations.

- Cost savings could be realized if the airport were reclassified as a Registered Aerodrome however most of those savings would be as a result of eliminating or significantly reducing the role of the Airport and Transit Supervisor which may not be advisable if the City would like to attract more air traffic and business to the airport.
- The estimated direct cost savings of becoming a Registered Aerodrome is approximately \$45,000/yr, primarily as a result of reducing the role of the Airport and Transit Supervisor.
- The primary advantage to being a Registered Aerodrome is the reduced administration required to comply with TP 312 and the significantly reduced oversight by Transport Canada. While there are some cost savings associated with becoming a Registered Aerodrome, they are not significant and reducing the role of the Airport and Transit Supervisor may be counter productive if the City hopes to diversify the revenue streams at the airport.
- The primary disadvantage to being a Registered Aerodrome is that the airport would no longer be able to have scheduled passenger service, including most charter flights which would significantly impact its role as a transportation hub. Some aircraft may not be willing, or be restricted from landing at a non-certified airport.

Current Situation Regarding Certification

- There has been no indication that Transport Canada has any intent to alter any airport's status as a result of COVID-19 so while passenger flights have been suspended in Quesnel, there is no reason to think that Transport Canada has any plans to de-certify the Quesnel Regional Airport at this time.
- There is no mechanism to temporarily suspend Certification. If the Quesnel Regional Airport were to become a Registered Aerodrome and then wanted to become certified again, the process would be onerous and time consuming.
- It is not clear at this time when the aviation industry can expect to return to normal but it is reasonable to assume that if commercial flights do not return to Quesnel within a reasonable period of time after the pandemic has subsided, the City may decide that it no longer makes sense to operate a Certified Airport or Transport Canada may determine that since there is no passenger service in Quesnel they will decertify the airport.
- While it is onerous for the City to continue to comply with TP 312 and maintain its status as a Certified Airport, it makes sense, for the time-being, to continue to do so, so that in the event that CMA, or another carrier, indicate that that they would like to provide scheduled passenger service to Quesnel they can begin operations quickly.
- Maintaining 'Certified' status for the time being will also allow the City to remain eligible for ACAP funding as long as possible.
- While applications submitted to ACAP are required to provide passenger statistics for a three year period and it is reasonable to assume that at some point if the Quesnel Regional Airport has had no passenger service for multiple years it will not be eligible for funding regardless of whether or not it is a Certified Airport, that is not an immediate



concern in light of COVID-19 and we would not want to take steps that would jeopardize the \$8.5 million application we have already submitted.

- A long term decision of whether or not the Quesnel Regional Airport remains a Certified Airport can be avoided for the time-being but a decision will need to be made after the pandemic subsides. If passenger service does not return and there is no prospect for another carrier to provide service in the near future, it is likely that either the City or Transport Canada will determine that it no longer makes sense to retain certification.
- Staff recommend that the City take all reasonable steps to attract another airline carrier if it is determined that CMA has no plan to return to Quesnel after the pandemic has subsided, before relinquishing the Quesnel Regional Airport's 'Certified' status.

Diversification of Revenue Streams:

- While the COVID Safe Restart Program can be used to support the airport and allow it to remain sustainable during the current crisis, it is apparent that the Quesnel Regional Airport is reliant on passenger service, which may or may not return after the pandemic subsides and more should be done to diversify airport revenue.
- In recent years efforts have been made to attract commercial tenants and establish more aviation related activities to the airport however the daily demands of operating the airport have made this difficult. In recent weeks the Airport and Transit Supervisor has started to shift his focus to work on pursuing new revenue streams, attracting new commercial activity, and increasing existing revenue sources.
- It is important for staff to continue to expand on efforts to increase airport revenue so that regardless of whether or not commercial flights return or whether or not the aerodrome remains certified, revenue sources for the Quesnel Regional Airport are diversified to provide for its long term sustainability.

Proposed Specific Strategic Actions

The following are the proposed strategic actions the Airport and Transit Supervisor plans to focus on over the next year in an effort to diversify revenue sources for the airport:

1. Work closely with the Economic Development Department to target light industry for the sale of land or long term leasing opportunities, including manufacturing operations that rely on "just in time delivery", shipping operations that require access to transportation in order to ship their products to market quickly, and businesses that have corporate flight departments that could be based at the airport.
2. Work closely with the Economic Development Department to target helicopter operators in the region, including those currently based in Prince George and those who provide outback tourism opportunities, to convince them to relocate or expand their operations to the Quesnel Regional Airport.
3. Work with existing tenants at the airport, in particular Firewolf/Kismet Management Ltd. to expand their operations and explore development opportunities at the airport. Firewolf/Kismet have expressed interest in additional business ventures including the possibility of building new hangars at the airport.
4. Enter into negotiations with the flight school in Vanderhoof to establish a satellite school at the Quesnel Regional Airport or to relocate their base operation to Quesnel.



5. Proceed with a subdivision of lands at the airport to create lots for sale and/or long term lease in order to streamline the purchasing/leasing process, making it easier to attract new tenants to the airport. Review standard lease policies and practices related to term length and vesting of assets to ensure they do not act as deterrents to development while at the same time, continuing to protect the City's interests at the airport.
6. Work with the Economic Development Department to identify businesses that have a demand for charter flights that could use the Quesnel Regional Airport as a departure point and encourage them schedule charter flights at the airport. Target charter companies and encourage them to use the airport.
7. Develop a business case for a City owned Fixed Base Operation including a second fuel station at the airport. Work with Economic Development Department staff to identify potential funding sources.
8. Review airport policies and practices to maximize revenue generation while at the same time attracting air traffic at the airport. Options may include simplifying and adjusting fee structures, aggressive market-driven fuel pricing, and the provision of additional value added services.
9. Explore unconventional revenue streams such as rentals for non-aviation activities and events after COVID has subsided.
10. Work with other City Departments to attract ride-sharing companies to establish operations in Quesnel to provide service to the community-at-large, which will also benefit the airport by addressing transportation gaps for passengers and pilots.

Airport Business Plan Review of Recommendations December 1, 2020

#	Recommendations	Recommended Actions	Staff Comment
1	Car Rental	Contact Rent a Wreck Survey Passengers on CMA Survey Hotel Guests Prepare a Proposal	Staff have aggressively pursued potential car rental companies, including Rent-a-Wreck. In February 2019 we were successful in attracting a Williams Lake car rental business to set up a satellite operation at the Quesnel Regional Airport. From our perspective, the arrangement was very successful however when the company sold later that year they suspended operations in Quesnel. Before arrangements with the new owners could be made for a possible resumption of services, the COVID pandemic impacted commercial flights into the airport. It is unlikely that rental car service at the airport will return unless commercial air traffic resumes or there is a significant increase in passenger charter services.
2	Airport Zoning	Prepare Master Plan for Airport Prepare Development Permit Area/ OCP Amendments Prepare Land Use District	The Development Services Department completed a review of Land Use Policy for the City and a revised Official Community Plan was approved by Council in 2019. The City determined at this time that no significant changes were required to zoning at the airport and that the current M-3 Zoning incorporated the desired uses at the airport permitting aviation related and light industrial uses at the airport.
3	Fixed Base Operation	Promote Tax Exemption Reduce Lease Rate for Five Years Extend Lease to 40 years Allow Operator to take over Cargo	The City entered into a lease agreement with a local business in 2014 for a portion of land immediately adjacent to the terminal building with the hope that a multi-use hanger would be constructed that would

		<p>Expedite the development and building permit process</p>	<p>serve as an FBO. Unfortunately, the tenant terminated their lease early and did not construct a hanger on the site. Lease agreements are negotiated on an individual basis and may be considered for any length term including those for 40 years. Council indicated a willingness in 2019, contrary to the recommendation in the Business Plan, to sell land to a private developer however this venture also did not come to fruition due to financial issues for the developer. Promoting the tax exemption was done with the private developer who was considering purchasing property. We had planned to move forward with a subdivision of land at the airport to create potential lots for long term lease or sale however this work did not go forward in 2020 due to COVID-19. There is presently no cargo business at the airport for an operator to 'take over'. Reducing lease rates below market value, may contravene the Community Charter.</p>
4	<p>T Hangers and General Aviation Expansion</p>	<p>Identify land for taxiway and T hanger development</p> <hr/> <p>Promote in aviation magazines and on-line</p> <hr/> <p>Develop list of interested parties in T hangers</p>	<p>In recent years we have had multiple developers express some interest in building T Hangers at the airport however none have been realized. A recent developer has indicated an interest in developing T-Hangers on land they have leased. We have a list of private plane owners who have expressed an interest in leasing T-Hanger space. Taxiway upgrades may not be required to support T-Hanger development however a new lease holder at the airport has expressed interest in expanding taxiways if their business activity expands to include shipping their product by air.</p>

5	Campbell Crescent Airside Access	Develop Plan and Cost to extend taxiway Develop amortized cost for access Meet with land owners	At present it is not believed that there is sufficient interest to pursue this. The plan recommends that should there be an interest from businesses on Campbell Crescent, the cost of taxiways and security be borne by the businesses being provided with airside access. At this time it is not considered a priority however should greater interest be expressed, staff could pursue this opportunity.
6	Joint Marketing	Develop marketing strategies with support and financing of all stakeholders	A community wide branding exercise to promote attraction and retention has been developed by the City. While this marketing isn't specific to the airport, all efforts to promote the community can benefit the airport. Specific to the airport, the airport has been added to the City's Areas of Opportunity on the City website and the City's economic development staff have developed a land prospectus for the airport and a 'flat sheet' that has been distributed by staff at outside events and conferences (prior to the pandemic). The land prospectus has not yet been updated with the new branding. Staff believe that marketing efforts are best directed at aviation related business and light industry rather than tourism. Tourists to the area are much more likely to drive than they are to fly to Quesnel using commercial airlines. There is a modest tourism market for small plane traffic. Keeping fuel prices competitive has proven to be an attractant for small plane pilots.

7	Rotor Wing Centre of Excellence	Info packages for helicopter operators	The prospectus material developed for the airport requires updating and then it can be sent to helicopter operators in Prince George to encourage them to set up operations at the Quesnel airport.
		Develop strategy to attract seven PG companies to Quesnel	
8	Flight School	Contact existing flight schools to access interest	Flight Schools do not typically generate much income for airports however there are benefits to the community beyond airport revenue that could be realized with the establishment of a flight school. There had been some interest expressed from Chinese flight schools however none of these came to fruition. Staff are currently working with the flight school in Vanderhoof to make arrangements for them to operate a school in Quesnel.

#	Other Strategic Actions	Proposed Actions	Staff Comment
1	Taxi Stand - waive fees	Waive fees	Current taxi operators in Quesnel have advised that even if fees were waived they would not have taxis wait at the airport when flights come in.
2	Food Truck	Encourage private sector to provide food service to passengers	There is no demand for food services even when commercial flights are occurring because passengers arrive shortly before their flight departs and leave promptly once they land.
3	Fly fishing shop	Encourage private sector to provide equipment rentals	Demand may exist for fishing rod rentals however the airport is likely not the ideal venue for this operation. The visitor centre offers a program where tourists can borrow fishing equipment.

4	Mountain bike rental	Encourage private sector to provide equipment rentals	Demand may exist for mountain bike rentals in Quesnel however the airport is likely not the ideal venue for this operation. The City has submitted a grant application for development of the bike park at the Arts and Recreation Centre that includes establishing a bike rental operation out of the facility there.
5	Group tours	Encourage travel industry to develop tours	While this may be a worthwhile venture as a broader community tourism marketing strategy it is believed that the vast majority of tourists to the area travel by car/RV and these efforts likely won't have a significant impact on air traffic.
6	Bus Service	Extend transit service to airport	The cost to extend transit up to the airport would likely be cost prohibitive. Flight schedules, when they resume, frequently change with relatively short notice while changes to the bus schedules can be time consuming making it challenging to ensure that bus schedules align with flight schedules. Ride sharing solutions may be possible in the future to provide relatively inexpensive transportation options to the airport.
7	Fly Quesnel	Continue to support policy for staff and elected officials on city business	No action required. Current policy encourages use of the Quesnel Regional Airport where possible and practical when travelling on city business.
8	Advisory Committee	Create an Airport Advisory Committee	A committee was established in 2019.

9	Airport Improvement Fee	Consider implementation	There is a potential if and when commercial flights resume to generate capital reserves with an airport improvement fee. The fee would not generate any revenue to offset operating costs but could be used to fund capital costs that are not eligible for ACAAP funding. Council considered this option in 2017 and decided instead to focus on establishing an agreement with the regional district to provide annual funding for airport operations. This effort was successful with the new CRD service established in 2018 which has generated more revenue than would have been realized with an Airport Improvement Fee. There is concern that additional fees like an AIF will increase fare prices undermining efforts to attract and retain a commercial air carrier.
10	Cargo	Purchase equipment for loading and unloading cargo	Presently there is no demand for this equipment. If there is demand the equipment can be obtained.
11	Agricultural Distribution Centre	Become an agriculture distribution centre	The objective of this goal will largely be achieved with the development of the Food Hub in a more central and better suited location in Quesnel.
12	Friends of Airport	Establish a committee for beautification projects and fundraising	It isn't clear that there is a group of volunteers interested in raising money for beautification efforts or other projects at the airport, but if there were it would be beneficial.

13	Extended Parking	Establish long term parking	We currently have sufficient free parking at the airport, with no limit on how long people can park. Even if commercial flights resume, unless parking demand increases significantly or Council is interested in implementing paid parking, there is no need to establish long term parking. The cost to implement paid parking can be a significant source of revenue for airports with commercial air traffic once the capital costs have been recovered.
14	Access Road Commercial Development	Encourage development of commercial on access road	Presently there is no known demand for commercial development in this area however the updated prospectus can reference this business opportunity.
15	Restaurant	Construct a kitchen/restaurant in terminal building	Presently there is no demand for this. This strategy should only be considered if commercial flight traffic increases substantially.
16	Departure Lounge	Expand departure lounge and washrooms in terminal building	Presently there is no demand for this. This strategy should only be considered if commercial flight traffic increases substantially.
17	Campbell Crescent	Expand second portion of Campbell Crescent	This is a worthwhile long term goal, should demand exist.
18	Runway extension	Extend runway to the south, including land acquisition	It is highly unlikely that there will ever be demand for an extension of the runway. At present, a 737 can land at the Quesnel airport carrying six times as many passengers as the current CMA flights as well as a Hercules cargo plane, which is presently being considered for distribution of products that will be produced by a tenant at the airport.

19	Airline Carrier	Attract a second airline carrier to Quesnel	<p>A second carrier would provide more competitive pricing for passengers and more schedule options however there is a risk that if there isn't sufficient business to sustain two carriers, one or both may fail. A second carrier providing flights to locations other than Vancouver would be ideal. One firm did make inquiries about potential direct flights to Calgary however, to date, the firm has not pursued this beyond the initial inquiry. Communication with Pacific Coastal Airlines has indicated that they are not interested in providing service to Quesnel at this time.</p>
20	Direct Flights	Encourage direct flights to Calgary	<p>Some interest was expressed by one carrier to establish flights between Quesnel and Calgary, however this did not come to fruition. The consultants suggest in their Plan that the local government could agree to 'backstop' new flight routes however this presents significant financial risk to the local government. Given the current downturn in the oil and gas sector in NE BC and Alberta, this may be a strategy to revisit at another time.</p>

22	Agriculture Leases	Convert NW land for agriculture leases/greenhouses and processing	This may be a longer term goal for economic development but in the short term is not practical. Consideration will be needed to ensure that any agricultural uses of the airport property does not attract birds and wildlife which can be a hazard to aircraft.
23	Service more airside land	Service land to the NE	Significant cost with no demand at present. This may be regarded as a long term goal.
24	Residential Lots	Sell or develop land in the west for residential development	Fly-in Communities have generally not been successful in Canada. It is not likely there will be demand for this but it could remain a long term goal should there be demand for it in the future.
25	Non precision instrument approach	Upgrade non-precision instrument approach landing systems	A WAAS approach system was implemented at the airport with a grant from BCAAP. The new approaches required a number of upgrades and increased standards for obstacle limitations at the airport but It has the potential to reduce the number of cancelled flights due to low cloud if CMA upgrades their aircraft to WAAS capable GPS units. An ILS is cost prohibitive and impractical.
26	Expand FBO	Expand Fixed Base Operations once established	This is a reasonable long term goal should demand exist after an FBO is established.