

# A DEPARTURE FROM THE EVERYDAY

2011 ANNUAL REPORT



**ST. JOHN'S**  
International Airport Authority





# WHERE YOUR JOURNEY BEGINS

## 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

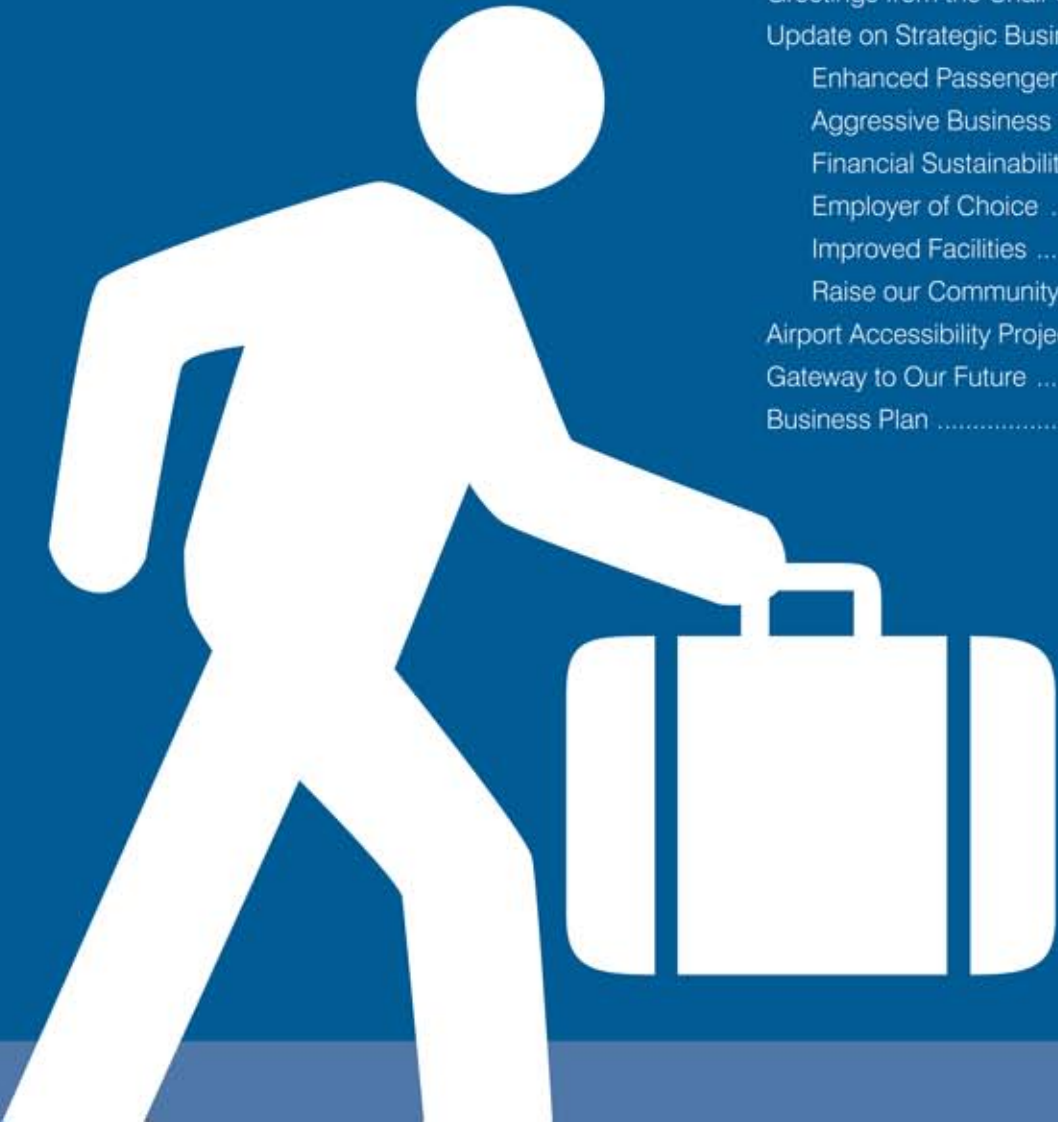
We deliver an outstanding airport experience and facilitate our region's economic development.

## 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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# 1.4 MILLION PASSENGERS IN 2011 A NEW RECORD

It is with pleasure that we present our 2011 Annual Report that highlights the numerous successes we have had over the last year. Much progress has been made to achieve our corporate objectives, and these objectives are designed to steer us towards our vision of being a leader, both in our community and our industry, and in providing exceptional facilities and services at our Airport – the province's premier gateway.

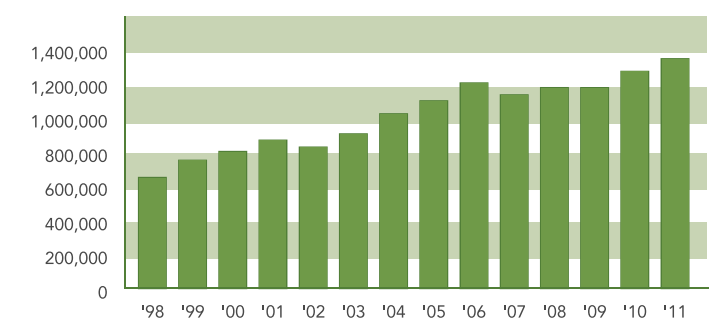
### Record-breaking Passenger Traffic

The past year was another one marked by continuing growth, and also a year of planning for the future. Passenger travel grew by 4% and reached a new record high of close to 1.4 million passengers. The number of airline seats available to and from our Airport continued to increase and we continued to significantly outperform other airports in Atlantic Canada: the number of available seats to and from our Airport has grown by 40% since the Airport was privatized in 1998, a rate that is 4 times the average for all other airports in Atlantic Canada.

As the premier gateway to and from our province, we understand the important role we play in contributing to the economic growth of our region, and we take this responsibility very seriously. Although we have been successful in expanding air service at our Airport, our focus remains on ensuring that the needs of the travelling public are being met. We can only do this through a collaborative

and strategic approach with our stakeholders. Therefore, in 2011 we formed an Air Service Development (ASD) Committee that consists of representatives from our major stakeholders in the business, tourism, government, and education sectors. This committee provides input into our Air Service Development strategy to ensure it effectively meets the needs of our community.

PASSENGER TRAFFIC HAS DOUBLED SINCE 1998





## Extensive Capital Improvement Program

The growing demand for air travel has also necessitated that we expand our facilities. In 2011 we announced a \$150 million, 10-year capital improvement program that was designed to meet 3 strategic objectives: to ensure the Airport's facilities have sufficient capacity to meet the existing and the anticipated growth in passenger and aircraft traffic to the year 2020; to provide Airport facilities that meet the highest standards related to safety, security, and environmental sustainability; and to enable the expansion of services that will deliver an outstanding Airport experience for all air travelers.

Of all the capital improvement projects that were announced last year, the project that will provide the greatest benefit to our community is the Airport Accessibility Initiative. Increasing the accessibility of the Airport during low-visibility conditions will revolutionize travel to and from our province and will result in significant benefits to passengers, airlines, and the business community.

In March 2011, a tri-partite funding arrangement between the Airport Authority, Government of Newfoundland and Labrador, and Government of Canada was announced to construct the necessary airfield improvements required to support a Category III Instrument Landing System (Cat 3 ILS). This \$26 million, 2-year project will commence in 2012 and the substantial improvements to the accessibility of our region will be realized by the end of 2013.

The benefits of this project are clearly understood by our community and we thank our stakeholders, airlines, and the general public for their strong and enthusiastic support. We also want to thank NAV Canada for their vital contribution to this

project. NAV Canada assisted in quantifying the benefits of this project and will install and maintain the Cat 3 ILS technology.

Our new capital program is the largest infrastructure enhancement program that the Airport has ever undertaken. A great deal of time and consideration has been given to appropriately plan and size the expansion of the facilities while ensuring that the program can be financed in a fiscally responsible manner.

The economic boon in our province has positively impacted the growth in our passenger numbers, thereby expediting our need to expand. At the same time, however, this boon has resulted in an environment of escalating construction costs and has placed pressure on our long-term financial plan. All of our capital improvement projects are funded through long-term debt financing and repaid with revenues generated through Airport Improvement Fees (AIF). To date, the Airport Authority has spent two times more than it has collected in AIF in order to accommodate the additional demand in passenger traffic and allow passengers to enjoy the benefits of these infrastructure improvements sooner rather than later.

In order to complete the enhancements to the Airport's facilities in time to accommodate the 1.9 million passengers anticipated in 2020, additional long-term debt financing will be required. The challenge will be to maintain our spending within our financial plan while costs of construction continue to increase. It can and will be done. We intend to finance this program while maintaining the A1 credit rating from Moody's Investors Services that we've sustained each year since 2007.

**“Our new capital program is the largest infrastructure enhancement program that the Airport has ever undertaken.”**



KEITH COLLINS, PRESIDENT & CEO  
DARLENE WHALEN, CHAIR





## Exceeding Passengers' Expectations

Last year was the first year we participated in the worldwide Airport Service Quality Index survey that measures our passengers' overall satisfaction level at our Airport. For the first time we were able to benchmark ourselves against other airports from around the world and to assess how our efforts to create an outstanding experience for our passengers compares with that of other airports. We were delighted to hear that we are ranked #7 in the world (for airports in the 0-2 million passenger category) for overall passenger satisfaction. Much of this can be attributed to our committed Airport Authority staff and the outstanding front-line staff of our Airport partners who consistently score high on "courtesy and helpfulness of

staff". The new investments planned for our Airport will enable us to continue to exceed our passengers' expectations of an airport experience.

We look forward to working with our employees, our airport partners, and our community stakeholders as we grow and enhance this key transportation facility for the benefit of our entire province. We will do this through communication and collaboration to create a facility that our entire community will be proud to call their own. We may never be the biggest airport, but there is no reason why we can't be the best.

**Darlene Whalen, Chair**

**Keith Collins, President & CEO**



# WHERE WE'VE GOT WHAT YOU NEED



# UPDATE ON STRATEGIC BUSINESS PLAN



In 2011 we rolled out our new Strategic Business Plan that serves as our guide to address the challenges and opportunities we expect to face over the five year planning horizon. This Plan identified six strategic objectives that will direct us towards our vision of being a community and industry leader, and an airport that offers exceptional services and facilities.

With one year under our belt, we are pleased to present the initiatives that we have undertaken and the progress we have made towards reaching our targets for each of these six corporate objectives.

## 1 Enhanced Passenger Experience

Meeting and even exceeding our passengers' expectations of their experience at our Airport drives many of our customer service initiatives. We consistently measure the level of passenger satisfaction at our Airport and it is something that has consistently improved year over year.

In 2011 we began participating in the Airport Service Quality (ASQ) index that surveys our passengers and benchmarks

our Airport's passenger satisfaction results with other airports around the world. We are now ranked as the #7 airport in the world on overall passenger satisfaction for airports serving 0-2 million passengers on an annual basis, #11 in North America for all sized airports and #45 in the world for all sized airports. While these numbers are impressive, we are committed to continuous improvement. Our goal is to be a departure from the everyday.

Over the last year there were a number of initiatives undertaken to support our efforts in achieving this goal:

- Our Passenger Advisory Panel, consisting of frequent travelers, continues to play an active role in providing direct feedback on the level of service the panel members experience at our Airport.
- We implemented Super Host customer service training for all Airport Authority staff.
- In 2011 we launched our social media tools that allow instant feedback and connection with our passengers and the community.
- We worked with our concession partners to add a new and locally-branded coffee service (Jumping Bean Coffee) in the Departures Lounge to complement the existing service offerings.
- Charge stations were added to the Departures Lounge for passengers to power electrical devices, free of charge.

For 80% of visitors to Newfoundland and Labrador, their first and last impressions of our province are made here at our Airport. We therefore feel it important to ensure that these lasting impressions are positive. While in the short term we will be working to improve the food and beverage options, the significant investment we plan to make in our Airport Terminal Building over the next number of years will dramatically improve the service quality and passenger options at our Airport. These improvements will enable us to continue to provide an outstanding experience for our passengers for many years to come.



## PASSENGER ADVISORY PANEL

BRIAN SHORTALL

DOUG MAY

LARRY MCCAWE

BILL CHISLETT



JOE SALA



DEREK MARSHALL



ROB STRONG



ANN MARIE VAUGHAN



MISSING: MARLENE BAYERS, ED LEDREW



Our Airport was ranked #7 in the world for overall passenger satisfaction for airports serving 0-2 million passengers.







## 2 Aggressive Business & Air Service Development

The competition between airports to attract airlines with finite aircraft fleet capacity continues to intensify. Although we've had a number of successes and have outperformed our Atlantic Canadian neighbours in increasing the number of available airline seats at our Airport, we do not intend to let our guard down. Over the last year, we developed and implemented an Air Service Development (ASD) strategy to focus our efforts on filling key strategic routes. One such route was a direct air service to Orlando, Florida. We were successful in attracting Westjet to this previously unserved destination and the seasonal service commenced in February to a resounding success.

Our focus remains on increasing the number of available airline seats direct to the US and securing a year-round service to Europe. A number of activities took place last year to support our goals in this area:

- An Air Service Development (ASD) Committee was formed to share information and discuss impacts of the air service development strategy with key stakeholders in the tourism, business, government, and education sectors within our community.

- The Airport's Air Service Development team participated in a number of airline meeting events and promoted the Airport to the regional, national, and international airline community.
- The Airport is a member of the Canada-Ireland Air Access Committee that is chaired by the Canadian Ambassador to Ireland, with a focus to establish a year-round service between the two countries.

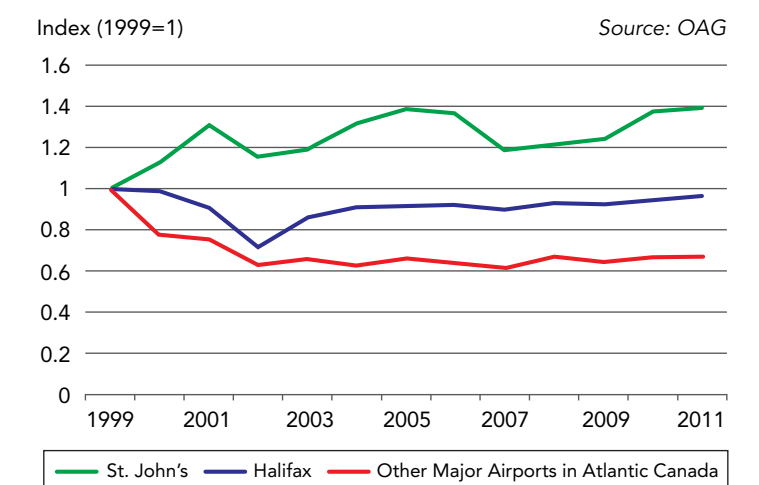
To enhance the attractiveness of our Airport, however, it is critical that we maintain our landing and terminal fees at a competitive level. We have therefore made the strategic decision to look for new business opportunities that will allow us to diversify our revenue stream. While this enables us to remain competitive, it also reduces our dependence on the often-volatile commercial airline industry.

In 2011, non-aeronautical revenue represented 51%, or more than half, of our total revenue. A number of developments contributed to tipping our non-aeronautical revenue past the 50% mark:

- An area of focus has been on expanding the military market segment. Last year, the US military designated St. John's International Airport as the authorized airport for US C-130 military aircraft technical stops in eastern Canada. Each year we welcome approximately 1300 military aircraft to our Airport and our city. The direct expenditures by the crews of these aircraft total more than \$45 million. While the fuel providers, the hotels, and the restaurants in our city enjoy the greatest benefit of this spending, the Airport Authority does enjoy modest revenue from this traffic. This new designation secures our position as the preferred military crew rest location on the eastern seaboard.
- A number of studies and a great deal of discussion took place over the last year to develop the Airport's land for commercial use. This opportunity continues to be explored and represents potential long-term, steady revenue income. Given the extensive capital costs required to service land, however, this will only be accomplished within a mutually beneficial partnership, which we continue to pursue.

### Regional Seat Capacity Growth

ST. JOHN'S & OTHER  
ATLANTIC CANADA AIRPORTS







**A1 credit rating from Moody's Investors Services  
has been sustained since 2007.**



### 3 Financial Sustainability

The responsibility of managing our province's premier gateway means ensuring that it operates in a fiscally responsible manner. Over the last year we developed a financial policy that outlines our guiding financial principles and established benchmarks that ensure we maintain a sustainable level of debt. We also developed and implemented a Financial Plan that outlines the additional long-term debt financing required to fund our new capital program. We have done this while keeping the long-term goal in mind: to maintain our A1 credit rating from Moody's Investors Services that has been sustained since 2007.

While we rely on long-term debt to finance our capital improvement programs, we will also seek funding partnerships where mutual benefits may be realized. A strong example of this is the tri-partite funding arrangement between the Airport Authority, the Government of Newfoundland and Labrador, and the Government of Canada to finance the \$26 million Accessibility Initiative.

We are committed to finding the balance between investing in our infrastructure to support the growing demand of the

travelling public and the growth of our economy, and financing these capital improvements in a fiscally responsible manner. We will remain prudent with our finances to ensure our long-term financial sustainability.

### 4 Employer of Choice

We are very fortunate to have attracted strong and talented employees within our organization who come to work every day passionate about what they do, with an understanding of the impact they have on the travelling public. We value these employees and we want to maintain them within our organization. We will do this by developing and maintaining a work environment that is based on mutual trust, respect, and accountability, with safety always top-of-mind.

Over the last year we have made strides in achieving our goals of maintaining annual employee turnover rates, increasing the level of engagement by employees within our

organization and enhancing our safety culture. Here are a few of our initiatives and accomplishments from the last year:

- A new job evaluation plan was developed jointly by a team representing both union and management, with advice and guidance from job evaluation experts. The new plan was custom-built to reflect our own work environment and uses rating factors to measure their relative value to the organization.
- We are leading the country in the development and implementation of our Safety Management System. Our Airport was the first in Canada to receive the Program Validation Inspection Approval for the fourth and final phase of our Safety Management System implementation. This approval is an indication of Transport Canada's confidence in our safety processes and procedures.
- A comprehensive orientation program for new hires was developed and implemented. This program introduces new employees to the many roles and responsibilities of the Airport Authority, with a strong focus on all matters related to safety and security.
- Our internal employee newsletter was revamped based on feedback we sought from our employees.
- Our commitment to investing in our employees was evident in 2011 as we delivered 6 days of employer sponsored training per full-time equivalent employee. This commitment to training is nearly three times the national and provincial averages provided by other employers, and is particularly noteworthy considering that one-third of our workforce is employed for just over 4 months per year.





## 5 Improved Facilities

We are committed to continuously improve the Airport's facilities in an environmentally responsible manner to ensure the operation remains efficient and safe, and to ultimately provide a better service for passengers. While much of the past year was spent planning and conducting preliminary engineering for the terminal building expansion and the adjacent new access road and expanded vehicle parking, a number of infrastructure projects were implemented:

- A Common Use Passenger Processing System (CUPPS) was installed at all check-in and gate counters to allow for greater flexibility in the use of both of these facilities as well as the passenger loading bridges.
- A 5<sup>th</sup> Passenger Loading Bridge was developed specifically for St. John's International Airport to accommodate small, regional aircraft. The addition of this unique passenger loading bridge has made it possible for 95% of all passengers at our Airport to avoid the external elements when enplaning and deplaning their aircraft.
- Over the last year additional payment options and more locations for self-serve parking lot pay kiosks were installed in the Terminal Building. The increased use of these kiosks has reduced the waiting time to exit the vehicle parking lots.
- Construction commenced on the new Ramp Services and Cargo Building that will improve the cargo facilities at our Airport and provide additional space to store airfield equipment away from the busy Terminal apron. This will increase the available space for aircraft parking.

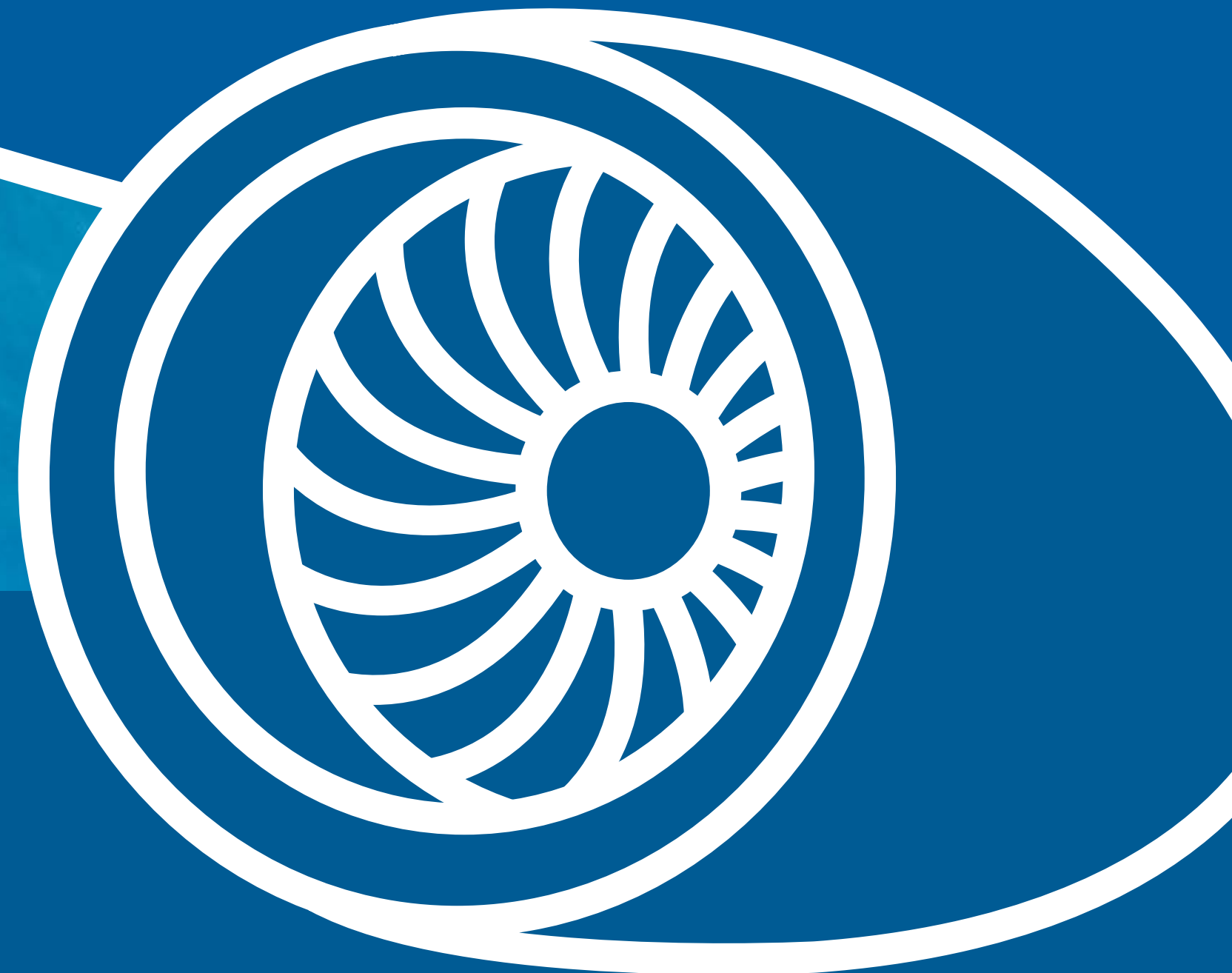
Over the next 9 years, the Airport's facilities will be expanded to accommodate the anticipated growth in passenger traffic to 1.9 million passengers by the year 2020. This new capital program will ensure that our Airport continues to facilitate and contribute to the economic growth of our region.

**We've spent 2x more than we've collected in AIF to allow our passengers to enjoy the benefits of these improvements sooner rather than later.**





**The Airport generates 7700 person-years of employment and contributes \$400 million annually to the economy.**



## **6 Raise Our Community Profile**

We understand our role as a leader in the region's economic growth by enabling people and goods to travel to and from our province, we are committed to providing an outstanding airport experience for our passengers, and we place great value in being environmentally responsible. As an organization, we see the efforts made each day to support these principles. These are not always apparent, however, to the general public. Last year we committed to raising our profile within our community and spreading our good news beyond our borders. Below is a list of initiatives and accomplishments from 2011 that we made in this area:

- We launched our social media tools – Facebook and Twitter – to a ringing success. These tools allow us to share information with the media, our passengers, and the general public in a timely and efficient manner.
- The Airport was featured in articles published in a number of local trade magazines.
- Our brand campaign was launched towards the end of 2011 and the infrastructure improvements we have made and plan to make to support the growth of our region were recognized by the St. John's Board of Trade when we were awarded the Business Achievement Award for Productivity and Quality Improvements.
- We made a concerted effort to reach out to our key stakeholders and community organizations and, as a result, the number of speaking invitations has increased substantially.
- Last year we expanded the crisis management communications training to include stakeholders involved in the communications process. The crisis communications plan was tested during the full mock disaster exercise.



**St. John's International Airport is an Economic Engine for our province.**



## SENIOR MANAGEMENT



LYNN HOLWELL



MARIE MANNING



JANET O'BRIEN



FRANK WYSE



BOB NURSE



JOHN COLLINS



PHIL O'CONNELL



RANDY MAHON



PETER AVERY



JENNIFER WILLIAMS



LAURA COOPER



KEITH COLLINS





## BOARD OF DIRECTORS



GARY FOLLETT



BLAIR PATRICK



JOHN OUTERBRIDGE



IRENE BAIRD



GAIL CARROLL



NEIL PITTMAN



DARLENE WHALEN



JERRY BYRNE



ART CHEESEMAN



KATHARINE HICKEY



JOHN CHAPMAN

MISSING: RAY STAMP





# AIRPORT ACCESSIBILITY PROJECT

The Airport Accessibility Project is a 2-year, \$26 million construction project that is being financed by the St. John's International Airport Authority, the Government of Newfoundland and Labrador, and the Government of Canada. The extensive airfield improvements to support the installation and operation of a Category 3 Instrument Landing System (Cat 3 ILS) by NAV Canada will significantly improve the usability of our Airport during low-visibility conditions and will enhance the safety of aircraft operations.

## Extensive Benefits to Passengers, Airlines, and Our Community

- Increases the Airport's usability by 5.1% (93.8% to 98.9%)
- Airport's usability will be on par with the Top 8 airports in Canada
- Provides passengers with a more reliable transportation system
- Reverses our reputation as being an inaccessible destination, thereby benefiting business and tourism

**The benefits of this project are substantial, not the least of which is the reversal of our reputation for being inaccessible during a large portion of the year.**

## Operational Impacts During Construction

This project represents a significant investment in the Airport's airfield infrastructure that will yield long-term, substantial benefits to our entire community. As outlined in the following section, the improvements to the airfield will encompass both main runways. As a result, there may be some operational impacts during the construction phases.

Phase 1 (2012) construction will require periodic closure of Runway 16-34, the Airport's secondary runway, and a temporary shutdown of the Category I ILS on Runway 11 during installation of the Category III ILS technology. The operational impact on flight operations is not anticipated to be significant during this construction phase.

The second phase of this project will occur during the summer peak season of 2013 in which the primary runway (Runway 11-29) will be reduced in length and the instrument landing systems will be impacted. As a result, flight operations are anticipated to be affected during this phase.

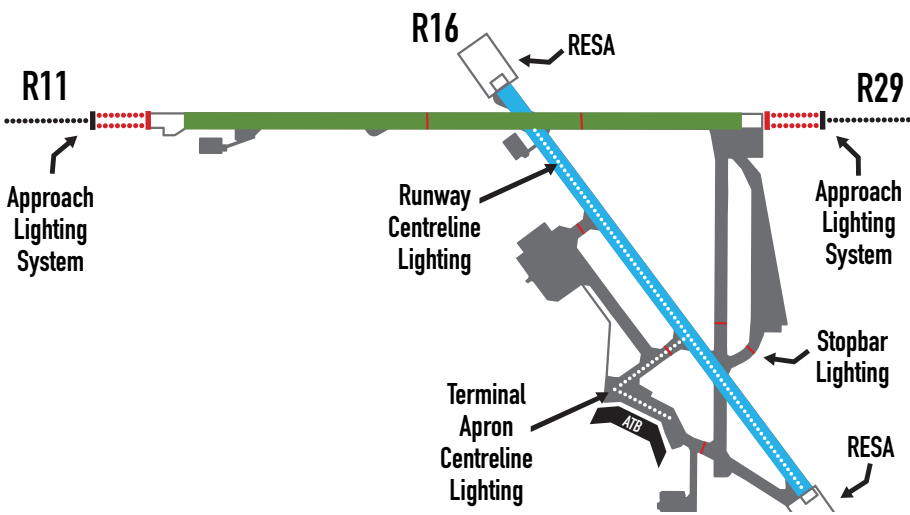
Although the long-term benefits of these investments are substantial and will far outweigh the short-term inconveniences that may be experienced, we do understand that our passengers may be negatively impacted as a result of this construction. Extensive planning and consultation with airlines and key community stakeholders is being conducted to mitigate the impacts from flight disruptions. Throughout the construction phases we also remain committed to continued communications with our airline partners, airport partners, passengers, community stakeholders, and the general public on our progress.

## Overview of the Project

The 2-year project will commence in 2012, with Cat 3 ILS scheduled to be operational by the end of 2013. The infrastructure improvements consist of the following:

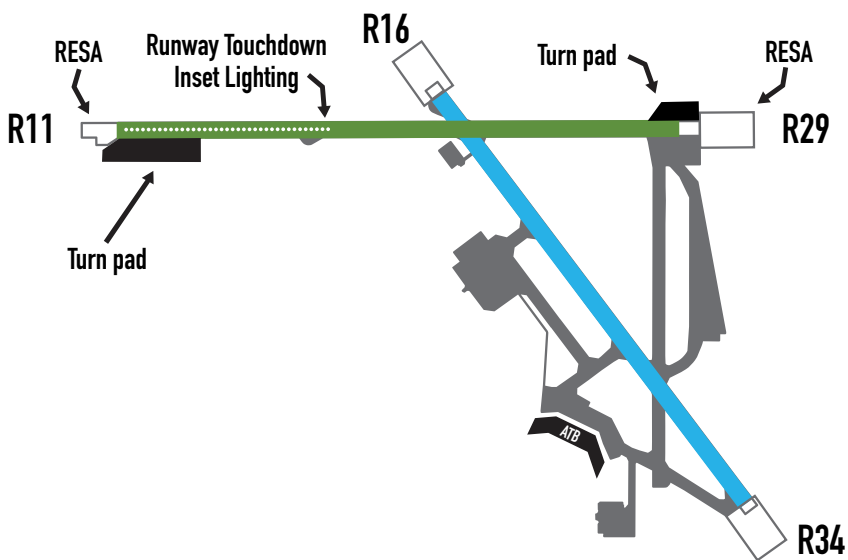
### Phase 1 Improvements (2012)

- Runway 16-34 Improvements:
  - Runway End Safety Areas (RESA)
  - Runway Centreline and Stop Bar Lighting
- Terminal Apron Centreline Lighting
- Runway 11-29 Improvements:
  - New Modern Approach Lighting Systems at Both Runway Ends
  - New Runway 11 Category III Instrument Landing System (Installed by NAVCANADA in Fall 2012)



### Phase 2 Improvements (2013)

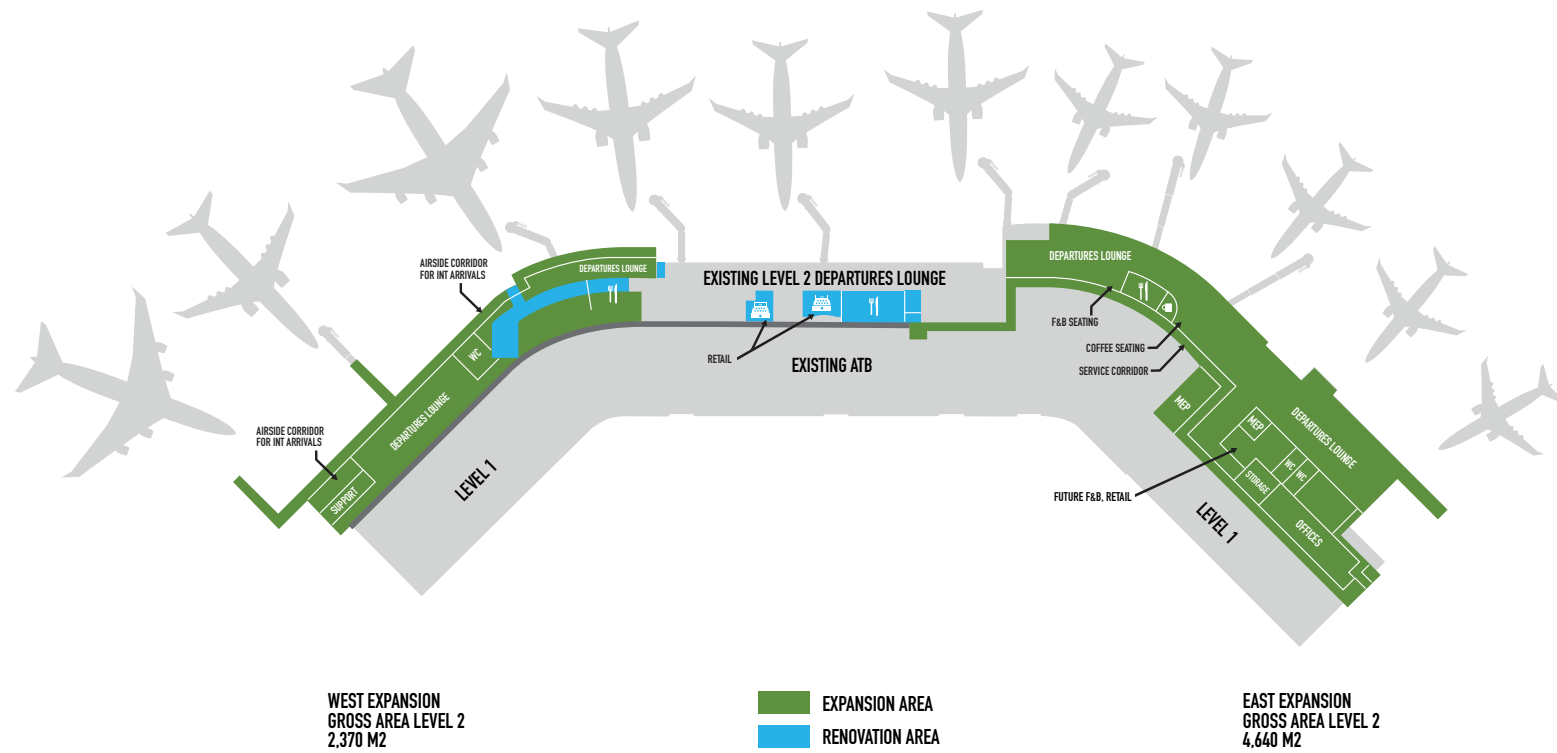
- Runway 11-29 Improvements
  - Runway End Safety Areas (RESA)
  - Aircraft Maneuvering Surface Improvements (Turn pads)
  - Runway Touchdown Inset Lighting
  - Pavement Improvements
- New Runway 11 Category III Instrument Landing System (NAVCANADA) – Operational in 2013











### Fleet Replacement

- Life cycle replacement of field maintenance equipment necessary to prepare and maintain the airfield for safe flight operations
- Benefit: less downtime of equipment will improve overall availability of runways and increase level of safety



### Rehabilitation of R 02/20 and R 11/29

- Repave the runways and rehabilitate the drainage and lighting systems
- Benefit: extend the life of the runways and ensure safe aircraft operations



### Expansion of Airport Terminal Ramp

- Expansion of ramp on the east and west of the Terminal Building
- Benefit: provide more aircraft gates and aircraft parking



### Rehabilitation of Terminal and General Aviation Aprons

- Repave apron areas
- Benefit: extend the life of the airfield and ensure safe operations for general aviation and commercial aircraft



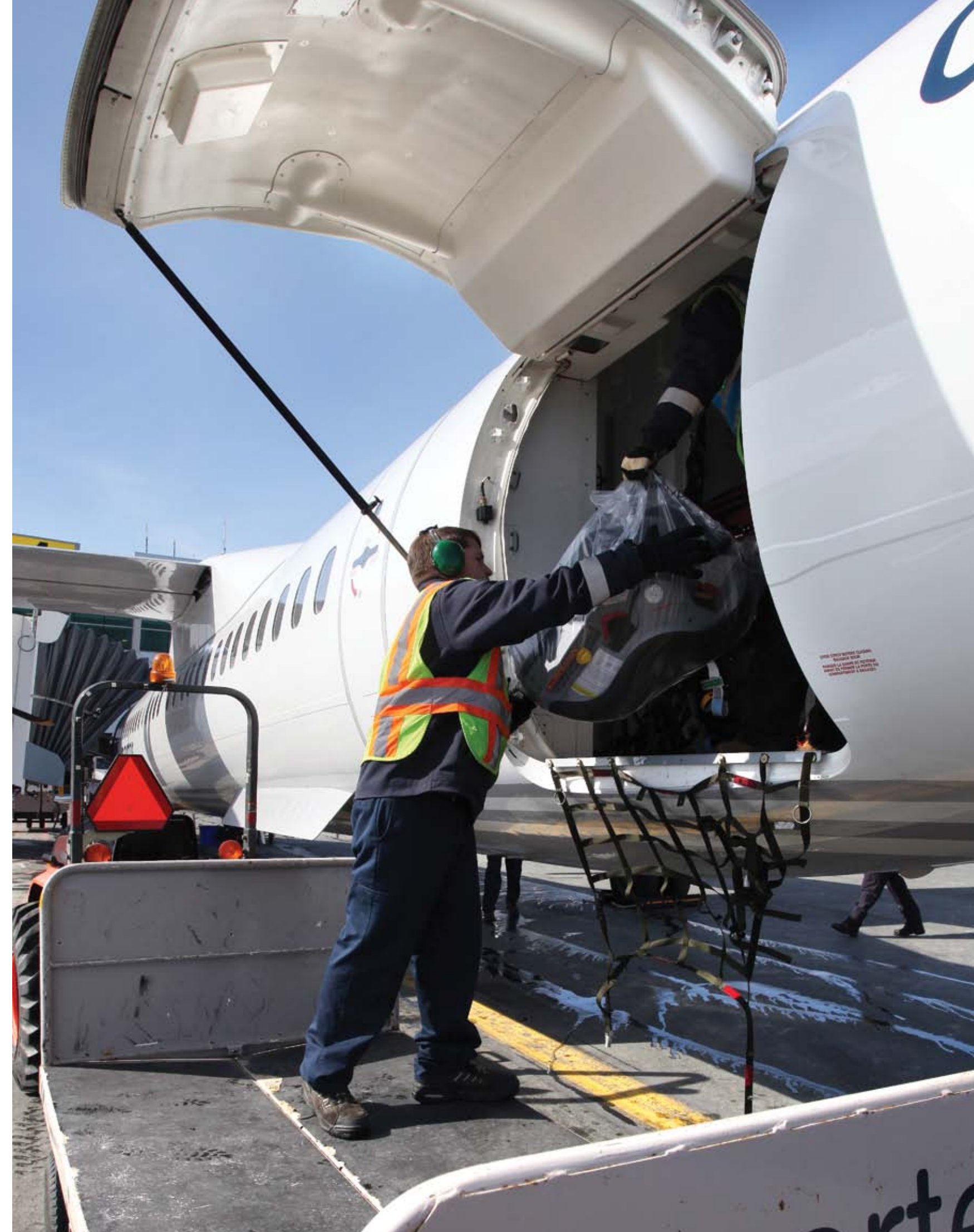
### Baggage Screening System Expansion

- Expansion of baggage screening system to accommodate increased traffic
- Benefit: increase efficiency of operations



### Ramp Services and Cargo Building

- 30,000 sq. ft. building plus a vehicle/storage apron
- Benefit: improve cargo and ramp handling facilities; will free area on the Airport Terminal apron for aircraft parking





# BUSINESS PLAN SUMMARY

## 2011 Capital Program

The capital program for 2011 included the procurement of a new passenger loading bridge, phase 1 construction of the Ramp Services Building, heavy equipment fleet replacement (3 vehicles), and a rehabilitation of the Terminal Building apron to support passenger loading bridges. In addition, planning for the Airport Accessibility Project continued.

## 2012 Actual vs. Business Plan

(Shown in thousands of dollars)

	Actual	Plan	Difference	Explanation
Revenue <sup>(Note 1)</sup>	29,566	29,171	395	Higher passenger traffic than expected resulted in higher concession, parking, and AIF revenues.
Expenses <sup>(Note 2)</sup>	19,320	20,071	(751)	Lower interest on long term debt.
Capital	10,791	13,464	(2,673)	Construction of the Ramp Services 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 (2012–2016)

We completed a long-term Infrastructure Plan to address capacity constraints and to accommodate anticipated passenger growth in the years to come. Highlights of the Plan include the necessary infrastructure improvements to support the implementation of the Airport Accessibility Project 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. This Plan includes future borrowings in the form of either a bank loan or another private placement bond.

## Business Plan Forecast 2012–2016

(Shown in thousands of dollars)

	2012	2013	2014	2015	2016
Revenue <sup>(Note 1 &amp; 2)</sup>	31,684	40,192	42,188	45,877	47,265
Expenses <sup>(Note 3)</sup>	21,712	24,526	25,624	26,985	28,284
Capital <sup>(Note 4)</sup>	23,710	29,062	29,781	25,659	20,644

Note 1. Assumes passenger growth will be 2.5% in 2012, 3.9% in 2013 to 2015, and 3.1% in 2016.  
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 Authority's portion of the Airport Accessibility Project, expansion of the Airport Terminal Building, a new access road and expanded surface parking.

WHERE YOUR  
TRAVELS END





**WHERE IT'S MORE THAN TAKING OFF AND LANDING,  
IT'S GETTING WHERE YOU WANT TO GO**

**AND NO MATTER WHERE YOU'RE FROM,  
YOU'RE HOME.**





**ST. JOHN'S**  
*International Airport Authority*

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