ST. JOHN'S
International Airport Authority

# shaping our future

## annual report 2012

## Who We Are

St. John’s International Airport Authority is a private, not-for-profit corporation that exists to provide a safe and efficient transportation facility at Newfoundland and Labrador’s premier gateway.

We generate our own revenues, raise our own capital, pay municipal taxes, and pay rent to the Federal Government on an annual basis to operate the airport on behalf of the community we serve. We are committed to offering an outstanding airport experience for our passengers and enhancing the economic and social well-being of our community.

## Mission Statement

We deliver an outstanding airport experience and facilitate our region’s economic development.

## Vision Statement

We will be a leader in our community and industry, providing exceptional facilities and services as Newfoundland and Labrador’s premier gateway.

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# A Message from our Chair & CEO

2012 can hardly be described as a year of "business as usual". Nevertheless, our passenger volumes continued to increase to record levels, and we started the expansion of our facilities as part of our 10-year capital program, all while dealing with a labour disruption.

The challenges we faced highlighted the significant role our airport plays in the economic development and social well-being of our province. We understand that the decisions we make and the plans we put in place have impacts far beyond the boundaries of our Airport.

## Economic Engine for our Region

The results of an economic impact study completed in 2010 indicate that there are 1,500 people employed at the airport, and the operations of the Authority, the airlines, airport service providers, and tenants contribute $400 million of revenue into the economy on an annual basis.

These numbers alone indicate the strong economic footprint of our airport on the provincial economy. More importantly, however, is the fact that our airport serves as the premier gateway to and from our province. Every day, thousands of people travel through our airport to work, to vacation, to visit friends and family, and to seek medical care such that 70% of non-resident air travellers entering and exiting our province do so through the St. John's International Airport.

## 1.5 Million Passengers and Growing

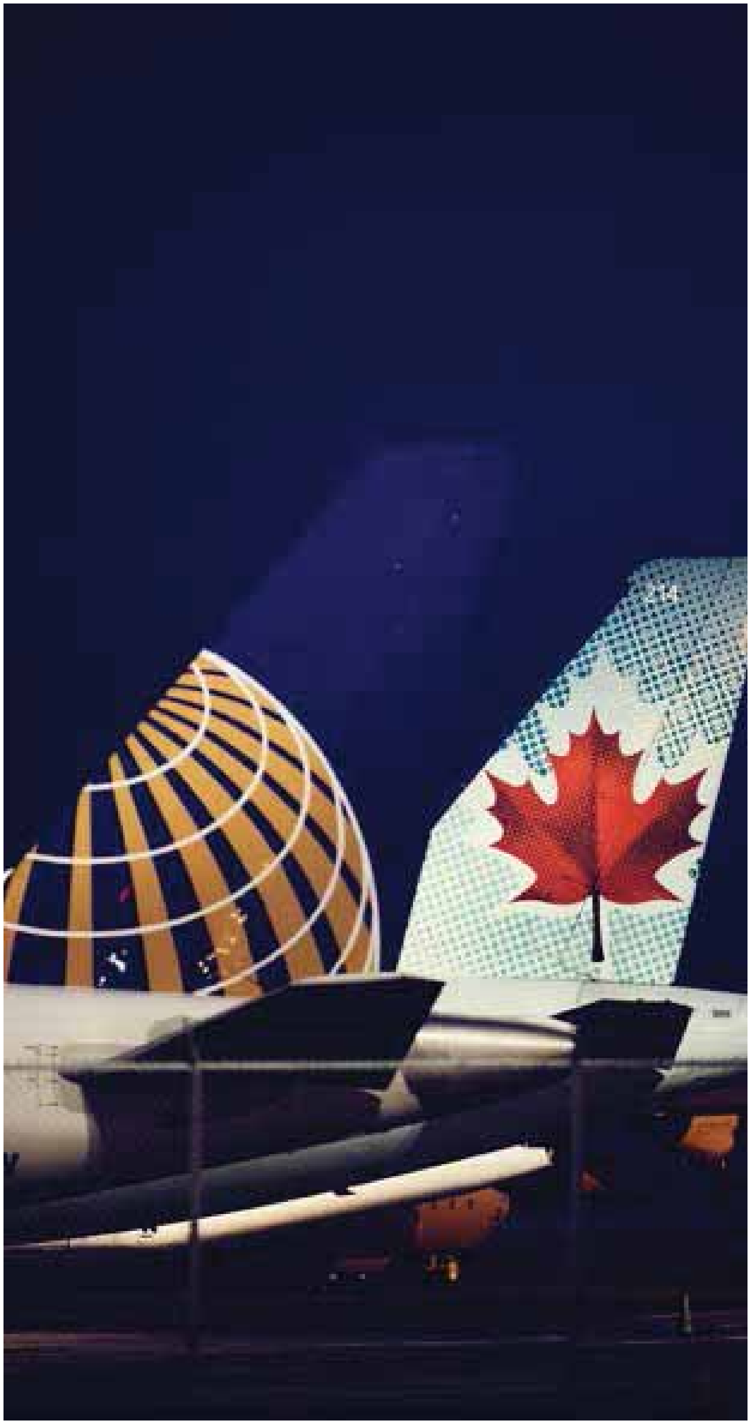
Last year, we welcomed close to 1.5 million passengers – that's a 6% increase compared to the previous year. We were delighted to see the airlines respond to this increased demand for air travel by increasing the frequency of flights, the size of aircraft used, and the number of destinations served from our Airport. We continue to work with our airline partners to present opportunities and aggressively pursue new routes and destinations to ensure the travel needs of our region are being met.

**RANKED TOP 50 WORLDWIDE**

**IN PASSENGER SATISFACTION FOR ALL SIZED AIRPORTS**

## $200 Million, 10-year Capital Plan

With more and more passengers and a greater number of aircraft on the ground at any one time, we recognize that our facility must expand to accommodate the additional traffic. This is why we endorsed an aggressive capital plan that will enhance and expand our facilities and enable us to accommodate the almost 2 million annual passengers we anticipate will be travelling through our gates by the year 2020. We've spent the last couple of years planning, and in 2012, we saw the first signs of our capital program taking shape. By the end of the year, our long-term parking lot was expanded by 57% to allow more people to park their cars while travelling; a new access road to our terminal building was constructed; we extended the Airport Terminal Building apron to accommodate more overnight aircraft parking; and we made progress on the construction of our Ramp Services Building. This is just the beginning, as we have yet to start the expansion of our Terminal Building that will double its footprint by the year 2020.



## Managing Growth Responsibly

Our mandate as an Airport Authority is to provide a safe, cost-efficient transportation facility that facilitates the economic development of our region. We are a not-for-profit corporation, but we are also a private corporation, meaning all revenue we receive is invested back into the operations of the airport and we are financially self-reliant. We are responsible for balancing our growth plans, knowing the implications they may have on the development of our region, with our ability to financially sustain our operations and our construction plans. This is a responsibility that we whole-heartedly embrace with a strong understanding that we are accountable to our entire community.

The single most important project in our capital plan that generates the most interest and will have the greatest impact on the travel experience of our passengers is our Airport Accessibility and Safety Initiative. This project involves extensive infrastructure improvements to support the installation and operation of a Category III Instrument Landing System. As a result, our accessibility as an airport will increase significantly during low visibility conditions – a not so infrequent occurrence. We announced this project over a year ago with our two funding partners – the Government of Newfoundland & Labrador and the Government of Canada – and started the planning process.

This is a 2-year project that requires a capital investment of $26 million. Although the cost of the project is being funded under a tri-partite arrangement, any cost overruns are the financial responsibility of the Authority. Last year we issued a public request for proposals for the first phase of the construction project and received only one bid that was 40% above the projected cost. This was beyond the Authority's financial capacity; thus, it was decided to defer the project to 2013. Once completed, this project will transform the travel experience for passengers at our Airport.

DARLENE WHALEN, CHAIR
KEITH COLLINS, PRESIDENT & CEO


AIRPORT'S OPERATIONS CONTRIBUTE
$400 MILLION
TO THE ECONOMY ANNUALLY

## Financial Sustainability

It is critically important that, with escalating construction and labour costs, we manage our growth in a fiscally responsible manner to ensure the long-term financial sustainability of our Airport. Our focus is on maximizing revenue so that it can be reinvested back into the airport to provide exceptional services and facilities of which our community can be proud. At the same time, we also recognize that the airport industry is very competitive. Our fee structure must be competitive with other airports in order to attract airlines to provide additional service to our Airport. This requires a balance.

Despite the distractions we faced from achieving our corporate goals, we continued to make progress in a number of areas and will share these with you in this report. The plans that have been put in place shape not only our future as an airport, but also shape the future of our community.

We continue to be a strong partner within our business and tourism community, often seeking consultation from stakeholders and contributing to industry discussions. These partnerships are invaluable in creating an airport and a passenger experience that our stakeholders have come to expect.

Over the last year, we have said good-bye to a number of board members who made significant contributions to the development of our Airport and our community over their term on the Board. We acknowledge and thank John Outerbridge, Blair Patrick, and Ray Stamp for the strategic direction they have provided in the development of this major transportation gateway for our province.

We also thank the public for their understanding and patience throughout the labour disruption. While we have many challenges ahead of us, our board and management team are fully committed to meeting our mandate as an Airport Authority no matter what it takes – that is, to manage our province's transportation gateway in a safe, cost-efficient manner for the benefit of the community we serve.

D Whalen

**Darlene Whalen, Chair**

Keith Collins

**Keith Collins, President & CEO**

# Update on Strategic Business Plan

Our 5-year Business Plan was developed just over a year ago to direct our efforts as a corporation towards achieving our vision of who we want to be – a leader in our community and industry while providing exceptional facilities and services at our province's premier gateway. We set our sights high and identified a number of objectives with specific targets to ensure our success.

These objectives include the enhancement of our passengers' airport experience, improvement and expansion of our facilities, diversification of our business and aggressive pursuit of new air services, ensuring the financial sustainability of our airport, strengthening our culture of safety, and raising our profile in the community. Despite the distractions we faced this past year due to the labour disruption, we made progress in all of these areas.

**2 MILLION PASSENGERS**

**FORECAST BY 2020**


ST. JOHN'S
INTERNATIONAL
NO
PERMITTED

## Our Passengers. Our Priority.

Our goal is to offer a level of service at our Airport that is perceived as being outstanding compared to other airports. As the gateway to and from Newfoundland and Labrador, we understand that the experience of passengers at our Airport can help shape their perception of our city and our province. Our efforts, therefore, are focused on ensuring that this experience is positive.

Two years ago, we began participating in the Airport Service Quality Index Survey that measures our passengers' level of satisfaction with 36 service elements at our Airport – everything from parking facilities and waiting times at security, to cleanliness and the ambience of the Airport Terminal Building. We completed surveys during the first two quarters of the year prior to the labour disruption, and based on these results, the Airport received an overall 86% passenger satisfaction rating with a global ranking of 47 out of the 200 participating airports worldwide.

Our Passenger Advisory Panel also continues to play an important role in shaping the passenger experience at our Airport. Consisting of frequent travellers, these members offer valuable feedback on their airport experiences and offer suggestions for improvement. Social media has also enabled us to bridge the gap between ourselves and the passengers and greeters visiting our Airport, whereas in the past, the relationship existed only with the front-line staff of the airlines and service providers operating at the Airport. These passengers now have a voice with the Authority, and we have an opportunity to share information directly with those travelling through our Airport.

Over the last year we also renewed our partnership agreement with the City of St. John’s and the Government of Newfoundland and Labrador to operate our tourism and information centre. This partnership has proven to be very effective in meeting our mutual goals of providing a high level of service to visitors, passengers, and guests at our Airport.

A new feature we introduced in our Terminal Building over the last year was rocking chairs, located in the sitting areas. Based on their usage, they are a “rocking success”. We will continue to look for ways, both big and small, to positively impact the experience of visitors to our Airport. However, the greatest improvements will come with the expansion to the Terminal Building that will allow us to offer additional services, including more food and retail outlets, a larger pre-board screening area, more bridges, and additional aircraft gates.

## Our Improvement Plans

Evidence of our $200 million, 10-year capital improvement and expansion program began to appear last year. A number of projects were completed that will pave the way for further expansion of our Terminal Building and facilities. We expanded the long-term parking lot that resulted in an increase in our parking capacity by 57%, with 242 additional parking stalls, along with an expanded queuing area for taxis. A new access road to our Airport Terminal Building was constructed that will facilitate increased vehicle traffic, and construction continued on the new Ramp Services Building that will be the new home for cargo and ground handling staff.

The east apron of the Airport Terminal Building was expanded in preparation for the Terminal Building's expansion. In the meantime, this apron serves as additional overnight parking space for aircraft. We also continued to plan for the expansion to the Airport Terminal Building that will see it double in size in order to accommodate the approximately 2 million annual passengers we expect to welcome at our Airport by 2020. In preparation for the first phase of the extension on the east side of the building, the ground was cleared last year so that construction could commence as early as possible in 2013.

The $26 million infrastructure project associated with the installation of a Category III Instrument Landing System was delayed last year due to costs that exceeded estimates. This project is cost-shared between the Authority, the Government of Newfoundland and Labrador and the Government of Canada. While the costs are divided among the three parties, the Authority is responsible for any costs incurred beyond the budget.

Last year, we issued a tender for the first phase of this project. Only one bid was received, and the cost was 40% over budget. The decision was made, therefore, to delay the start of the project for one year. This project has been identified as having the greatest benefits for our airline partners, our passengers and our community, and when complete, it will transform the travel experience for our passengers.

In addition to these construction projects, our IT department made significant progress on improvements to the flight information display system and its integration with other operating systems. The result will be improved services for both our airlines and passengers.

Investments were also made to upgrade some of our snow clearing and field maintenance equipment. Keeping the fleet up-to-date ensures our ability to respond quickly and reliably to any issue on the airfield that may impact flight operations.

# $200 MILLION
## CAPITAL IMPROVEMENT PROGRAM

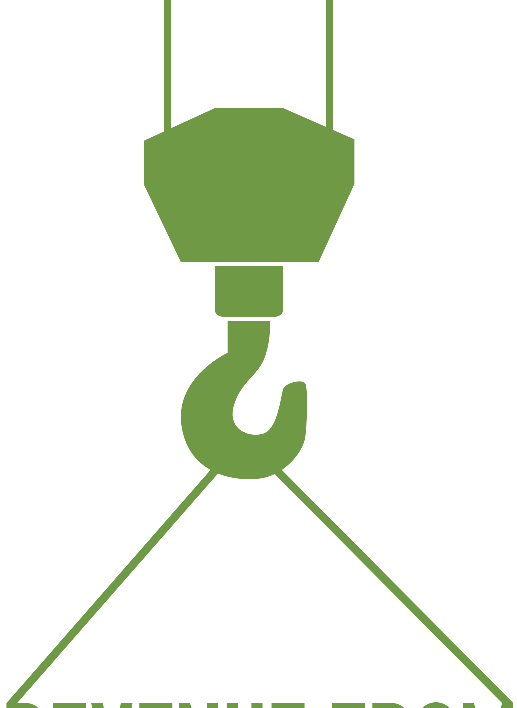
## Sustainable Growth

The investments we make in our Airport's facilities are investments in our community. Building an airport that will match the growth in the demand for air travel in our region, however, is costly. It is an important investment, but it is also important that our primary transportation gateway is managed in a fiscally responsible manner to ensure its financial sustainability into the future.

It is for this reason that we developed a strong Financial Plan with guiding principles to achieve this goal. As a private, not-for-profit corporation, we are responsible for all development and operating costs associated with our facility, and any excess revenue over expenses is mandated to be reinvested back into the Airport. There are occasions where we will establish one-time funding partnerships for specific capital projects, but these are the exception. Our development plans can only be achieved, therefore, by relying on long-term debt financing.

In 2007, we went to the bond market for the first time and issued a $55 million bond. At that time, we received an A1 credit rating from Moody's Investments, a high rating that is indicative of our credit worthiness. We have been successful in maintaining this credit rating for the last five years, and it is our goal to continue to maintain it as we take on more debt to finance our new capital program.

As we expand our Airport, we will require additional resources dedicated to maintaining the larger facility. It is our mandate as an Authority to manage our facility in a cost-efficient manner to ensure the long-term financial sustainability of our Airport, and we are committed to doing this.



**REVENUE FROM NON-AERONAUTICAL SOURCES REPRESENTS 53% OF OUR TOTAL REVENUE**

## Ready for Takeoff

Developing new business markets and generating new sources of revenue for the Authority is another objective of ours. The intent is to limit our dependence on the revenue we receive from the commercial airline industry, and thereby enable us to offer a competitive fee structure to airlines that look to provide service at our Airport. In 2012, revenue received from non-aeronautical sources continued to increase and now represents 53% of our total revenue.

Promoting our Airport to the military as a technical stop when flying to and from Europe continues to pay dividends. These military aircraft pay a fuel surcharge in lieu of landing fees, and support the operations of our fuel providers at our Airport. They also contribute substantially to the economy of our region when they overnight in our city's hotels and spend money on food, transportation, and entertainment. It is estimated that the annual contribution of the military aircraft and crew is $45 million. Our promotional efforts have been successful, and we continue to have the designation of being the official technical stop location for US C-130 military aircraft flying to and from Europe.

Land development is another market with significant growth potential. New roads were constructed last year that connect to our new access road, and services were installed so that additional building lots are now available for development. The potential for increased revenue from land tenants, however, is balanced by the capital costs associated with the installation of services that are borne by the Authority and cannot be financed through the Airport Improvement Fees. The rate of development of our business park will be dampened by the priority of our capital investment requirements, unless we can establish a partnership arrangement to share in the costs and the benefits of such an investment. Regardless, the demand for land near the Airport is great, and we anticipate new tenants by the end of 2013.



CLOSE TO

# 1.5 MILLION

PASSENGERS IN 2012


## Air Service is Soaring

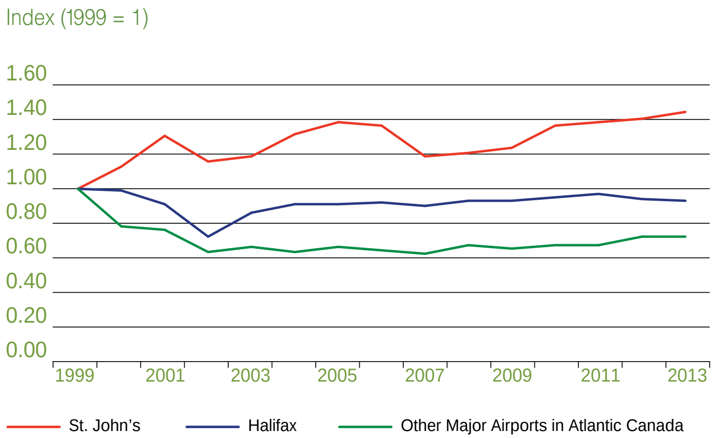
While we look to diversify our revenue, we do recognize that our core business is as a transportation facility. We have directed significant investment and resources toward aggressively promoting our Airport to airlines and pursuing new routes that meet the travel needs of our community. We have done this with the guidance of our Air Service Development Committee that represents the travel interests in our region.

Last year our passenger volume reached close to 1.5 million, an increase of 6% over the previous year. This would not have been possible had the airlines not increased the available airline seat capacity at our Airport to meet the demand for air service. In fact, our Airport has significantly outperformed our Airport colleagues in Atlantic Canada. Since 1999, the airline seat capacity at our Airport has increased by 45%, whereas other Atlantic Canadian airports have experienced a decline.

Our air service development priorities are to establish a direct flight to Moncton, increase capacity to the US, and secure a year-round service to Europe. Business cases for each of these important routes have been developed and presented to target airlines. In addition, we have worked with existing airlines to increase the frequency of service to match the demand for air travel in our region. We have attended a number of airline/airport trade shows over the last year to present opportunities to airlines and promote our Airport on the world stage. As a result of these initiatives, overall capacity to and from our Airport continues to increase. For example, the direct flight to London Heathrow was extended into a six month service, and there were more flights offered and larger aircraft used to serve our two main markets – Toronto and Halifax.

2013 is shaping up to be another strong year. The sun charter airlines have offered more sun destinations and more flights this year such that the total number of seats available increased by 70% compared to 2012. Our capacity to the US will increase by 34% in 2013 due to United Airlines deploying its larger jet service for its daily direct flight to Newark six weeks earlier than it did last year, and Westjet extending its direct service to Orlando from a 12-week to a 28-week program. Air Canada is also starting its London Heathrow flight three weeks earlier this year.

**45% INCREASE IN AIRLINE SEAT CAPACITY SINCE 1999**




Source: OAG and Innovata schedules

## Investing in Our People

Investments in our employees and in the development of a culture of safety at our Airport continued in 2012. Opportunities for training were made available to our employees, including sponsoring employees in a variety of trades and business related post-secondary programs. We also provided valuable on-the-job experience to apprentices and work term students in the trades and the health and safety fields.

We continued to work on the Job Evaluation Plan with the union. Upon the request of the union, the Job Evaluation Plan that had been signed off by both parties in 2011 was amended to further refine two of the evaluation factors. Local and national union representatives participated with management in the re-evaluation of benchmark positions, based upon the changes that were mutually agreed upon by both the Authority and the union, and these changes were made to the plan.

Collective bargaining was a major focus in 2012, with the Authority bargaining team engaged in numerous meetings with the union throughout the year. We were disappointed that the union decided to take strike action in September; however, we remain committed to negotiating a fair and balanced collective agreement with our employees, one that offers competitive wages and balances the interests of our employees with the long-term financial sustainability of our Airport. Despite our labour disruption, we were pleased to maintain a low turnover rate of 5% in full-time and seasonal positions, a rate that we established as a goal for ourselves for the entire 5-year planning horizon of our Business Plan.

## Community Connections

A couple of years ago we set out to increase our profile within the community in order to educate the public about who we are and how we can partner with stakeholders to achieve mutual goals for the benefit of the entire community.

We became more visible over the last two years with the launch of a media campaign designed to strengthen our brand. We continued to connect with our stakeholders; sponsored events in the tourism, business, and oil and gas industries; and spoke at a number of stakeholder engagements.

A highlight of the year was being awarded Hospitality Newfoundland and Labrador's (HNL) Corporate Partner of the Year. It was both an honour and a privilege to be recognized by our colleagues in the tourism community for the important role we play in developing the tourism industry and our community in general. We will continue to build partnerships and promote our Airport with the single purpose of serving our community.

While the events over the last year served as a distraction from our corporate goals, we remain focused on serving our community and enabling the economic growth of our region. We are committed to operating a safe, cost-efficient transportation facility at our province's gateway, and to developing our facility into one that reflects positively on our entire community.

# Business Plan Summary

## 2012 Capital Program

The capital program for 2012 included the expansion of the Airport Terminal Building apron and the long-term vehicle parking lot, construction of a new access road to the Airport Terminal Building, continued construction of the Ramp Services Building, and heavy equipment fleet replacement. Other projects involved continued planning for the Airport Accessibility and Safety Initiative and the Airport Terminal Building expansion.

## 2012 Actual vs. Business Plan

(Shown in thousands of dollars)

| | Actual | Plan | Difference | Explanation |
|---|---|---|---|---|
| Revenue (Note 1) | 32,953 | 31,677 | 1,276 | Higher passenger traffic than expected resulted in higher parking and AIF revenues. |
| Expenses (Note 2) | 20,811 | 21,706 | (895) | Lower interest on long term debt. |
| Capital | 19,719 | 23,710 | (3,991) | Construction on Airport Terminal Building was delayed. |

Note 1. Revenue includes net AIF and operating revenue.
Note 2. Expenses include interest and exclude the non-cash items of depreciation and amortization.


## Planning for Growth (2013–2017)

We completed a long-term infrastructure plan to address capacity constraints and to accommodate the approximate 2 million annual passengers forecast by the year 2020. Highlights of the plan include the necessary infrastructure improvements to support the implementation of the Airport Accessibility and Safety Initiative and a two-phased expansion of the Airport Terminal Building. A long-term Financial Plan was also prepared in order to support the investment in infrastructure improvements and includes future borrowings in the form of either a bank loan or another private placement bond.

## Business Plan Forecast 2013–2017

(Shown in thousands of dollars)

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Revenue (Note 1 & 2) | 40,416 | 42,426 | 46,139 | 47,530 | 49,687 |
| Expenses (Note 3) | 24,105 | 25,834 | 27,135 | 28,443 | 29,855 |
| Capital (Note 4) | 31,692 | 32,528 | 23,935 | 20,644 | 21,816 |

Note 1. Assumes passenger growth will be 3.9% each year from 2013 to 2015, and 3.1% in 2016 and in 2017.
Note 2. Revenue includes net AIF and operating revenue.
Note 3. Expenses include interest and exclude the non-cash items of depreciation and amortization.
Note 4. Capital includes the Airport Accessibility and Safety Initiative, expansion of the Airport Terminal Building, additional aircraft bridges, and surface parking.

# Senior Leadership Team

Bob Nurse

Janet O'Brien

Phil O'Connell

Frank Wyse

Randy Mahon

Lynn Holwell

Glenn Mahon

Laura Cooper

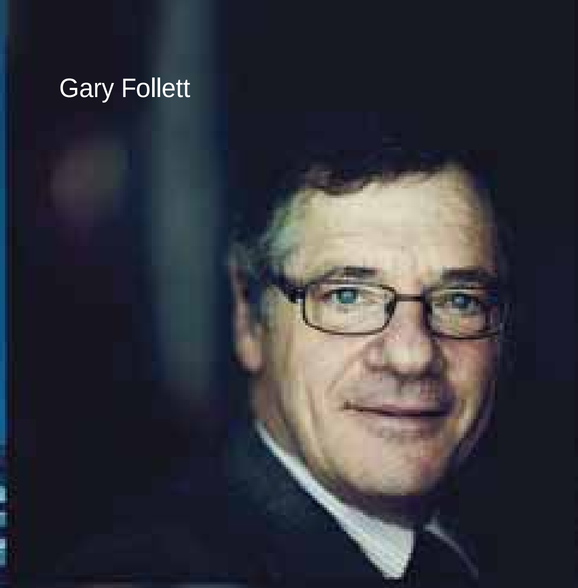
Jennifer Williams

Marie Manning

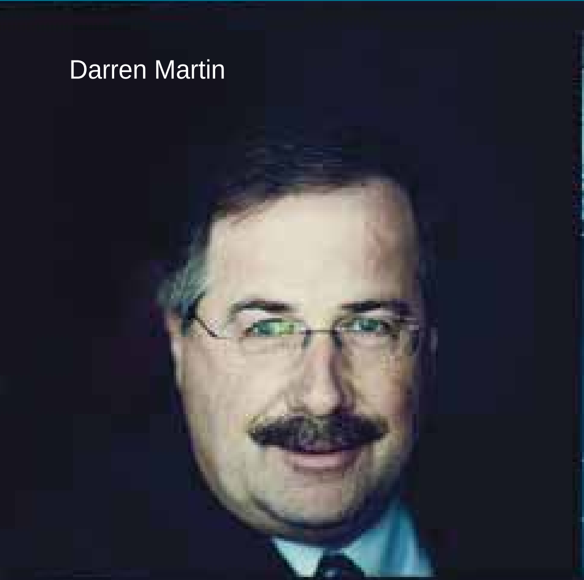
Keith Collins

Peter Avery

# Board of Directors

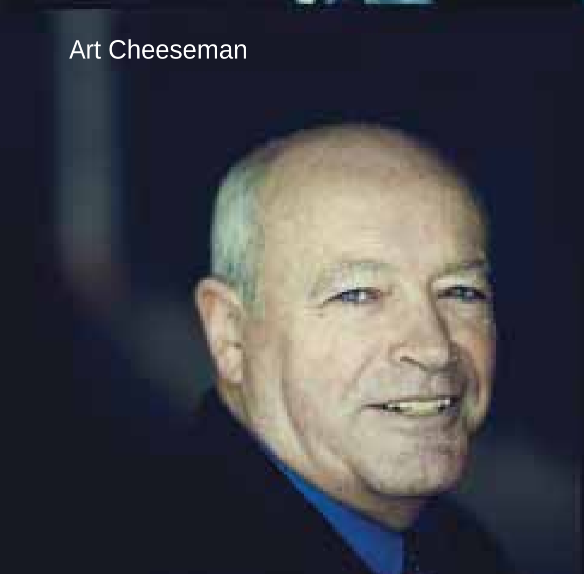


Gary Follett



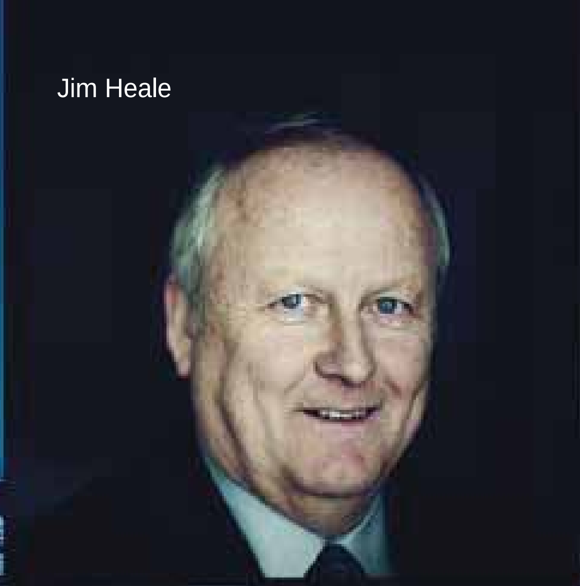
Darren Martin

Katharine Hickey

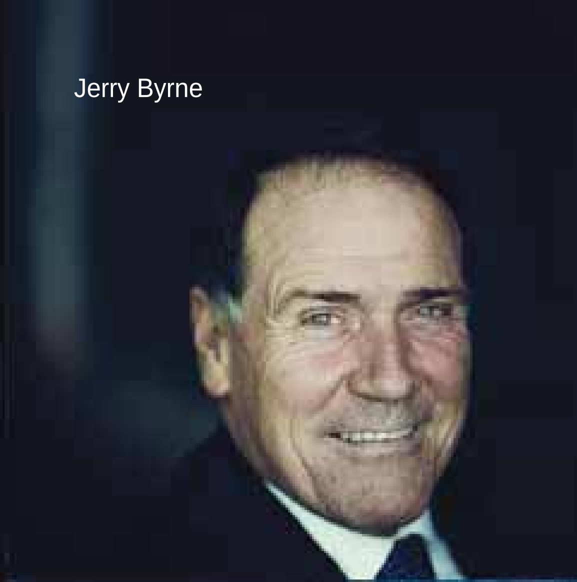


Art Cheeseman

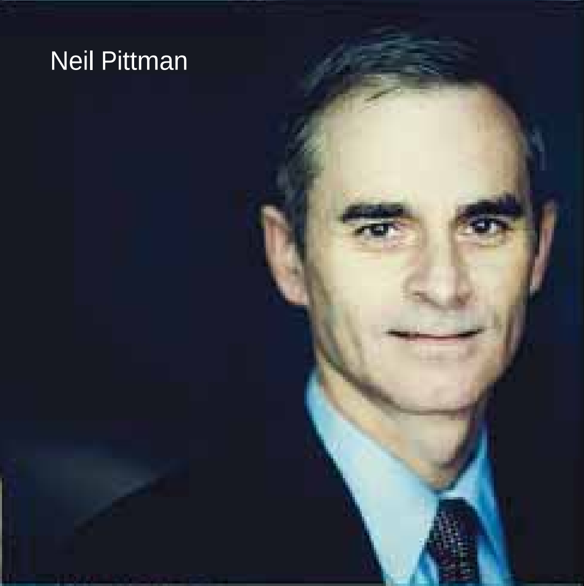
Gail Carroll



Jim Heale

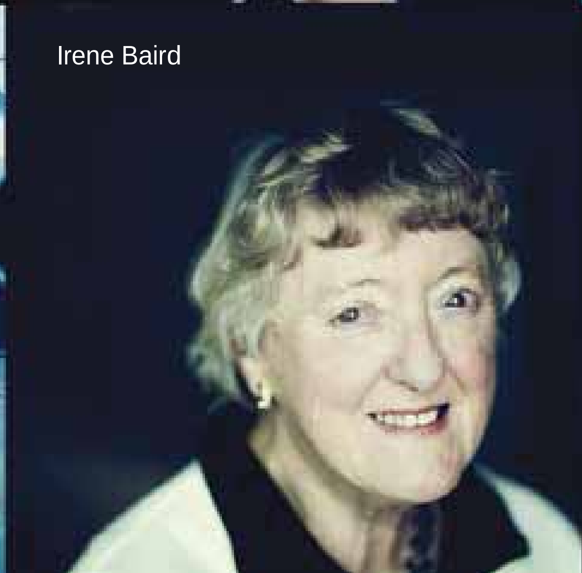


Jerry Byrne

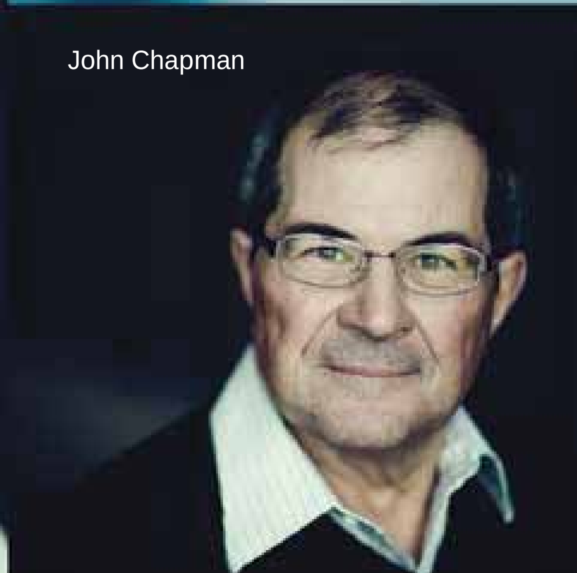


Neil Pittman

Darlene Whalen



Irene Baird



John Chapman

# Independent Auditor's Report

# To the Board of Directors of St. John's International Airport Authority

We have audited the accompanying financial statements of the St. John's International Airport Authority (the Authority), which comprise the balance sheet as at December 31, 2012 and the statement of operations and equity in capital assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the St. John's International Airport Authority as at December 31, 2012 and the results of its operations and its cash flows for the years then ended in accordance with Canadian accounting standards for private enterprises.

PricewaterhouseCoopers LLP

**Chartered Accountants**
May 16, 2013

# Financial Statements

# BALANCE SHEET

## St. John's International Airport Authority

As at December 31, 2012 (in thousands of dollars)

| | | 2012 | | 2011 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current** | | | | |
| Cash and cash equivalents | $ | 1,493 | $ | 2,622 |
| Accounts receivable (note 3) | | 5,480 | | 3,425 |
| Consumable inventory (note 2) | | 343 | | 367 |
| Prepaid expenses | | 355 | | 590 |
| Total current assets | | 7,671 | | 7,004 |
| Capital assets, net (note 4) | | 111,016 | | 98,344 |
| Debt service reserve fund (note 6) | | 1,719 | | 1,448 |
| Accrued benefit asset (notes 2 & 9) | | 1,753 | | 1,465 |
| Intangible assets, net | | 135 | | 116 |
| | $ | 122,294 | $ | 108,377 |
| **Liabilities and Equity in Capital Assets** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities (note 5 & 14) | $ | 13,597 | $ | 7,814 |
| Current portion of long-term debt (note 6) | | 6,990 | | 5,981 |
| Total current liabilities | | 20,587 | | 13,795 |
| Long-term debt (note 6) | | 50,476 | | 50,956 |
| Deferred contributions for capital projects, net (note 7) | | 11,513 | | 9,587 |
| Equity in capital assets | | 39,718 | | 34,039 |
| | $ | 122,294 | $ | 108,377 |

Commitments (note 11)

See accompanying notes

On behalf of the Board:

Darlene Whalen, Chair

John Chapman, Chair, Finance and Audit Committee

# STATEMENT OF OPERATIONS AND EQUITY IN CAPITAL ASSETS

## St. John's International Airport Authority

For the year ended December 31, 2012 (in thousands of dollars)

| | | 2012 | | 2011 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Landing fees | $ | 5,247 | $ | 4,941 |
| Terminal fees | | 4,272 | | 3,911 |
| Concessions | | 3,996 | | 3,640 |
| Car parking | | 3,303 | | 2,613 |
| Rentals | | 2,260 | | 2,189 |
| Other | | 965 | | 850 |
| | | 20,043 | | 18,144 |
| Airport improvement fees (note 8) | | 12,910 | | 11,422 |
| | | 32,953 | | 29,566 |
| **Operating Expenses** | | | | |
| Salaries and benefits | | 8,035 | | 7,036 |
| Operating | | 5,895 | | 5,925 |
| Amortization | | 6,463 | | 5,970 |
| Interest and financing costs | | 3,128 | | 3,101 |
| Ground rent (note 11) | | 1,515 | | 1,235 |
| Municipal tax | | 655 | | 656 |
| Business development | | 673 | | 659 |
| Professional services | | 557 | | 403 |
| General and administrative | | 313 | | 305 |
| Bad debts | | 40 | | - |
| | | 27,274 | | 25,290 |
| Excess of revenues over expenses | $ | 5,679 | $ | 4,276 |
| Total equity in capital assets, beginning of year | $ | 34,039 | $ | 29,763 |
| Total equity in capital assets, end of year | $ | 39,718 | $ | 34,039 |

See accompanying notes

# STATEMENT OF CASH FLOWS

## St. John's International Airport Authority

For the year ended December 31, 2012 (in thousands of dollars)

| | | 2012 | | 2011 |
|---|---|---|---|---|
| **Operating Activities** | | | | |
| Excess of revenues over expenses | $ | 5,679 | $ | 4,276 |
| Add (deduct) items not involving cash | | | | |
| Amortization - capital assets, net | | 7,026 | | 6,503 |
| Amortization - deferred contributions | | (617) | | (572) |
| Amortization - intangible assets | | 54 | | 38 |
| Amortization - other | | 100 | | 102 |
| (Gain) loss on sale of capital assets | | (3) | | 6 |
| Increase in accrued benefit asset | | (288) | | (458) |
| | | 11,951 | | 9,895 |
| Changes in non-cash working capital balances related to operations | | (2,055) | | (702) |
| Accounts receivable | | (2,055) | | (702) |
| Consumable inventory | | 24 | | (61) |
| Prepaid expenses | | 235 | | (350) |
| Accounts payable and accrued liabilities | | 5,783 | | 1,178 |
| Cash provided by operating activities | | 15,938 | | 9,960 |
| **Financing Activities** | | | | |
| Increase in debt service reserve fund | | (271) | | - |
| (Repayment of) revenue bond | | (551) | | - |
| (Repayment of) proceeds from demand installment loan | | (210) | | 730 |
| Proceeds from (repayment of) revolving credit facility | | 1,190 | | (1,937) |
| Cash provided by (used in) financing activities | | 158 | | (1,207) |
| **Investing Activities** | | | | |
| Additions to capital assets | | (19,719) | | (10,791) |
| Additions to deferred contributions | | 2,543 | | - |
| Additions to intangible assets | | (73) | | (74) |
| Proceeds from sale of capital assets | | 24 | | - |
| Cash used in investing activities | | (17,225) | | (10,865) |
| Net decrease in cash during the year | | (1,129) | | (2,112) |
| Cash and cash equivalents, beginning of year | | 2,622 | | 4,734 |
| Cash and cash equivalents, end of year | $ | 1,493 | $ | 2,622 |

See accompanying notes

# NOTES TO FINANCIAL STATEMENTS

December 31, 2012

(tabular amounts expressed in thousands of dollars except where otherwise noted)

## 1. Organization and nature of operations:

The St. John's International Airport Authority (the "SJIAA") was incorporated on May 6, 1996 as a corporation without share capital under Part II of the *Canada Corporations Act.* The *Airport Transfers (Miscellaneous Matters) Act* exempts the corporation from paying income and large corporations tax.

On December 1, 1998, the operations and undertakings of the St. John's International Airport (the "Airport"), previously administered by Transport Canada, were transferred to the SJIAA. The SJIAA operates the Airport pursuant to the provisions of a long-term lease with the Government of Canada (the "Ground Lease"). As the principal document governing the relationship and allocating responsibilities between the SJIAA and the Government of Canada, the Ground Lease provides a formula for the calculation and payment of Airport Rent, after an initial rent-free period which ended December 31, 2005. The term of the Ground Lease is sixty years, ending 2057, with an option to extend the term for a further twenty years.

The SJIAA has all the powers and obligations of any Canadian private corporation and operates on a fully commercial basis. The SJIAA has the autonomy to set all fees and charges and does not rely on grants, donations or on contributions with restrictions imposed by the contributor.

The corporate structure ensures that the excess of revenues over expenses, or surplus from operations, is retained and reinvested in capital assets for development of the Airport. Equity in capital assets includes the net assets invested in capital assets to date and cumulative surpluses restricted for future airport infrastructure projects and associated financing costs.

## 2. Significant accounting policies:

### Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for private enterprises (ASPE) as issued by the Canadian Accounting Standards Board.

### Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenses during the year. Actual results could differ from those estimates.

# NOTES TO FINANCIAL STATEMENTS

2. Significant accounting policies (continued):

### Cash and cash equivalents

The SJIAA considers deposits in banks, certificates of deposits and short-term investments with original maturities of three months or less as cash and cash equivalents.

### Ground lease

The Ground Lease is accounted for as an operating lease.

### Severance pay

A liability for severance pay is recorded in the accounts for all employees who have a vested right to receive such payment. This includes a provision for severance pay liability for employees who have less than ten years of continual service.

### Capital assets

Capital assets are recorded at cost and are amortized on a straight-line basis from their in-service date over the estimated useful lives of the assets at the following annual rates:

| Asset | Rate |
|---|---|
| Airport terminal building, other buildings, and bridges | 15 – 25 years |
| Leasehold improvements and improvements to leased land | 15 – 25 years |
| Vehicles, machinery, furniture, and fixtures | 5 – 15 years |
| Computer hardware and software | 3 – 15 years |
| Multi-purpose/central de-icing facility | 25 years |

Assets under construction or development are recorded at cost and are transferred to capital assets when the projects are complete and the assets are placed into service.

### Intangible assets

Intangible assets of the SJIAA include computer software and are recorded at cost and amortized on a straight-line basis over their estimated useful lives. Amortization of $53,543 (2011 – $38,669) is included in operating expenses for the year.

### Revenue recognition

Landing fees, terminal fees, and car parking revenues are recognized as the facilities are utilized. Airport improvement fees (“AIF”), net of airline administration costs, are recognized when originating departing passengers board the respective aircrafts, and are subject to reconciliation with air carriers. Concessions revenue is charged on a monthly basis and is recognized based on a percentage-of-sales or specified minimum levels. Rental revenue is recognized on a straight-line basis over the duration of the respective agreements.

# NOTES TO FINANCIAL STATEMENTS

2. Significant accounting policies (continued):

Contributions for capital projects, exclusive of AIF, are accounted for under the deferral method. Contributions externally restricted for the purchase of capital assets are deferred and recognized in income as the related assets are amortized.

### Pension plans

In 2005, the SJIAA established a contributory defined contribution pension plan for new employees hired after March 9, 2003, whereby retirement benefits are based on the investment in the marketplace of both the employer and the employee contributions. The employees determine where their funds are invested. The SJIAA's contributions to this plan for the year ended December 31, 2012 amounted to $147,585 (2011 - $139,335).

The SJIAA has a contributory defined benefit pension plan for its employees whereby retirement benefits are based on length of service and the best six years' average earnings. The defined benefit pension cost is charged to salaries and benefits expense as employees render services.

The Authority's policies for accounting for future employee benefits for the defined benefit pension plan are as follows:

I. The cost of pensions earned by employees is actuarially determined using the projected benefit method prorated on services and management's best estimates of expected plan investment performance, salary escalation, and retirement ages of employees.

II. For the purpose of calculating expected return on plan assets, those assets are valued at market value.

III. The excess of the net actuarial gain (loss) over 10% of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service life of active employees.

### Financial instruments

The financial instruments, which include cash, accounts receivable, debt service reserve fund, accounts payable and accrued liabilities and long term debt, are recorded at amortized cost. Amortization is recorded on a straight-line basis.

Financial assets are tested for impairment at the end of each reporting period when there are indications that the assets may be impaired.

Derivative financial instruments, including interest rate swaps, may be used from time to time to reduce exposure to fluctuations in interest rates. These financial instruments will be accounted for under the deferral method if the Authority meets the hedging requirements set out in existing accounting pronouncements and the Authority chooses to designate these financial instruments as hedges. Accordingly, the book value will not be adjusted to reflect the current market values. Payments and receipts under interest rate swap agreements will be recognized as adjustments to interest and financing costs where the underlying instrument is an Authority debt issue.

# NOTES TO FINANCIAL STATEMENTS

## 2. Significant accounting policies (continued):

Derivative financial instruments that are not designated by the Authority to be an effective hedging relationship will be carried at fair value with the changes in fair value, including any payments or receipts made or received, being recorded in interest and financing costs.

Realized and unrealized gains or losses associated with derivative financial instruments, which have been terminated, dedesignated from a hedging relationship or cease to be effective prior to maturity, will be deferred and recognized in the period during which the underlying hedged item is realized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative financial instrument, any realized or unrealized gain or loss on such derivative financial instrument will be recognized in the statement of operations and equity in capital assets.

### Effective interest rate method

Transaction costs are included in the debt balances and are recognized as an adjustment to interest expense over the term of the debt. The SJIAA uses the effective interest rate method to recognize bond interest expense and financing costs where the amount to be recognized varies over the life of the debt based on the principal outstanding.

### Consumable inventory

Inventories are valued at the lower of cost and replacement cost. Previously recorded write-downs to replacement cost are reversed when there is clear evidence that replacement cost has increased. For 2012, $811,680 (2011 – $766,159) of inventories were recognized as an expense.

## 3. Accounts receivable:

| | 2012 | 2011 |
|---|---|---|
| Trade | $4,011 | $2,264 |
| Airport improvement fees | 1,138 | 620 |
| HST | 381 | 356 |
| Other | 67 | 267 |
| Allowance for doubtful accounts | (117) | (82) |
| | $5,480 | $3,425 |

# NOTES TO FINANCIAL STATEMENTS

4. Capital assets:

| | | | 2012 | 2011 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Airport terminal building, other buildings, and bridges | $ 62,887 | $ 23,711 | $ 39,176 | $ 41,274 |
| Leasehold improvements and improvements to leased land | 45,850 | 9,178 | 36,672 | 27,795 |
| Vehicles, machinery, furniture, and fixtures | 20,535 | 8,083 | 12,452 | 12,075 |
| Computer hardware and software | 3,857 | 2,345 | 1,512 | 2,070 |
| Multi-purpose/central de-icing facility | 14,234 | 3,261 | 10,973 | 11,536 |
| Assets under construction or development | 10,231 | - | 10,231 | 3,594 |
| | $ 157,594 | $ 46,578 | $ 111,016 | $ 98,344 |

Assets under construction or development in 2012 were not being amortized and consisted of the Ramp Services Building, the Airport Terminal Building Expansion (design), the Airport Accessibility Project, and the Flight Infomation Display System.

5. Accounts payable and accrued liabilities:

| | 2012 | 2011 |
|---|---|---|
| Trade – other | $ 8,489 | $ 4,517 |
| Accrued liabilities | 2,482 | 1,722 |
| Salaries and benefits | 2,408 | 1,332 |
| Deferred revenue and other | 218 | 243 |
| | $ 13,597 | $ 7,814 |

6. Long-term debt:

| | 2012 | 2011 |
|---|---|---|
| Revenue bonds | $ 54,449 | $ 55,000 |
| Revolving credit facility | 4,683 | 3,493 |
| Demand installment loan | 1,726 | 1,936 |
| | 60,858 | 60,429 |
| Less transaction costs (net of amortization of $106,704; 2011 - $101,737) | (3,392) | (3,492) |
| | 57,466 | 56,937 |
| Current portion | 6,990 | 5,981 |
| | $ 50,476 | $ 50,956 |

# NOTES TO FINANCIAL STATEMENTS

6. Long-term debt (continued):

(a) Bond Issue

In May 2007, the SJIAA completed a $55,000,000 Revenue Bond issue. The $55,000,000, 5.252% Series A Revenue Bonds pay interest semi-annually. $27,500,000 of the initial principal amount is repayable in semi-annual installments commencing on May 11, 2012 until November 11, 2036. The remaining principal of $27,500,000 is payable on maturity, which is May 11, 2037. The net proceeds from this offering were used to repay existing bank demand loan of $29,145,000 and are otherwise used to partially finance capital expenditures, to fund a $1,719,150 Debt Service Reserve Fund required for the bond and a $4,462,785 (2011 – $3,270,000) Operating and Maintenance Reserve Fund required by the Master Trust Indenture entered into by the SJIAA in connection with the offering.

The bonds are direct obligations of the SJIAA ranking *pari passu* with all other indebtedness issued under the Master Trust Indenture. The bonds are secured by an assignment, and security interest in, all revenues and book debts, and all assets of the Authority including reserve funds, all leases and related property and an unregistered mortgage of the Authority's leasehold interest in Airport lands and the Ground Lease.

(b) Reserve Funds

Pursuant to the terms of the Master Trust Indenture, the SJIAA is required to establish and maintain with a trustee a Debt Service Reserve Fund with a balance at least equal to 50% of the annual debt service costs. As at December 31, 2012, the Debt Service Reserve Fund included $1,719,150 in interest-bearing deposits held in trust. These trust funds are held for the benefit of bondholders for use in accordance with the terms of the Master Trust Indenture.

For 2012, the SJIAA was required to maintain an Operating and Maintenance Reserve Fund of approximately $4,462,785. The Operating and Maintenance Reserve Fund must be established and funded as required by the Master Trust Indenture, for the benefit of bondholders. The balance in the fund is equal to 25% of the actual or estimated Operating and Maintenance Expenses incurred by the SJIAA over the previous 12-month period. For 2013, approximately $4,785,000 will be required to fund the Operating and Maintenance Reserve Fund. The Operating and Maintenance Reserve Fund may be satisfied by cash, qualified investments, letters of credit and the allocation by the Authority of un-drawn availability under a Committed Credit Facility.

(c) Credit Facilities

The credit facilities of the SJIAA are secured by a $25,000,000 pledge bond issued pursuant to the Master Trust Indenture. Indebtedness under the credit facilities ranks *pari passu* with other indebtedness issued under the Master Trust Indenture.

6. Long-term debt (continued):

i) Revolving Credit Facility

In May 2007, the SJIAA entered into a Revolving Credit Facility ("Revolving Facility"). Under this Revolving Facility, the SJIAA is provided with a $15,000,000 facility for general business requirements, capital expenditures and funding for the Operating and Maintenance Reserve Fund, as necessary. In May 2012, the Revolving Credit Facility was amended and increased to $25,000,000. The facility has a term of five years.

On November 9, 2012, the SJIAA issued a Banker's Acceptance in the gross amount of $1,991,480, at an interest rate of 1.03%, due March 11, 2013. On November 19, 2012, the SJIAA issued a Banker's Acceptance in the gross amount of $2,691,576, at an interest rate of 0.91%, due February 19, 2013. As at December 31, 2012, letters of credit for $759,526 (2011 – $759,526) were outstanding against the facility. Indebtedness under the Revolving Facility bears interest at rates that vary with the lender's prime rate and Banker's Acceptance rates, as appropriate. During 2012, the interest rate ranged from 0.27% to 3% (2011 – 0.35% to 3%).

ii) Demand Installment Loan

In July 2010, the SJIAA entered into a Demand Installment Loan ("Demand Loan"). Under this Demand Loan, the SJIAA is provided with a $2,500,000 non-revolving Installment Loan to be used for capital expenditures relating to movable equipment. The term of each advance under this facility is in accordance with the useful life of the respective assets to a maximum of ten years.

Indebtedness under the Demand Loan bears interest at rates that vary with the lender's prime rate and Banker's Acceptance rates, as appropriate. On November 13, 2012, the SJIAA issued two Banker's Acceptances in the gross amount of $965,063 and $761,352, at an interest rate of 0.95%, due February 11, 2013.

(d) The annual principal payments required over the next five years and thereafter are as follows:

| | |
|---|---|
| 2013 | $ 6,990 |
| 2014 | 611 |
| 2015 | 644 |
| 2016 | 678 |
| 2017 | 714 |
| Thereafter | 51,221 |
| | $ 60,858 |

# NOTES TO FINANCIAL STATEMENTS

## 7. Deferred contributions for capital projects:

From time to time, the SJIAA receives contributions for capital projects from various sources. These funds are accounted for under the deferral method, as outlined in note 2.

| | 2012 | 2011 |
|---|---|---|
| Balance, beginning of the year | $ 9,587 | $ 10,159 |
| Add capital contributions received during the year | 2,543 | - |
| Less amortization | (617) | (572) |
| Net deferred contributions for capital projects | $ 11,513 | $ 9,587 |

During the year, the SJIAA received capital contributions of $1,156,000 from Air Canada for specifications related to the Ramp Services Building, $628,000 from the Province of Newfoundland and the Government of Canada for the Airport Accessibility Project (note 4), $714,000 as a contribution in aid of construction from Cougar Helicopters Inc. related to their new Search and Rescue location and $45,000 from the Canadian Air Transport Security Authority (CATSA) for security equipment.

## 8. Airport improvement fees:

The SJIAA entered into an AIF agreement dated May 27, 1999 with the Air Transport Association of Canada and major air carriers operating from the Airport. There is a consultative process with air carriers regarding the expansion of airport facilities and the collection of AIF by air carriers from passengers through the carriers' ticketing process.

On October 1, 1999 the SJIAA implemented an AIF of $10 per departing passenger. On April 3, 2006, this fee increased to $15 per departing passenger, and further increased to $20 on April 1, 2011. These fees are collected by the air carriers for a fee of 7% of the amount collected. AIF revenues earned and the cash collected can only be used to fund Airport infrastructure projects and associated financing costs that relate primarily to the passenger-handling functions of the Airport.

As at December 31, 2012, cumulative expenditures of $136,848,181 (2011 – $117,128,361) exceeded cumulative net AIF revenue collected of $90,326,814 (2011 – $77,416,472) by $46,521,367 (2011 – $39,711,889). A summary of the AIF collected and the related collection costs are as follows:

| AIF revenue (net): | 2012 | 2011 |
|---|---|---|
| AIF revenue | $ 13,891 | $ 12,292 |
| AIF collection cost | (981) | (870) |
| | $ 12,910 | $ 11,422 |

# NOTES TO FINANCIAL STATEMENTS

9. Pension plan:

| | 2012 | 2011 |
|---|---|---|
| **Plan assets** | | |
| Market value, beginning of year | $11,682 | $11,368 |
| Interest earned | 713 | 696 |
| Employer contributions | 702 | 716 |
| Employee contributions | 73 | 97 |
| Benefits paid | (383) | (353) |
| Actuarial (loss) gain | 61 | (842) |
| Market value, end of year | 12,848 | 11,682 |
| **Plan obligations** | | |
| Accrued benefit obligations, beginning of year | 12,940 | 11,098 |
| Current service cost | 401 | 465 |
| Interest cost | 608 | 586 |
| Benefits paid | (383) | (353) |
| Actuarial loss | 1,395 | 1,144 |
| Accrued benefit obligations, end of year | 14,961 | 12,940 |
| **Plan assets/obligations** | | |
| End of year market value less accrued benefit obligations | (2,113) | (1,258) |
| Unamortized amounts | 3,866 | 2,723 |
| Accrued benefit asset | 1,753 | 1,465 |
| **Plan expense** | | |
| Current service cost, net of employee contributions | 328 | 368 |
| Interest on accrued benefits | 609 | 586 |
| Expected return on assets | (713) | (696) |
| Amortization | 191 | - |
| Plan expense | 415 | 258 |

# NOTES TO FINANCIAL STATEMENTS

## 9. Pension plan (continued):

Weighted average actuarial assumptions

| | 2012 | 2011 |
|---|---|---|
| Discount rate | 4.70% | 5.25% |
| Expected long-term rate of return on plan assets | 6.00% | 6.00% |
| Rate of compensation increase | 3.25% | 3.25% |

The assets of the pension plan are invested and maintain the following asset mix:

| | Percentage of plan assets | |
|---|---|---|
| | 2012 | 2011 |
| Bonds/fixed-income securities | 36.23% | 39.38% |
| Equity securities | 63.77% | 60.62% |
| Total | 100% | 100% |

The date of the last actuarial valuation of the defined benefit pension plan is December 31, 2011. According to this valuation, the SJIAA's employer service contribution as a percentage of payroll was 20.4% for 2012 (2011 – 20.3%). In recent years, the decrease in long-term interest rates, along with changes in actuarial standards, has resulted in solvency deficiencies for many defined benefit pension plans in Canada. A $4,601,600 solvency deficiency in the defined benefits pension plan existed as at December 31, 2011. This resulted in a special annual payment to fund the deficiency in the amount of $497,957 for 2012. This annual special payment of $497,957 is required over the next six years.

## 10. Financial risk factors:

(a) Interest rate risk:

The SJIAA's exposure to interest rate risk relates to its floating rate Credit Facilities described in Note 6 (c), long-term debt. It should be noted that the majority of SJIAA's debt is fixed-rate debt and therefore changes in interest rates do not significantly impact interest payments but may impact the fair value of this debt.

(b) Credit risk:

The SJIAA is subject to credit risk through its financial assets. The SJIAA performs ongoing credit valuations of these balances and maintains valuation allowances for potential credit loss. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about the customer.

10. Financial risk factors (continued):

The SJIAA's revenues are largely dependent on the domestic air transportation industry. One major carrier providing passenger traffic to the Airport accounted for approximately 55% (2011 – 56%) of the total enplaned and deplaned passengers for the Airport during the year.

11. Commitments:

Ground Lease:

The Ground Lease requires that the SJIAA operate the Airport as a "first-class facility" and that, as the operator, it exercises sound business practices. The Ground Lease also contains specific conditions for compliance with a series of requirements, including environmental standards, minimum insurance coverage, reporting requirements and various other matters that have a significant effect on the day-to-day operations of the Airport. The SJIAA believes that it has complied with all of the requirements under the Ground Lease. During the year, all contracts entered into in excess of $75,000 (adjusted for the Consumer Price Index from 1994) were awarded on the basis of a competitive tendering process.

In January 2006, the SJIAA began paying Airport Rent to Transport Canada as outlined in its terms of the Ground Lease.

The annual payments are forecasted to be as follows over the next five years:

| | |
|---|---|
| 2013 | $ 2,152 |
| 2014 | 2,318 |
| 2015 | 2,629 |
| 2016 | 2,741 |
| 2017 | 2,917 |

12. Other information:

The Authority may, from time to time, be involved in legal proceedings, claims and litigation that arise in the ordinary course of business which the Authority believes would not reasonably be expected to have a material adverse effect on the financial condition of the Authority.

13. Supplemental cash flow information:

| | 2012 | 2011 |
|---|---|---|
| Cash paid during the year for interest | $ 3,011 | $ 3,046 |
| Cash received during the year for interest | 32 | 42 |

## 14. Government remittances

Government remittances consist of amounts (such as payroll withholding taxes, property tax, and sales taxes) required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances, $559,391 (2011 – $nil) is included in accounts payable and accrued liabilities.

# Corporate Governance

The St. John's International Airport Authority is a private, not-for-profit corporation with the mandate to provide the region with a safe, cost-efficient transportation facility that is a catalyst for economic growth. Under the provisions of a long-term Ground Lease with the Government of Canada, the Airport Authority is responsible for the management, maintenance, and development of the St. John's International Airport on behalf of the community it serves.

The community's interests are represented through a diverse Board of 12 Directors, nominated by various stakeholders in the region. These Directors are appointed or nominated by the following entities:

Federal Government: 2
Provincial Government: 1
City of St. John's: 2
St. John's Board of Trade: 1
City of Mount Pearl: 1
Mount Pearl Chamber of Commerce: 1
Town of Conception Bay South: 1
SJIAA Board of Directors: 3

The corporate operations and the activities of the Board of Directors are guided by the National Airports Policy of 1994 and specifically the "Public Accountability Principles for Canadian Airports" and the Authority's Operating by-laws. The St. John's International Airport Authority's Operating by-laws were amended in 2008 to incorporate the relevant elements of the Not-for-Profit Corporations Act, the proposed Canada Airports Act, as well as the best practices of corporate governance currently employed in Canada.

The by-laws contain Conflict of Interest Guidelines and a prescribed Code of Conduct. In 2012, there were no breaches of the conflict of interest guidelines by any Officer or Director of the Airport Authority.

The role of the Board of Directors is to guide the strategic direction for the Airport Authority. Solid business practice, including formal strategic planning, is carried out and reviewed on a periodic basis. Directors also serve on the committees of the Board: Development, Finance and Audit, and Governance. The Board is kept informed on the day-to-day operation of the Airport through monthly financial statements and management reports. Compensation for the Directors of the Airport Authority is reviewed annually, and the amounts paid to the Airport Authority's Directors during 2012 are listed below:

## St. John's International Airport Authority
## Schedule of Director's Fees For the Year 2012

| Board Member | Total |
|---|---|
| Darlene Whalen (Board Chair) | $ 39,000.00 |
| Neil Pittman (Board Vice Chair) | 27,500.00 |
| Gary Follett[1] | 23,000.00 |
| John Chapman[2] | 24,500.00 |
| Irene Baird[3] | 23,500.00 |
| Raymond Stamp* | 12,166.67 |
| Blair Patrick* | 11,666.67 |
| Katharine Hickey | 17,000.00 |
| Art Cheeseman | 17,500.00 |
| John Outerbridge* | 13,166.67 |
| Gail Carroll | 18,000.00 |
| Jerry Byrne | 19,000.00 |
| Jim Heale+ | 4,833.33 |
| Darren Martin+ | 4,833.33 |
| | $ 255,666.67 |

[1] Chair, Development Committee
[2] Chair, Finance and Audit Committee
[3] Chair, Governance Committee

* Completed term on the Board on August 31, 2012
\+ Joined the Board on September 1, 2012


# 86% PASSENGER SATISFACTION RATING

ST. JOHN'S
*International Airport Authority*

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