

YELLOWKNIFE AIRPORT FIVE-YEAR BUSINESS PLAN

2017-2018 to 2021-2022



**Stronger Airport.
Stronger Impact.
Stronger Economy.**



EXECUTIVE SUMMARY

The past year saw significant activity in preparing the first business plan for Yellowknife Airport (YZF) and developing the change agenda to position YZF for a successful future. There were many significant milestones achieved in the fiscal year ending March 31, 2017 reflected in the current Business Plan.

YZF is a Certified Airport, operational in all weathers and 24/7. There are two paved runways: the longest, 16/34, is 7,503 ft. in length; and Runway 10/28 is 5,001 ft. long.

Aviation traffic at YZF has doubled since the late 1980's and is expected to continue to grow at a higher rate than the national average forecast for the top 100 airports in Canada. Over 575,000 passengers passed through YZF in 2016, a significant increase of over 7% from 2015. Most traffic reports attribute volume increases to tourism (particularly the growing China market) and higher business travel demand, including mine personnel on shift changes. Approximately 80% of the total passengers in 2016 passed through the air terminal building (ATB) up from 68% in 2013.

The four main carriers, Air Canada Jazz, Canadian North, First Air and WestJet broadly carry the same traffic (each has approximately 20-25% of the market share), although Canadian North and First Air carry the majority of intra-NWT commercial traffic.

Food and other perishable cargo is shipped almost exclusively by air from YZF to northern communities, and resource exploration sites in the NWT and Nunavut. Cargo originating at YZF for export includes high value shipments of rough diamonds, which require special handling.

Focused on Future Economic Opportunities

In developing its change management strategy and YZF Business Plan, the GNWT consulted with many key airport community stakeholders over the past 18-months. Significant feedback received during those consultations has been reflected in the Business Plan.

The GNWT also enacted changes to legislation in 2017 to enable the Airport to be operated within its own Revolving Fund separate from the GNWT's consolidated revenue fund. All funds generated at YZF will stay at YZF and only be used for that Airport's capital and O&M – in other words all revenues would be reinvested into the Yellowknife Airport, enabling it to operate like a business and support growth opportunities.

Through its engagement with key stakeholders a number of Strategic Goals were identified as important to YZF and the wider NWT economy. These were: 1. Operate a safe and secure Airport that serves the North; 2. Proactively engage with aviation partners, airport stakeholders and Northerners; 3. Operate in a financially responsible manner, enhance operational efficiencies, and deliver exceptional services and facilities; 4. Maintain a modern, healthy, transparent and accountable work environment; 5. Enhance air service and expand connectivity with the North in support of communities, tourism and economic development; and 6. Identify and promote Airport development in support of aviation, logistics and commercial opportunities. Realizing these goals will entail the allocation of significant resources but with the prospect of significant payback.

Business Plan Forecast Assumptions

In building the 2017-2018 to 2021-2022 Business Plan, a number of key assumptions have been incorporated based on the Yellowknife Airport's Mission, Vision and Goals, and the known changes that will affect the operation, management and development of the property. These are explicitly stated in the Business Plan.

With appropriate investment, YZF will build on the impressive contribution it already makes. Revenues generated and retained within the YZF Revolving Fund could be invested in: continuing improvements to maintain a safe and secure airport; essential improvements to runways and airport facilities to maintain regulatory compliance; improvements to enhance operational efficiencies; marketing enhancements to attract commercial, development and investment opportunities for all aviation-related businesses; specific Airport facilities focused on tourism and the growing needs of the resource sector; and upgrades to improve the customer experience.

To meet the potential opportunities YZF has estimated its high-level medium-term capital needs – both aviation and commercially related – of nearly \$33 million. As regulatory compliance needs change and other opportunities emerge this figure may increase.

Base Case Financial Analysis

Financial pro-forma for 2017-2018 through 2021-2022 have been developed based on the Revolving Fund operating model, and an explicit set of assumptions as noted earlier. Significant highlights from these proforma include:

- In 2016-2017, the last year before the Revolving Fund came into force, expenses continued to exceed revenues requiring a subsidy of some \$4 million from NWT taxpayers;
- Only 30% of aviation related costs were recovered from users in that year; and
- With the increased aeronautical charges implemented on July 1, 2017 cost recovery increases to 94% in 2018-2019 before setting back to about 82% in 2021-2022.

A rolling five-year capital needs assessment, two-year Capital Plan and Capital Budget will be developed annually after consultations with stakeholders, particularly the Airport's air carrier partners. The current analysis indicates that over the first five-years of the Revolving Fund structure the identified aviation capital requirements are broadly in-line with the funds generated from the introduction of the Airport Improvement Fee, although this is also predicated on ACAP or similar matching funding being available.

A fundamental approach to the financial projections has been to adopt a conservative set of assumptions including assuming a baseline growth in passenger traffic of 3.5% annually. The effect of changes in assumed passenger growth (set at 1.5% (low-growth), 3.5% (medium or Base Case), or 5.5% (high-growth)) as a result of externalities has been modelled and shows that over five-years the Annual and Cumulative Net Operating Income is positive under all three scenarios. The capital program is affordable and the annual CapEx budget will be adjusted to reflect the actual funds available.

VISION, MISSION AND VALUES

An Airport for the 21st Century

Change is a constant in the aviation industry. With the creation of the Yellowknife Airport (YZF) Revolving Fund on July 1, 2017 the Government of the Northwest Territories (GNWT) has signalled that the airport is set to achieve a financially self-sustaining future.

The Airport is a core element of the Northwest Territories economy, and its success is key to future territorial economic development. The Yellowknife Airport's Vision, Mission and Values reflect this period of change, the challenges that this presents, and the determination to deliver on its promise.

Vision

Stronger Airport. Stronger Impact. Stronger Economy.

Mission

To provide and promote safe, secure, reliable and sustainable air transportation that drives economic development by strengthening connections, capturing opportunities and embracing innovation.

Core Values

- C**ollaboration and Partnership
- O**ngoing Improvement
- N**orthern Innovation and Resilience
- N**orthern Capacity Building
- E**nvironmental Sustainability
- C**are, Respect and Integrity
- T**eamwork
- E**xcellence in Safety
- D**edication to Service

Brand

"Where the North Connects"



1. Setting the Scene

1.1. Introduction

In a period of significant change, the 2017-2018 to 2021-2022 Yellowknife Airport Business Plan is focused on the future and what it will take to be successful as it transitions to the Revolving Fund structure. The Business Plan is an important planning tool, a critical management tool and a vital communication tool. This Plan sets the scene based on past investments, identifies challenges and opportunities, details a high-level action plan which together with assumptions about the short and medium term future enables a financial outlook to be developed.

1.2. The Yellowknife Airport in Context

In 1995 the land, assets and operations of all the Transport Canada (TC) airports in the Northwest Territories (NWT), including the Yellowknife Airport (or “YZF”), and the associated federal staff and resources, were transferred to the Government of the Northwest Territories (GNWT)¹. Today the NWT is well served by the 44 aerodromes in the Territories including 27 that are owned and operated by the GNWT Department of Infrastructure (INF).

YZF serves as the primary aviation gateway to communities within the North and is one of the 26 airports in Canada included in the National Airports System (NAS). The NAS is defined by TC as those strategic infrastructure assets essential to Canada’s air transportation system. YZF is included as the capital of the Northwest Territories.

Aviation traffic at YZF has doubled since the late 1980’s and is expected to continue to grow at a higher rate than the national average forecast for the top 100 airports in Canada. To meet the current demands and continue to serve as the aviation hub for the North, YZF must renew and expand its primary facilities in a planned and timely way.

YZF hosts extensive commercial activities that rely on quality aviation facilities and services. Non-aviation related businesses are attracted because of available land and good access. YZF also services federal and territory aviation needs associated with national defence, aircraft forest fire fighting, medevac and charter aircraft operations and base facilities.

YZF is a gateway to the Territories and the Arctic, and plays a major role in supporting industry, tourism and the overall quality of life in the North. Air transportation is recognized by GNWT as an essential component of the implementation of its strategic activities.

A 2015 Economic Impact Study shows that more than 1,000 people are employed on the YZF airport campus. In addition, organizations based at the airport directly produce over \$170 million in GDP, and activity at YZF contributes over \$45 million in various taxes.²

¹ Northwest Territories Arctic Airports Transfer Agreement, 1995

² The Economic Impact of the Yellowknife Airport, The Lindbergh Group Inc. with the Institute on Governance, 2015

Figure 1. YZF Generates Wealth, Employment & Taxes

- **1,000** people are directly employed through activity at the Yellowknife Airport
 - The Airport supports **2,000** jobs in many sectors
- Total economic impact, including supplier industries, is **\$171 million** in direct GDP
- Each direct job associated with the Airport results in **\$374,000** in direct output
 - Air Transportation supports **18** jobs for every **10,000** passengers using the Airport
 - Activity at the Airport contributes over **\$45 million** in taxes

In the past the airport has had to compete with other NWT airports and more importantly other social infrastructure for access to infrastructure investments. The GNWT has moved to put YZF on a financially self-sustaining basis through the new Revolving Fund model that came into force on July 1, 2017. Under this new model the Airport has adopted a more business-like approach to operations and development, and revenues generated by the airport will be retained within the Fund to pay all operating and capital expenditures.³ The net effect of the financial changes will be an approximate one-time 3-4% increase (\$28) in the price of a ticket for travel outside of the NWT, and approximately 1-2% (\$18) for internal NWT travel. GNWT has estimated that the likely effect on air cargo rates will be an increase of 1 to 2 cents per lb.

Anticipated benefits from this new approach include ensuring costs are properly identified, all revenues are retained for the purposes of operations and capital investment at YZF, and enhanced accountability and transparency. Decisions made with regards to YZF will be mindful of their impact on other airports in smaller communities across NWT.

The creation of a Revolving Fund could be an intermediate step that will allow the GNWT to assess the impact of operating, managing and developing YZF like an airport authority while maintaining formal GNWT control over capital and operational activities.

1.3. Political, Economic and Social Overview⁴

Political Environment

The Legislative Assembly consists of 19 members, elected by constituencies, but without political party affiliation. The Premier is elected from within this group. While the Assembly acts, for the most part, as a provincial legislature would, it does not have the same constitutional jurisdiction.

Yellowknife's municipal government is made up of a Mayor and eight councillors elected for three-year terms. It does not control the airport, but does receive significant transfers from GNWT in lieu of municipal taxes (PILT) as well as taxes directly from YZF tenants.

³ Alternate Governance: A Review of Governance Options for the Yellowknife Airport, Leland Stroman, 2013

⁴ A Governance Review of the Yellowknife Airport, Institute on Governance and The Lindbergh Group Inc., 2015

Social Environment

The people of the NWT are very much connected to their traditions through essential relationships with the land, wildlife and each other. Aboriginal peoples in the NWT have strong interests in maintaining their cultures and preserving their heritage. Music and art festivals are becoming increasingly popular in many parts of the NWT and the cultural identities of the Dene, Métis and Inuvialuit remain strong.

Yellowknife is the territorial capital and the largest community in the NWT, and is the government and service centre for much of the central Arctic. It is also the economic hub for mining and tourism activity. With the potential opening of the Northwest Passage, the prospects for additional air lift requirements for people and cargo in the medium to long term are positive.

Yellowknife's average household income is double the national average but households also spend 50% more than the average Canadian home. About 64% of NWT residents have completed high school.

Economic Environment

The NWT has an immense land area of 1,183,085 km² and a population of 43,300 in 2012 (compared to 37,360 in 2001⁵). As of 2010 there were 33 official communities in the NWT. These range in size from 18,700 inhabitants (Yellowknife) to 52 inhabitants (Kakisa's).

The Territory's economic outlook is anticipated to be modest with limited growth in the short-term. Between 2015 and 2016, GDP for the Northwest Territories fell slightly by 0.1%. With the Gahcho Kué Diamond Mine in production, the Conference Board of Canada forecasts the NWT economy growing by 12.2% in 2017. This economic growth trajectory is not anticipated to continue in the short-term as the NWT GDP is expected to decline from 2018 to 2020 by an average of 1.6% per year. A recovery is forecasted in 2021 when new metal mines are under development. Conference Board goes on to say that: *"...more stable global economic conditions will help support a recovery in base metal prices going forward and a few projects will see the light of day over the next ten years ..."*⁶

Tourism. The Northwest Territories Economic Opportunities Strategy developed by the GNWT in 2013 to grow and diversify the NWT economy, identified tourism as one of the key elements that could support and grow the NWT economy. The strategic plan for tourism in the NWT - Tourism 2020⁷ – aims to build on past successes and develop new opportunities for growth and visitor spending.

While the 2015/16 annual tourism revenues reached \$167 million, the 2020 goal is to increase the value of the industry to \$207 million annually by 2021, which represents growth of 19%.

The NWT tourism industry has tremendous potential: baby boomers with funds to travel are entering retirement and looking for new, unique places to travel; youth travel is expanding globally and they are interested in active adventures; and there is a growing Chinese market

⁵ Statistics Canada, 2012; Statistics Canada notes that this increase in population is likely due to improved information gathering for NWT, rather than actual population growth

⁶ The Economic Outlook: Weathering the End of the Commodity Supercycle, Conference Board of Canada, 2016

⁷ Tourism 2020: Opening our Spectacular Home to the World, GNWT Publication, 2016

interested in the NWT. What each of those target markets has in common is the need to get from “there” to the Northwest Territories. GNWT recognizes that the Yellowknife Airport is key to enabling that strategy by providing year round connections to the world.

Natural Resources. Mineral development activities have long contributed to the development, growth and diversity of the territorial economy. For more than 80 years, mineral exploration and development have been critical components of the NWT economy and have led to major infrastructure legacy developments, including the building of highways, rail lines and hydroelectric facilities. The relationship between the Northwest Territories and the rest of Canada has been, in part, defined by its mining heritage and its contribution to the Canadian Economy.

The direct benefits of mining account for over one quarter of the NWT’s Gross Domestic Product. Indirect benefits are also significant through spending on transportation, construction and real estate. Mining is the largest private sector employer in the territory. Since 1998, the diamond mines alone have generated over \$17 billion in NWT business contracts, over \$5 billion of which were spent with Aboriginal-owned businesses, and have created over 24,000 total person years of employment, nearly half of which were Aboriginal employees.⁸

Mining represents the most significant revenue generator in the NWT and will continue to do so in the future. In 2016, three mines were in operation in the NWT: Ekati, Diavik, and the recently opened Gahcho Kué Mine.

The total estimated value of minerals and diamonds produced in the NWT in 2015 was \$1.79 billion, which is a decrease of \$900 million from 2014, when the total value reached \$1.88 billion. Diamonds accounted for 97 percent of the total estimated value of metallic and non-metallic production in the NWT in 2015.

The 2016 exploration appraisal expenditures forecast by Natural Resources Canada of \$99.3 million sees only slightly lower spending compared to 2015. Exploration will account for \$32.7 million of this and diamonds account for 86 percent to the total expenditure forecast.

While the NWT population, GDP and mine site employment are all expected to increase annually through to 2020, the NWT’s long-term economic outlook remains a point of concern. The anticipated closure of existing mines will require significant economic activity to find replacements. There is significant geological potential in the NWT’s relatively underexplored 1.4 million square kilometres. Access to areas with mineral potential is a key factor for the mineral exploration industry.

The Department of Infrastructure is a partner in implementing Goal 1.3 of the NWT Mineral Development Strategy (MDS) “... to improve access to mineral potential by investing in NWT’s infrastructure”. This goal applies to all types of transportation infrastructure, including ground, water, marine and air infrastructure development.

⁸ Mineral Resources Division

2. Aviation Industry Overview

2.1. Introduction

Air transportation is critical to economic development generally, and North of 60 in particular, and northern airports play a key role in enabling economic activity through natural resource exploration. In the NWT, air transportation is heavily relied on not only for passenger and cargo transportation but also for delivery of essential services such as healthcare, law enforcement and food given the considerable distance between communities.

A recent industry wide study⁹ notes that air transportation has value beyond just the cumulative amount of economic output produced by the industry. Air transportation and airports:

- Are vital to the livelihood of Canadians in remote regions;
- Promote the economic growth of Canada's North;
- Help protect the country's natural resources;
- Are necessary for emergency response and humanitarian relief;
- Broaden people's leisure and cultural experiences, and keep families connected; and
- Enhance general business operations and efficiency.

2.2. Airlines

The airline industry internationally and domestically has recently experienced a significant period of growth and positive earnings based on critical industry consolidation and cost cutting. While Canada's two mainline airlines – WestJet (WS) and Air Canada (AC) – have both experienced those overall positive benefits, the financial performance of Canada's regional and northern airlines is not as solid. While the arrival of AC and WS into YZF has brought many benefits to Yellowknife and the territorial economy, it has not been without cost: while consumers enjoy very much lower ticket prices for flights leaving the NWT than previously, and more seamless access to destinations beyond, it has meant that the economics of serving more remote and northern communities has lost the benefit of an implicit cross-subsidization of these "thinner" routes.

The arrival of the major airlines and the continuing viability of the northern airlines puts pressure on YZF to provide an efficient operating platform and to contain costs, particularly those that are directly levied under airline use and lease agreements, including operating fees and charges

2.3. Airports

Industry-wide longitudinal studies¹⁰ note that:

- Airports contribute to the ongoing viability of the communities they serve, particularly isolated communities;

⁹ *The Economic Impact of the Air Transportation Industry in Canada*, the Conference Board of Canada, 2013

¹⁰ Such as the *Municipal Airports in Ontario Study*, Jacobs Consultancy Inc., 2006

- Successful airports have a healthy income statement and respond effectively to the needs of their community;
- Forward looking airport management seek ways to increase non-aeronautical revenue, such as leasing or selling under-utilized land for light industrial, agricultural or recreational uses; and
- Regulatory increases and changes are having a significant and negative impact on smaller airports' cost of operations (e.g., safety management systems, airport security programs, installation of new baggage screening / explosive detection systems, etc.).

2.4. Regulatory and Policy Environment

The Canadian Transportation Act Review

The Canadian Transportation Act (CTA) is the federal framework legislation for Canada's transportation system and for the Canadian Transportation Agency's role in the administration of several parts of the Act. The CTA sets out the National Transportation Policy, which emphasizes that transportation services will be based on competition and market forces. The Policy states that government regulation and intervention should generally be limited to cases where the market cannot otherwise achieve satisfactory economic, safety, security, environmental and social outcomes.

The most recent review of the CTA, launched in 2014, is the most wide-ranging federal aviation related initiative currently that could affect the NWT Airport System. A number of the Panel's recommendations delivered in late 2015 could have an impact on northern airports, but Chapter 4 deals specifically with the North, including:

- **Recommendation 4.1: Northern Transportation Infrastructure Strategy - The Review recommended that the Government of Canada develop and implement an infrastructure strategy for all modes of transportation in the North by:**
 - a. Increasing the base level of funding in the federal government's infrastructure fund for the territories, and adapting funding initiatives and programs to take account of such northern realities as higher costs and longer time frames for planning and constructing infrastructure.
 - b. Focusing federal corridor development efforts on transformative nation-building projects, based on territorial and CanNor recommendations, including immediate support for the following projects:
 - iv. Immediate paving and improvements to a few key northern airports that would set the groundwork for other economic and resource development.
 - d. Providing targeted financial support for runway extensions and surfacing (e.g. paving), as well as for 24-hour automated weather systems and modern landing and approach systems in applicable communities in the territories. To facilitate these improvements, an investment of \$50 million per year over ten years is recommended to address the most

significant infrastructure gaps, either by augmenting the Airports Capital Assistance Program, or by creating a new “Northern Airports Capital Assistance Program.”

- **Recommendation 4.3: Community Access to Air Transportation - The Review recommended that the Government of Canada act to maintain and improve access to air transportation for communities and for the economic well-being of the North by:**
 - a. Strengthening cooperation between southern- and northern-based airlines by seeking commitments from southern carriers or, in the absence of such commitments, the Government should consider monitoring, reporting and other mechanisms to encourage such cooperation. The purpose of a more collaborative system would be to ensure that customers are able to access global networks by paying a single fare, on a single itinerary or ticket, from place of origin to final destination. Other enhancements could include improved cooperation on schedules, baggage handling, and access to frequent flyer programs.
 - b. Adjusting policies for the federal public service procurement of northern air transportation:
 - i. Upon renewal of the federal travel directive travel agency services contract, including as a requirement that northern carriers be considered for government travel to the *north* and be displayed by the travel provider on an equal basis, on the understanding that final travel decisions will continue to be based on price;
 - ii. Using the federal government’s purchasing power to give northern carriers equal opportunities to compete for government travel.
 - c. Adequately and consistently considering the unique needs and challenges of the North in respect of all regulatory changes. The federal government should ensure that its regulations are reasonable for northern circumstances and should compensate the territories for mandated safety and security measures.

While these recommendations have been receiving active consideration by the federal government, no specific response has been provided to date by Transport Canada.

Aviation Regulation

Transport Canada continues to regulate aviation and airports in Canada.

YZF has a Transport Canada approved Airport Operations Manual (AOM) which among other policies and procedures covers off its regulatory due diligence.

In the past decade, certified airports and their customers have been faced with considerable regulatory change often resulting in additional costs with no offsetting funding, for instance in the need to implement Safety Management Systems (SMS) and Runway End Safety Areas (RESA).

GNWT Legislation and Regulation

Applicable GNWT legislation and Regulation directly affecting the NWT airports system include:

- *Public Airports Act;*
- *Public Airport Fee Regulations;*
- *Public Airport Traffic Regulations;*
- *Commissioner's Public Airport Lands Regulations; and*
- *Summary Convictions Procedures Regulations flowing from the Summary Convictions Procedures Act.*

The GNWT introduced an amendment to the Revolving Fund Act (Bill 7) which passed in the 18th Legislative Assembly to establish a revolving fund “for the purpose of meeting the capital, operating and maintenance requirements of the Yellowknife Airport”. This legislation came into force on July 1, 2017.

INF also updated the *Public Airport Fee Regulations* to move to an overall cost recovery basis for airport operations and maintenance (O&M) expenditures, and to introduce a Yellowknife Airport Improvement Fee (YKAIF).

3. The Yellowknife Airport Current Market Assessment

3.1. Ownership and Governance

YZF is one of the 27 airports owned and operated by the GNWT and is under the direction and control of the Department of Infrastructure. YZF is under the direction of the Regional Airport Manager, Yellowknife Airport who reports to the Regional Superintendent of North Slave Region.

3.2. Airport Facilities, Services and Infrastructure

YZF is a certified Airport, operational 24/7, and capable of supporting both day/night and VFR and IFR operations. There are two asphalt-paved runways:

- Runway 16/34 – 7503ft x 150 ft; and
- Runway 10/28 – 5001 ft x 150 ft.

There are ten aircraft parking locations on the main apron. Gates 2-10 are used for scheduled passenger aircraft only, and Gate 1 is used to accommodate some unscheduled or charter flights and military aircraft.

There is a NAV Canada control tower at the airport (Daily 07:00 to 22:00 including statutory holidays), with a Flight Service Station (FSS) available 24/7.

YZF is a “port of entry” for general aviation aircraft of up to 15 passengers (AOE/15) with CBSA provided customs services available to international passengers on weekdays.

YZF is classified as a Category 6 airport for aircraft rescue and firefighting services (ARFF), upgradable to Category 7 to meet specific operational needs, with services provided by 10 airport firefighters (2-3 per shift). Municipal ambulance services are located nearby, and additional firefighting services can be provided by the Yellowknife Fire Department. The firefighters and ERS equipment operate from a state-of-the-art Combined Services Building (CSB) / Fire Hall which was built in 2011.

Airfield maintenance, including airfield electrical, is provided by YZF Operations and Maintenance staff, located in the CSB, co-located with Airport and Highways Dept. vehicle and heavy equipment maintenance staff to achieve economies of scale with charge-back to other GNWT departments for services rendered.

Aircraft fuelling is provided by fixed based operators (FBOs). Aviation fuel (100LL Avgas, Jet A-1 turbine, F-34 turbine fuel (military designation), and all types of oil are available from World Fuel (Esso) and Diamond Aviation Services (Shell).

De-icing is undertaken at a central location on the main apron (not at the gates) using de-icing fluids types 1 and 4.

There are third-party hangar, aircraft servicing (minor repairs), and jet aircraft starting units (JASU).

Passenger services available in the terminal include a food & beverage concessions, business centre, gift shop, car rental agencies, ATM machine, vending machines, water bottle replenishment facilities and direct courtesy phones to hotels, and taxis. There is a pay parking lot for vehicles.

There are three car rental companies (Budget, National, Hertz) located at the airport, as well as a hotel shuttle service to four hotels, and two taxi services (Aurora and City Cab).

Most airport buildings are maintained by GNWT Department of Infrastructure (INF) and many elements are outsourced, including janitorial services.

There are some 39 commercial tenants located at YZF offering a variety of services and products including scheduled and charter air passenger services, fuel / FBO and aircraft servicing, commercial retail and food and beverage services, general aviation (corporate and private), ground transportation including car rental, and cargo / logistics and freight forwarding. A full list of tenants is included at Appendix A.

There are a variety of air cargo facilities at YZF operated by carriers (First Air, Canadian North, Buffalo Airways, Air Tindi, WestJet), and expediting and logistics firms (G&G Expediting, BBE, Deton Cho Logistics). First Air and Canadian North have bonded warehouse facilities on site.

The RCMP 'G' Division maintains a hanger at YZF, as does the Royal Canadian Air Force. Canadian NORAD Region Forward Operating Location (FOL) Yellowknife is located at YZF and is used for forward deployment of the CF-18 Hornet in times of conflict, and for search and rescue missions with a CC-138. 440 Transport Squadron is an integral part of 17 Wing Winnipeg, with a primary role to provide airlift support to CF Northern Area, transporting Ranger and Cadet personnel and a myriad of supplies and cargo throughout the Arctic region.

3.3. Airport Access Control and Security

CATSA provides pre-board passenger screening in the Air Terminal Building (ATB) for those travelling on commercial flights to other screened airports. There is 100% hold bag screening (HBS) in the ATB. Both of these aviation security-screening facilities require upgrades that are currently in planning and design.

Security screening is not available to charters or private aircraft using the FBOs. However, some resource companies are moving passengers to camps through the ATB in order to screen them. In 2016 a separate pre-board screening area (not provided by CATSA although the same baggage screening process is applied) was built by the Airport to accommodate users needs.

3.4. Passenger Traffic

Over 575,000 passengers passed through YZF in 2016, a significant increase of over 7% from 2015. Over the 16-year period between 2000 and 2015, total passenger traffic increased at an average annual rate of 4.9%. Most traffic reports attribute volume increases to tourism (particularly the growing China tourism market) and higher business travel demand, including mine personnel on shift changes.

Together with the increasing number of passengers at YZF, in the last five years more of those passengers have used the ATB rather than the FBO facilities. In 2016 for instance, 80% of passengers used the ATB, up from 68% in 2013.

The split between internal NWT – vs. – external NWT travel remained largely unchanged in 2016 at 45%:55%.

Air services are provided by five major carriers and a number of smaller regional carriers, as well as several charter operators. There are approximately fifty daily departures to destinations across Canada (Table 1) not including all of the regional and mine charter flights that occur daily. Scheduled routes from YZF are illustrated in Figures 1 and 2.¹¹

Table 1. Scheduled Air Carriers Operating at YZF and Direct Destinations

Airline	Direct Destinations
Air Canada Jazz	Calgary, Edmonton
Air North	Ottawa, Whitehorse
Air Tindi	Whati, Lutsel K'e, Gameti, Fort Simpson, Wekweeti, Fort Resolution
Buffalo Airways	Hay River
Canadian North	Gjoa Haven, Cambridge Bay, Taloyoak, Kugluktuk, Norman Wells, Edmonton, Inuvik, Iqaluit
First Air	Cambridge Bay, Taloyoak, Kugluktuk, Edmonton, Norman Wells, Inuvik, Iqaluit Gjoa Haven, Hay River, Fort Simpson
Northwestern Air Lease	Fort Smith
WestJet	Edmonton, Calgary, Vancouver

The four main carriers, Air Canada Jazz, Canadian North, First Air and WestJet broadly carry the same traffic (each has approximately 20-25% of the market share), although Canadian North and First Air carry the majority of intra-NWT commercial traffic.

Peak hours are between 06:00 and 07:00, 13:00 to 14:30 and again at 17:00 to 19:00. Passengers start arriving at the airport for check-in around 04:00. Load factors are reported to be high.

There is also significant charter helicopter traffic.

¹¹ Source: Yellowknife Airport, May 2017

Figure 2. Major Carrier Routes from Yellowknife (October 2015)



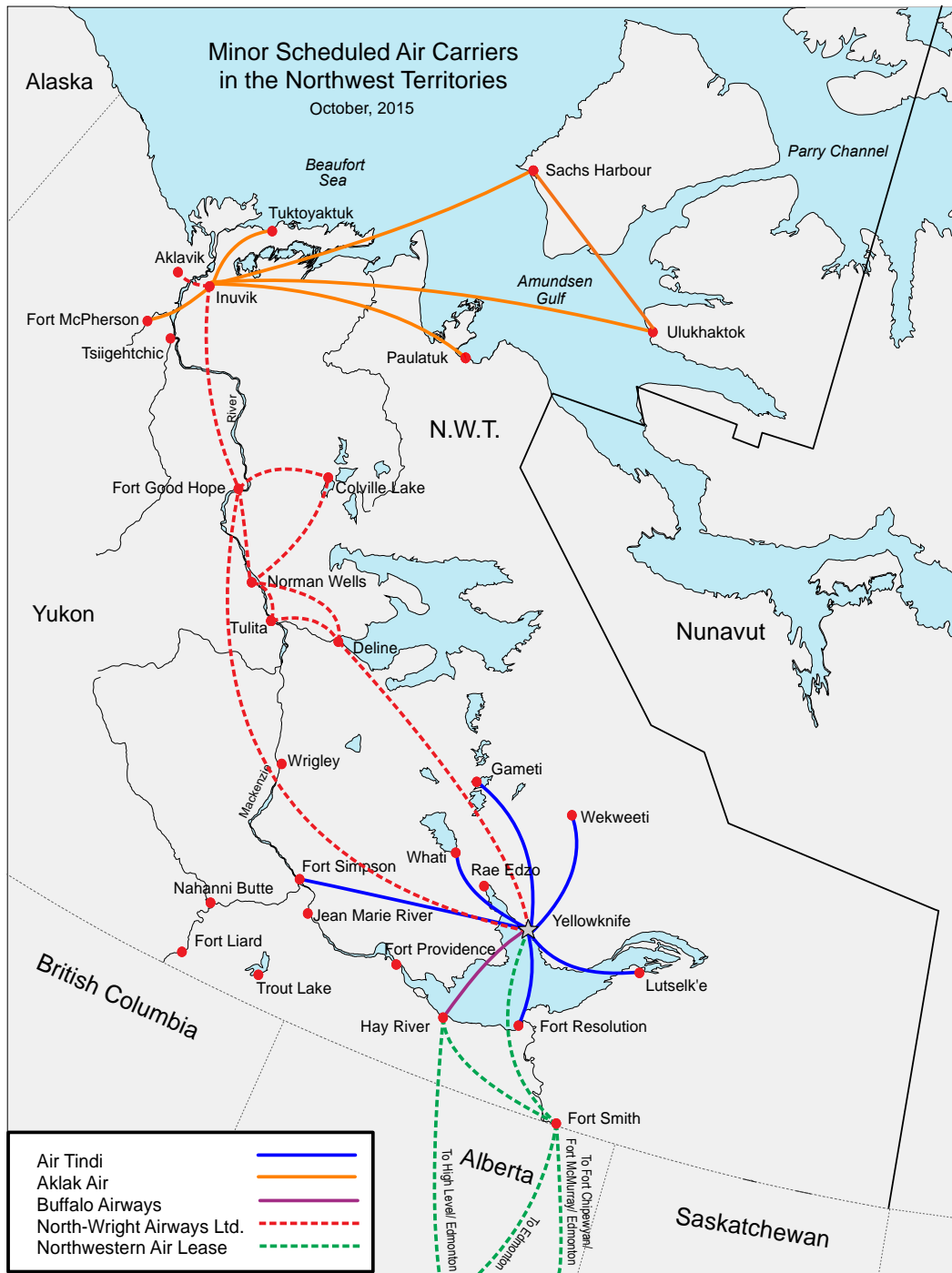


Figure 3. Local Carrier Routes from Yellowknife (October 2015)

3.5. Cargo Traffic

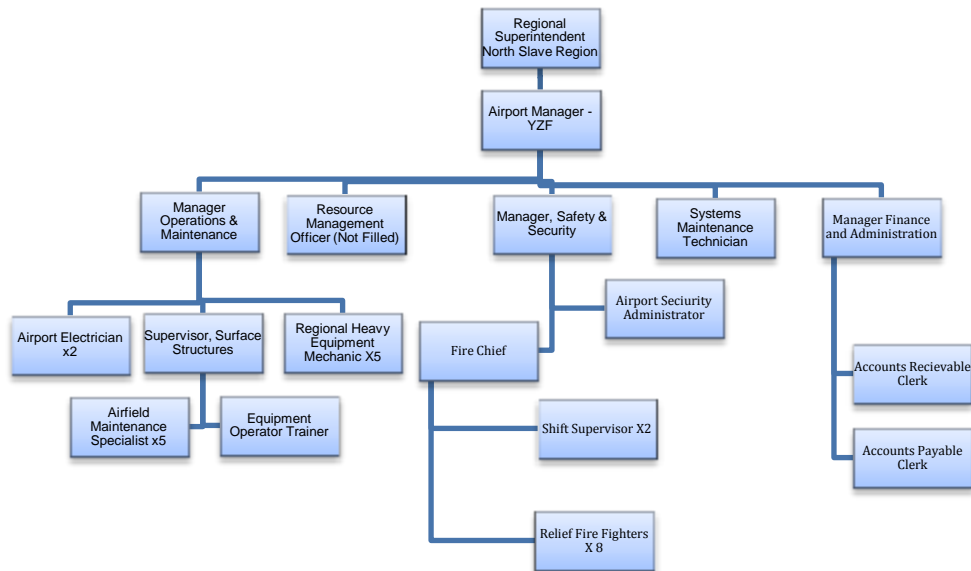
Each of the air carriers operating from YZF offers a mix of passenger and cargo services. Air Cargo is carried on B-737, RJ85, ATR 72, ATR-42, Dash-8 and Dash-7, DC-3 and C46 aircraft in “combi” passenger / cargo or all-cargo configurations. Large volumes of the cargo shipped through YZF travels as intermodal freight from highway transport to air. Food and other perishable cargo is shipped almost exclusively by air to northern communities and resource exploration sites in the NWT and Nunavut from YZF. Cargo originating at YZF for export includes high value shipments of rough diamonds, which require special handling during transport and loading. A detailed cargo study completed in 2014 determined that up to 200,000 tons of air cargo could be airlifted annually from YZF to support northern and remote infrastructure and resource projects. INF is working to better quantify cargo opportunities.

3.6. Aircraft Movements

There were 54,635 air traffic movements at YZF in 2016, an increase of 10% over 2015 and a reversal of the 4.4% decline between 2011 and 2015. YZF is ranked as the 34th busiest airport in Canada among the 41 with control towers¹². The majority of the aircraft traffic at YZF (nearly 90% in 2016) is itinerant, i.e. aircraft proceed to or arrive from another location.

3.7. YZF Organizational Structure

Figure 4. 2017-2018 Airport Organization



¹² Source: Statistics Canada CANSIM Table 401-0007

INF employs 30 people at the airport as illustrated in Figure 4. All are full-time including the Airport Manager. The organizational breakdown includes 26 Operations staff, and four seasonal maintenance staff. There is one collective agreement that encompasses all airport staff.

The Deputy Minister, Infrastructure, is the Accountable Executive for Safety Management.

The Manager Operations and Maintenance has airfield maintenance, including airfield electrical and ATB electrical staff. He is also responsible for airport and highways vehicle and equipment maintenance which takes place at the Combined Services Building (CSB). At times, equipment and personnel are shared. Most building trades are outsourced, including janitorial services. For other work independent contracts are awarded following a public, competitive process.

The Manager, Safety and Security is responsible for airfield access control and security including the Airport Security Program (ASP), and addressing security issues reported to the Airport Manager. The Manager also manages the Emergency Response Services (ERS) staff, who in addition to their primary duties as airport fire fighters, also undertake perimeter security patrols, and bird and wildlife management (patrols, reporting, bird control etc.).

The Manager, Finance and Administration, is responsible for all financial tracking and reporting. The Manager supervises two staff: an Accounts Receivable Clerk; and an Accounts Payable Clerk.

3.8. Stakeholder Engagement

In developing its change management strategy and YZF Business Plan, YZF reached out to a number of key airport community stakeholders. Feedback received from stakeholders and the general public during those consultations in 2016-2017 highlighted the need:

- For active engagement with stakeholders and presentation of a clearly articulated vision for the future of the airport.
- To show the linkages to economic benefits that will be driven by future development at YZF.
- To make YZF a 'destination point' through ATB renovations that makes it more tourist friendly and provides a "sense of place" for those who arrive in the NWT through YZF.
- To review the costs and benefits of Jet Bridges to the overall customer experience, especially visitors in winter conditions.
- For a non-stop connection to Vancouver both for residents and to encourage potential one-stop travel for tourists from Asia/Pacific, particularly Japan and China, and from Europe.
- For additional domestic cargo routes in the North from the YZF hub.
- To improve YZF's standing in the airfreight sector and develop a multimodal freight cargo facility for Northern cargo distribution.
- For a business development focus that provides benefits - such as enhanced efficiency in passenger processing, pre-camp screening or cargo handling - for the resource sector.
- For a commercial plan for aviation and non-aviation business development opportunities on airport lands.

- For continuing pressure on the Government of Canada to reduce costs for Northern travellers, and to provide funding for Northern airport operations and development in line with the recommendations of the *Canada Transportation Act* Review Panel.

3.9. SWOTCh Analysis

The Yellowknife Airport has many strengths to build upon. But the Airport also faces numerous challenges.

Table 2 is a summary of the strengths, weaknesses, opportunities, threats and challenges faced by YZF in 2017-2018 and beyond:

Table 2. 2017-2018 SWOTCh Analysis

<p style="text-align: center;">STRENGTHS</p> <ul style="list-style-type: none"> • In aviation regulatory compliance • YZF is recognized as a critical component of the NWT transportation system by residents and businesses • Political support for change • Access to decision makers • Access to corporate services within GNWT providing economies of scale and scope • Able to access some ACAP funding • Availability of cargo processing facilities and services • Responsive airport management • Good morale within airport employees • Committed workforce • Good number of competing airlines on the trunk routes coupled with strong O/D passenger traffic • Runway in reasonable condition • Space for runway extensions • Terminal in reasonable condition 	<p style="text-align: center;">WEAKNESSES</p> <ul style="list-style-type: none"> • Aeronautical fees don't cover the cost of providing infrastructure and services • Revenues go to GNWT general fund vs. airport, creating disincentive to investment • Limited commercial focus not within purview of airport general manager • Majority of based aircraft are piston (and thus not a large revenue generator) • International routes difficult with current infrastructure • No clear picture of amount of cargo processed each year • Legacy IT and equipment • Competing with other GNWT priorities for capital funding • Cramped aviation security facilities increase passenger processing time • Departure lounge and PBS undersized
<p style="text-align: center;">OPPORTUNITIES</p> <ul style="list-style-type: none"> • Margin to implement a YkAIF • Margin to increase aeronautical fees • Prospects generally positive over long term for more resource exploration and development projects in north leading to more air travel • Potential for multi-modal logistics centre / cargo hub for the North (NWT/Nunavut) to help lower northern communities' cost of living • Potential to realize cold-weather testing opportunities within aerospace and hi-tech communities • Additional cross training of ERS and airfield maintenance staff • Land available for commercial development • Potential for international flights • Non-stop air service to Vancouver • Increased international tourism with focus on Asia and Europe • Additional airside passenger services • Potential to enhance the passenger experience through better amenities, sense of place • Potential for additional federal support for Northern airports 	<p style="text-align: center;">THREATS & CHALLENGES</p> <ul style="list-style-type: none"> • Opposition to new or increased user fees • Financial performance of regional and northern airlines • Pressure from airlines on airports to reduce costs and keep fees below cost-recovery • Increasing regulatory burden • Downturn in the exploration and mining industry • Fluctuations in the economy and the GNWT budget makes planning more difficult

4. 2016-2017 Report Card

The past year has been a period of significant change, and planning for further change in the near future. Significant achievements in 2016-2017 included:

- Developing a change management process to achieve the most significant change in the approach to the airport business at YZF since the federal transfer in 1995;
- Tabling and achieving legislative support to create the Yellowknife Airport Revolving Fund;
- Development of a communications plan to update the Airport's marketing materials, identify key stakeholders and inform the community of the importance of YZF to the NWT economy;
- Undertaking significant general stakeholder engagement that saw GNWT staff meet with 40 separate groups and consultations with the general public, which overall resulted in constructive feedback. Stakeholder inputs were taken into consideration as plans were finalised to create the YZF Revolving Fund structure;
- A more proactive engagement with the Airport's key air carrier business partners, and the activation of the Airline Consultative Committee at YZF's prompting to provide a high-level forum to discuss future business opportunities and capital investments;
- Development of a longer-term capital investment needs assessment;
- Moving to a more business-like approach in all aspects of Airport operations, management and development, including the need for financial sustainability. This included the creation of the Airports first standalone business plan, a review of aeronautical rates and charges, and the introduction of an airport improvement fee to fund capital; and
- Considerable behind the scenes work to identify the real cost of operations and quantum of revenue streams to enable future financial projections to be based on a more sound footing.

5. Moving Ahead: Focused on the Future

5.1. Introduction

YZF does not operate in a vacuum and to be successful in the future the Yellowknife Airport must understand where it has come from, what has worked well in the past and, prospectively, what needs to be done to meet the ever changing needs of the industry and the airport community it serves.

YZF is faced with a significant period of change which will need to be proactively managed to ensure that the best outcomes are achieved in the short to medium term.

5.2. Aspirations and Options for Change

With appropriate investment, YZF could build on the impressive contribution it makes to the whole NWT economy. YZF already enhances the prosperity of the NWT by:

- Directly generating employment and income by carrying out its mission, and indirectly through the many companies supporting activity at the airport, such as logistics firms and a range of domestic and technical suppliers to the aviation sector;
- Enabling those firms directly involved in the transportation of people and cargo by air, and those undertaking essential activities such as medical transportation and firefighting, to carry out their functions in an effective and efficient manner;
- Enhancing and promoting the welfare of citizens; and
- Improving connectivity to other parts of Canada and to other parts of the world, thereby acting as a catalyst to enhance business and tourism growth. Simply put, air transportation better allows visitors and residents to go where they want, when they want for business or pleasure.

The GNWT has passed legislation and has made organizational changes to make YZF more efficient in its operation, more effective in its dealings with the airport community and financially self-sustaining for the long-term. One of the first elements is a change to legislation to enable the Airport to be operated within its own Revolving Fund¹³ separate from the GNWT's consolidated revenue fund.

The amendment to the *Revolving Fund Act* (Bill 7) passed in the 18th Legislative Assembly establishes a revolving fund “for the purpose of meeting the capital, operating and maintenance

¹³ A Revolving Fund is part of Government that is tracked separately from other departmental operations. It is an accounting mechanism to allow funds for a special purpose to be retained and used only for defined purposes without the need to obtain appropriation authority from the Legislative Assembly each year to spend the money. The special purpose that the funds are to be used for, and any related dollar limits placed on the fund, are specified in the legislation that creates the particular revolving fund. In the case of the YZF Revolving Fund the special purposes are: to collect revenues from air carriers through landing fees, airport improvement fees, etc; to expend funds for the operation and maintenance of YZF, including capital improvements to the airport buildings, runways, equipment and surrounding areas within YZF's mandate.

requirements of the Yellowknife Airport”. GNWT’s commitment is that all funds generated at YZF should stay at YZF and be used only for the Airport’s capital and O&M – in other words all revenues will be reinvested into the airport, enabling it to operate like a business, and support growth opportunities. The Airport Revolving Fund came into force on July 1, 2017.

Development will create new opportunities to grow the Northern economy, create jobs and attract business and visitors. Revenues generated at YZF could be invested in:

- Improvements to maintain a safe, secure airport;
- Improvements to runways and airport facilities;
- Improvements to operational efficiencies;
- Enhancements to attract commercial growth and development opportunities for all aviation-related businesses;
- Facilities focused on tourism and the growing needs of the resource sector; and
- Upgrades to improve the customer experience.

5.3. Airport Marketing

Product. YZF is a designated strategic infrastructure asset under the National Airports Policy. The airport serves Yellowknife and its surrounding region and supports the regional economy through commercial and private aviation services. It also provides a primary gateway to northern NWT where there are significant resource, forestry and agricultural activities.

YZF is also the NWT’s primary travel gateway to the south: the Airport’s CATSA run aviation screening facilities allow passengers connecting at southern airports to transfer seamlessly through their main concourses without the need for passenger or baggage rescreening.

The Yellowknife Airport plays host to a number of different airport related businesses and organizations: commercial and scheduled charter aircraft, commercial rotary wing operators, local and visiting private aircraft operators, military operations, and supporting fuelling and aircraft maintenance activities. More specifically, the airport provides:

- A reliable, safe, efficient facility for air service;
- A base for operations for private fixed wing and rotary wing operators;
- Facilities for transfer of cargo to and from aircraft;
- Initial and advanced flight training; and
- Maintenance services for helicopter and fixed wing aircraft.

Pricing. GNWT has applied the following principles in setting fees at YZF:

- Fees are to be competitive, while recognizing the cost of operating in the North;
- Fees are set to the level required to maintain and operate a self-sufficient airport;
- GNWT will work with stakeholders (air carriers) when implementing fee increases; and

- GNWT will maximize non-aeronautical revenues to decrease charges to air carriers over time.

Air Service. Stakeholders – residents, business and tourist interests – have identified additional non-stop service to Vancouver as a priority, as well as working with carriers with interlining agreements to expand one-stop service to Asia-Pacific and Europe. Funds for the initial work has been included in the Business Plan.

Promotional Activities. YZF will apply additional marketing resources to promote the Yellowknife Airport in general. Anticipated action includes:

- Meeting regularly with tourism and business sector representatives, including NWT Tourism, the Department of Industry, Tourism and Investment, the NWT Chamber of Mines, and the City of Yellowknife, as well as the NWT and Yellowknife Chambers of Commerce.
- Participating in territorial, and city advertising programs promoting tourism and economic development.
- Continuing engagement with Edmonton International Airport to explore cargo and business opportunities that have the potential to compliment both airports.
- Working with the YZF Economic Advisory Committee to identify and realize opportunities.
- Actively building on its cold-weather testing capabilities.

5.4. Strategic Goals

The following Strategic Goals were identified with Yellowknife Airport stakeholders as important to the future of YZF and the wider NWT economy:

SG1. Operate a Safe and Secure Airport that Serves the North.

SG2. Proactively Engage with Aviation Partners, Airport Stakeholders and Northerners.

SG3. Operate in a Financially Responsible Manner, Enhance Operational Efficiencies, and Deliver Exceptional Services and Facilities.

SG4. Maintain a Modern, Healthy, Transparent and Accountable Work Environment.

SG5. Enhance Air Service and Expand Connectivity with The North in Support of Communities, Tourism and Economic Development.

SG6. Identify and Promote Airport Development in Support of Aviation, Logistics and Commercial Opportunities.

5.5. Action Plan¹⁴

Based on these longer-term Goals, the following short to medium-term Actions have been developed. Achievements against plan will be reported in annual business plans going forward.

SG1. Operate a Safe and Secure Airport that Serves the North

2016-2017 to 2020-2021 Business Plan	
Action 1.1	Maintain Regulatory Compliance
Timeline	On-going
Lead	APM
Status	In compliance
Action 1.2	Work with CATSA to identify and cost in-terminal screening options to maintain a secure environment, ease congestion and improve passenger service throughput
Timeline	July 31, 2017
Lead	APM
Status	Planning continuing with CATSA regarding the implementation of a <i>tailored CATSA Plus</i> service for YZF
2017-2018 to 2021-2011 New Actions	
Action 1.3	Tender for Pre-Board Screening Design
Timeline	July 2017
Lead	APM
Status	RFP for Design-Build Services to be issued June 2017 and awarded July 2017

SG2. Proactively Engage with Aviation Partners, Airport Stakeholders and Northerners

2016-2017 to 2020-2021 Business Plan	
Action 2.1	Establish a business-focused, non-executive Economic Advisory Committee
Timeline	August 31, 2017
Lead	RS
Status	Committee members to be appointed by INF in July 2017 with first meeting planned for fall
Action 2.2	Develop and implement an Airline Operating Agreement
Timeline	June 30, 2016
Lead	APM/RS
Status	On-going. Dialogue continues with air carriers

¹⁴ The following acronyms are used for action item leads listed in the text: APM, Airport Manager; DP, Director of Policy; RS, Regional Superintendent North Slave; DA, Director of Airports.

Action 2.4	Actively support Tourism to create and participate in Destination NWT
Timeline	On-going
Lead	RS/DP
Status	In process
Action 2.5	Develop a public outreach program to highlight new programs and opportunities at YZF
Timeline	June 30, 2017
Lead	DP
Status	Completed
2017-2018 to 2021-2011 New Actions	
Action 2.6	Continue community and stakeholder engagement
Timeline	On-going
Lead	RS/DP
Status	Continuing
Action 2.7	Update Airport Master Plan
Timeline	June 30, 2018
Lead	RS
Status	TOR under development

SG3. Operate in a Financially Responsible Manner, Enhance Operational Efficiencies, and Deliver Exceptional Services and Facilities

2016-2017 to 2020-2021 Business Plan	
Action 3.1	Update and Publish YZF Aeronautical Rates and Charges Schedule
Timeline	June 1, 2017
Lead	DA/DP
Status	New schedule approved and published
Action 3.2	Implement MoA with Air Carriers to collect YKAIF effective July 1, 2017
Timeline	July 1, 2017
Lead	RS
Status	Final MoA distributed to air carriers for signature
Action 3.3	Finalize Business Plan for YZF (2017-2018 to 2021-2022)
Timeline	June 30, 2017
Lead	RS
Status	In process
Action 3.4	Identify new non-aeronautical revenue sources and operational cost reduction opportunities
Timeline	September 30, 2017
Lead	APM/RS

Status	In process
Action 3.5	Identify metrics to track key operations such as cost per enplanement, screening throughput, checked baggage delivery times, lost bags, de-icing delays, etc., and provide to carriers and airport businesses to assist in stream-lining and improving their operations and profitability
Timeline	September 30, 2017
Lead	RS/APM
Status	In process
Action 3.6	Identify and develop consensus with the airport community on bottlenecks and inefficiencies within the current (2017) operation, both airside and ATB, and develop options and solutions to address
Timeline	September 30, 2017
Lead	APM
Status	Completed
Action 3.7	Plan and Implement Common Use Terminal Equipment (CUTE)
Timeline	October 31, 2017
Lead	APM
Status	In process and on-time
Action 3.8	Develop Centralised De-icing Facility Concept based on carrier efficiency needs
Timeline	June 30, 2017
Lead	APM/RS
Status	Completed – RFP for design to be issued
Action 3.9	Identify passenger needs and develop options and solutions to create a sense of place for visitors, and address identified customer service improvements
Timeline	December 30, 2017
Lead	RS/DP/APM
Status	In process
Action 3.10	Complete and open Long-term Parking Lot
Timeline	June 30, 2017
Lead	APM
Status	Completed
Action 3.11	Undertake a comprehensive groundside access and vehicle parking plan
Timeline	November 30, 2017
Lead	APM
Status	In process
Action 3.13	Develop and deliver enhanced accounting and financial support to enhance accountability and transparency in executing airport revolving fund
Timeline	June 30, 2017
Lead	APM/RS
Status	Completed in advance of Revolving Fund coming into effect

Action 3.15	Finalize YZF Business Plan (2018-2019 to 2022-2023)
Timeline	November 30, 2017
Lead	RS
Status	In process
Action 3.16	Develop a comprehensive 2017-2018 to 2018-2019 Capital Program in consultation with air carriers and airport stakeholders
Timeline	September 30, 2017
Lead	APM/DA
Status	In process
Action 3.17	Issue RFP for Design of Centralized De-icing Facility
Timeline	July 30, 2017
Lead	APM/DA
Status	In process

SG4. Maintain a Modern, Healthy, Transparent and Accountable Work Environment

2017-2018 to 2021-2011 New Actions	
Action 4.3	Continue engagement with YZF staff to deliver exceptional customer service
Timeline	On-going
Lead	APM
Status	On-going

SG5. Enhance Air Service and Expand Connectivity with The North in Support of Communities, Tourism and Economic Development

2016-2017 to 2020-2021 Business Plan	
Action 5.2	Develop and implement active marketing effort to promote nonstop access to Yellowknife from Vancouver
Timeline	October 30, 2017
Lead	RS/APM
Status	In process
Action 5.3	Develop and implement active marketing effort to promote one-stop access to Yellowknife from Asia
Timeline	December 30, 2017
Lead	RS/APM
Status	To be started in Fall 2017
Action 5.4	Develop and implement active marketing effort to promote additional domestic cargo services from the YZF Hub
Timeline	March 31, 2018
Lead	APM/RS

Status	To be started in Fall 2017

SG6. Identify and Promote Airport Development in Support of Aviation, Logistics and Commercial Opportunities

2016-2017 to 2020-2021 Business Plan	
Action 6.1	Design and implement improved 21-day turnaround time for processing and approving commercial development applications
Timeline	June 30th, 2017
Lead	DA
Status	Completed
Action 6.2	Develop a comprehensive ATB Retail and Food/Beverage Concession Plan (in conjunction with Action 6.3)
Timeline	August 30, 2017
Lead	APM/RS
Status	In process
Action 6.3	Develop outline concept for the renewal of the current ATB based on carrier, passenger, tourism and community consultation (in conjunction with Action 6.2)
Timeline	August 30, 2017
Lead	RS/APM
Status	In process
Action 6.4	Develop Joint Multi-modal Logistics Business Opportunity with NWT logistics and expediting companies in conjunction with Edmonton International Airport
Timeline	March 31, 2018
Lead	RS/APM
Status	In process
Action 6.5	Develop a commercial development plan for aviation and non-aviation business opportunities on YZF lands
Timeline	March 31, 2018
Lead	RS/APM
Status	To be started in Fall 2017
Action 6.6	Identify the aviation related infrastructure and government services required to facilitate long-haul international flights at YZF and develop an overall benefits and costs analysis to assist in long range planning
Timeline	March 31, 2018
Lead	RS/DA
Status	To be started in Winter 2017/18

6. Capital Needs and Planned Expenditures

6.1. Introduction

There are two broad streams of major capital expenditures: those that are aviation related (and thus funded by the YKAIF); and those that are commercial development orientated. Each is dealt with separately below.

YZF has developed a longer term, five-year needs assessment of the Airport’s likely capital needs from which a more focused medium term, two-year Capital Program has been identified with input from air carriers through the Airline Consultative Committee (ACC).

From the Capital Program the Airport will develop it’s annual Capital Expenditure (CapEx) budget based on projected YKAIF revenues and other funding available for capital investments, such as ACAP - a discretionary federal airport fund that will cover up to 100% of the capital expenditure (although most eligible items are covered to a limit of 85%).

6.2. Aviation Related Capital

Long-Term Capital Needs Assessment (2017-2018 to 2021-2022)

To meet the potential opportunities YZF has identified and to maintain regulatory compliance its longer-term aviation related capital needs are shown in Figure 5 and in more detail at Appendix B. Investments for these capital needs will be made from the YkAIF revenues held within the Revolving Fund.

Figure 5. Aviation Related Capital Needs 2017-2018 to 2021-2022



Medium-Term Capital Program (2018-2019)

The medium-term Capital Program is predicated on meeting all regulatory standards and requirements, plus those investments addressing essential safety/security and operational efficiency issues. Projected YKAIF revenues with identified ACAP-type support plus Revolving Fund availability to fund capital investments have been taken into account in developing the following two-year Capital Program:

2017-2018

Total Proposed AIF Eligible Investment: \$1.6 million

- Upgrade ATB Pre-Board Screening Facility
- ATB Airline Check-in Enhancements (Common Use)
- Hold Baggage Screening Modifications
- Integrated De-icing Bay Design
- Airside Pavement Renewal Program
- Glycol Retention Pond Liner Renewal
- Combined Service Building Capacity Enhancements
- Public Car Parking Facility Enhancements

Assumed ACAP Funding: \$0

Other Funding Sources: \$0

2018-2019

Total Proposed AIF Eligible Investment: \$2.4 million

- Repurpose Former Firehall Facility for Airport Ops
- ATB Holdroom Relocation
- Airfield Lighting System Upgrades
- Airport Tractor Unit
- Miscellaneous Airside Mobile Equipment

Assumed ACAP Funding: \$2.2 million

- Airfield Lighting System Upgrades
- Airport Tractor Unit
- Miscellaneous Airside Mobile Equipment

Other Funding Sources (CATSA): \$0.85 million

- Hold Baggage Screening Recapitalization

Beyond the currently identified needs, there are also known developing issues that will have implications for capital investments at YZF including:

- Runway End Safety Areas (RESA) are likely to be a regulated requirement in the next few years but may not attract federal funds to implement. With an anticipated \$5 million price tag GNWT will need to look for a funding mechanism, including funds from the federal government, to implement and maintain YZF in regulatory compliance; and
- Some parking improvements will be required to enable the airport operator to accommodate growth and capture additional offsetting revenues. Depending on the final design these investment (within the next five years) could be in the order of \$500,000.

6.3. Commercial Development Related Capital

To meet the potential commercial opportunities YZF has identified its five-year commercial development related capital needs as shown in Figure 6 and in more detail at Appendix B.

Figure 6. Commercial Development Capital Needs 2017-2018 to 2021-2022

Commercial Development Investments	\$6.7 million
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There are several opportunities that are included in the commercial development estimate. For instance, GNWT has identified the potential to improve air cargo handling in the space occupied by the old maintenance garage. An order of magnitude cost of \$700,000 in 2018-2019 is included in the capital plan to demolish the old garage.

Opening the west side of the airfield is seen to have major benefits. Airport management has indicated that there is little airport land left to develop that is in its current serviced parcels and developing new serviced parcels would require road access only as there is no piped water/sewer on site, no plan to provide it, and no airside access planned.

YZF will work with Edmonton Airports on identifying and implementing commercial development opportunities.

6.4. External Capital Investment Funding Sources

YZF is currently eligible for funding under several federal programs but this funding is likely to be insufficient to fully fund essential capital investment. A separate and more predictable revenue stream for essential capital is required. GNWT actively engaged in the CTA Review process (with significant stakeholder involvement) and made a strong case for special recognition of the strategic importance of northern development.

As noted earlier, the CTA Review Panel recommended in its final report that a dedicated northern airport fund be created. The GNWT continues to press for this new funding from the federal government but no information is currently available concerning if and when such a fund might be created and its potential impact on YZF.

7. FINANCIAL PROJECTION

7.1. Base Case Financial Analysis

A financial pro-forma for 2017-2018 through to 2021-2022 has been developed based on the Revolving Fund operating model, and the assumptions outlined in Appendix C.

A Net Operating Income (NOI) financial pro-forma is shown in Figure 7.

Figure 7. Net Operating Financial Projections 2017-2018 to 2021-2022

YELLOWKNIFE AIRPORT PROJECTION	FY2017 Base Year	FY2018 f	FY2019 f	FY2020 f	FY2021 f	FY2022 f
Expenses						
Annual O&M Expenses	\$6,367,026	\$7,694,288	\$7,805,727	\$8,029,363	\$8,180,229	\$8,333,357
GNWT Chargeback (PILT, etc)	\$1,569,268	\$965,797	\$970,031	\$974,328	\$978,690	\$983,117
Asset Amortization/Depreciation	\$1,481,614	\$1,605,947	\$2,039,947	\$2,986,614	\$3,366,281	\$3,561,614
Total Expenses	\$9,417,908	\$10,266,032	\$10,815,705	\$11,990,306	\$12,525,200	\$12,878,088
Revenues						
Aeronautical Revenues	\$2,564,969	\$7,632,473	\$9,322,659	\$9,460,172	\$9,599,747	\$9,741,416
Non-Aeronautical Revenues	\$2,891,777	\$3,007,451	\$3,364,062	\$3,807,163	\$4,313,460	\$4,952,360
Total Revenues	\$5,456,746	\$10,639,924	\$12,686,721	\$13,267,335	\$13,913,207	\$14,693,776
NET OPERATING INCOME (LOSS)	(\$3,961,162)	\$373,891	\$1,871,016	\$1,277,029	\$1,388,007	\$1,815,688
Aero Cost Recovery Ratio	30%	81%	94%	86%	83%	82%

Significant elements highlighted in this table include:

- In 2016-2017, expenses continued to exceed revenues requiring a subsidy of some \$4 million from NWT taxpayers.
- Only 30% of aviation related costs were recovered from users in that year.
- With the increased aeronautical charges, cost recovery increases to 94% in 2018-2019 before setting back into the low 80% in 2021-2022.

A rolling five-year capital needs assessment, two-year Capital Plan and Annual Capital Budget will be developed throughout the course of this Business Plan timeline. On-going stakeholder consultation concerning developing needs and capital expenditures will continue.

Figure 8. Capital Financial Projections 2017-2018 to 2021-2022

YELLOWKNIFE AIRPORT PROJECTION	FY2017 Base Year	FY2018 f	FY2019 f	FY2020 f	FY2021 f	FY2022 f
CAPITAL NEED						
Aviation Related Capital						
USES: Identified Capital Needs (Aviation)	(\$2,100,000)	(\$1,625,000)	(\$5,450,000)	(\$11,200,000)	(\$5,675,000)	(\$2,000,000)
SOURCE: Potential Subsidies & Grants	\$832,000	\$0	\$3,038,750	\$4,833,750	\$1,508,750	\$807,500
SOURCE: Airport Improvement Fee	\$0	\$1,627,054	\$3,478,317	\$3,784,926	\$3,841,700	\$3,899,325
Annualised Net Capital - Aviation	(\$1,268,000)	\$2,054	\$1,067,067	(\$2,581,324)	(\$1,324,550)	\$2,706,825
Rev Fund Cumulative Net Capital - Aviation	\$0	\$2,054	-\$1,069,120	(\$1,512,204)	(\$1,836,754)	-\$870,072
Commercial Development Related Capital						
USES: Identified Capital Needs (commercial)	\$0	(\$50,000)	(\$1,150,000)	(\$2,700,000)	(\$2,800,000)	
SOURCE: Net Operating Income		\$361,150	\$1,836,608	\$1,207,814	\$1,264,900	\$1,612,539
Annualised Net Capital - Commercial	\$0	\$311,150	\$686,608	(\$1,492,186)	(\$1,535,100)	\$1,612,539
Rev Fund Cumulative Net Capital - Commercial		\$311,150	\$997,758	(\$494,428)	(\$2,029,529)	(\$416,989)

In the Base Year there is a significant aviation related CapEx which was funded from GNWT resources.

On the basis of the assumptions already outlined, Figure 8 indicates that over the first five-years of the Revolving Fund structure the identified aviation capital requirements are broadly in-line with the YKAIF generated funds, although of note this is predicated on ACAP or similar matching funding being available.

7.2. Passenger Growth Sensitivity Analysis

The effect of changes in passenger growth as a result of externalities (such as reductions in airline capacity serving the YZF market, reduction in tourism, other external shocks reducing traffic) was modelled to assess the impact of changes to the base assumptions.

Figure 9. Passenger Growth Sensitivity – Net Operating Income

Passenger Growth Scenario	Cumulative Net Operating Income (NOI) 2017-2018 to 2021-2022	
	\$ Total NOI	% Change from Base Case
Low Growth (1.5%)	\$6,283,011	-6.58%
Base Case Growth (3.5%)	\$6,725,631	n/a
High Growth (5.5%)	\$7,194,148	6.97%

In terms of Net Operating Income, there is positive NOI under all three scenarios. However, at the lower passenger growth level (1.5%) there is a 6.6% reduction in NOI from the Base Case (medium scenario), while at the higher growth rate (5.5%) there is a near 7% increase in NOI. Even with more modest growth there is positive NOI in each year.

Figure 10. Passenger Growth Sensitivity – Total YkAIF Revenues

Passenger Growth Scenario	Cumulative YkAIF Revenue 2017-2018 to 2021-2022	
	\$ Total YKAIF Revenue	% Change from Base Case
Low Growth (1.5%)	\$16,631,321.75	-5.35%
Base Case Growth (3.5%)	\$17,570,971.61	n/a
High Growth (5.5%)	\$18,570,335.99	5.69%

In terms of YkAIF revenues which will be dedicated to aviation related capital investments, there is an overall +/- 5% change in YKAIF revenues which could be managed within the overall capital program.

APPENDIX A

YZF Tenant List¹⁵

¹⁵ Source: Yellowknife Airport, May 2017

Yellowknife Airport Tenant List (2017-2018)

<p>Air Carriers (scheduled and charter):</p> <ul style="list-style-type: none"> • Air North Partnership • Air Tindi Ltd. • Bradley Air Services Ltd. (First Air) • Summit Air (8199400 Canada Inc.) – charter • Buffalo Airways Ltd. • Canadian North Inc. • Great Slave Helicopters Ltd. • Jazz Aviation LP • Matrix Aviation Solutions Inc • Northwestern Air Lease • Summit Helicopters • Techiq Ltd. (North-Wright Airways Ltd.) • Ursus Aviation (charter) • WestJet Airlines • Diamond Air Inc. 	<p>General Aviation (corporate and private)</p> <ul style="list-style-type: none"> • Department of National Defence • RCMP (Air Services branch) • ~ 50 private and corporate aircraft owners
<p>Fuel / FBO / Aircraft Servicing</p> <ul style="list-style-type: none"> • Imperial Oil Ltd. • Shell Canada Products Ltd. • Strategic Aviation Services • Northern Star Aviation (aircraft groomer). • Suncor Energy Products Partner • Superior Propane a division of Superior Plus LP (heating) • Tundra Transfer Ltd. 	<p>Ground Transport incl. Car Rental</p> <ul style="list-style-type: none"> • Aurora Taxi Ltd. • Yellowknife Ford Sales Ltd. (Budget Rent a Car) • City Cab (1993) Ltd. • Darryl's Shuttle Services Ltd. • Larga Kitikmeot Ltd. • Ted's U Drive Ltd. (National Car Rental) • Deton Cho Logistics • Yellowknife Chrysler Ltd. (Hertz Rentals) • Yellowknife Tours Ltd. • 4720 NWT Ltd. (Aurora Village) • We Le Dai Corporation (Vital Abel) • Chateau Nova Shuttle Service
<p>Commercial Retail / Food and Beverage / Advertising</p> <ul style="list-style-type: none"> • Alanco Holdings Ltd. • Bell Mobility Inc • GT Technology Vending (novelty items) • Hay River Liquor Retailers • 7214936 Canada Inc. (Javaroma Gourmet Coffee and Tea) • Hub Publications Ltd. • Inukshuk Publishing • Mohua Rasikal NWT Ltd. (Quiznos) • Northern Frontier Visitor's (gift shop) • Northern News Services Ltd. • Tundra Transfer Ltd. • Private Sky Aviation • KBL Environmental Ltd. • 4912 NWT Ltd. (Explorer Hotel) 	<p>Cargo / Logistics / Freight Forwarding</p> <ul style="list-style-type: none"> • Buffalo Parcel Courier Service • Canada Post Corp. • 6380 NWT Ltd. (Det'on Cho Logistics Ltd.) • Metcor Inc. • Nolinor • Partner Properties (G & G Expediting) • BBE Expediting Ltd.

<ul style="list-style-type: none"> • La Federation Franco-Tenoise • Midnight Sun Energy Ltd. • Territorial Beverages Ltd. • Tetra Tech EBA Inc. • Up Here Publishing Ltd. • Kellett Communications Inc. • Air Tindi Ltd. • Summit Helicopters Ltd. • Great Slave Helicopters Ltd. • Scarlet Security Services Ltd. 	
<p>Airport Services</p> <ul style="list-style-type: none"> • GNWT • Garda Security Screening Inc. • NAV Canada • Scarlet Security Services • RS Cleaning Ltd. • Thein Nguyen Services • Concierge YZF Inc 	<p>Miscellaneous</p> <ul style="list-style-type: none"> • The Bottleshop Recycling Depot • 506952 NWT Ltd. • Yellowknife Golf Club Cooperative (recreation) • Deepak International/Callidus Capital Corporation • Diavik Diamond Mines Inc. • Dominion Diamond Marketing Corp. • Bell Mobility Inc. (Communication) • SITA Inc. (Communication) • Mike Priestner Real Estate (Aurora Ford)

APPENDIX B

YZF Five Year Capital Needs 2016-2017 to 2020-2021¹⁶

¹⁶ Source: Yellowknife Airport, June 2017

Item	Capital Expenditure Title	Need for CapEx	5 YEAR TOTAL
1. AVIATION RELATED CAPEX			
1 AIR TERMINAL BUILDING RENEWAL			
1.1	Upgrade ATB Pre-Board Screening Facility	Airport infrastructure for new CATSA+ System	\$250,000
1.2	ATB Airline Check-in Enhancements	Install Common Use Terminal Equipment	\$200,000
1.3	CATSA HBS Recapitalization Modifications	Free up circulation by relocating oversize screening facility to back of house	\$1,000,000
1.4	Repurpose Former Airport Firehall Facility	Modifications to Firehall to facilitate relocation of Airport Operations from ATB	\$600,000
1.5	ATB Hold Room Relocation	Relocate Hold Room to Second Floor (former Airport Ops Accommodation)	\$3,000,000
1.6	ATB Bridges	Purchase and install ATB Bridges	\$2,000,000
1.7	ATB Renovation	Replace Lfex items	\$400,000
		ATB Renewal Sub-total	\$7,450,000
2 AIRSIDE SURFACES & VISUAL AIDS			
2.1	Phase 1 Parallel Taxiway and integrated De-icing Bay	Design and construct phase 1 parallel taxiway to increase arrival and departure capacity on primary runway and integrated de-icing bay	\$2,700,000
2.2	Implement Pavement Management Plan	Ongoing pavement renewal program - planned annual pavement projects to remediate all paved areas	\$3,700,000
2.3	Airfield Lighting System Upgrades	Replace PAPI 10, 16, 28 Upgrade Runway 10/28 Edge Lighting Upgrade Runway 16/34 Edge Lighting Upgrade Taxiway H/F Edge Lighting	\$6,550,000
2.4	Airfield Lighting System Upgrades	Upgrade Runway 10/28 Low Intensity Lighting	\$500,000
		Airside Surfaces & Visual Aids Sub-Total	\$13,450,000
3 MOBILE EQUIPMENT			
3.1	Mobile Equipment	Airports Chemical Spreader	\$75,000
		Airports Crash Truck	
		Airports Crash Truck	\$1,200,000
		Airports Tractor	\$75,000
		Airports Sweepers	
		Airports Light Sweeper Attachment	\$75,000
		Miscellaneous Equipment	\$800,000
		Mobile Equipment Sub-Total	\$2,225,000
4 NON-ATB AVIATION FACILITIES RENEWAL			
4.1	Airport Perimeter Fencing Renewal	Replace Airport Perimeter Fencing	\$500,000
4.2	Glycol Retention and Treatment Pond Liners	Mandatory structural inspection followed by liner replacement and upgrades	\$750,000
4.3	Field Electric Centre	Replacement of Field Electric Centre	\$1,000,000
4.4	CSB Modifications	Repurpose current parking to increase maintenance capacity	\$300,000
4.5	Car Parking Facilities and Services	Passenger related parking enhancements	\$225,000
4.6	Airport Streets and Driveways	Bristol Avenue - resurface (chipseal)	\$250,000
4.7	Runway End Safety Area	RESA design	\$200,000
		Non-ATB Aviation Facilities Renewal Sub-Total	\$3,225,000
		Aviation Related Grand Total	\$25,950,000
5. COMMERCIAL DEVELOPMENT RELATED CAPEX			
5.1	Development of West Side Lots	Survey, grading, drainage and lot development on west side of the airport	\$3,000,000
5.2	Demolish Old Maintenance Garage	Removal and environmental cleanup of maintenance garage, outbuildings and site	\$700,000
5.3	Feasibility Study and Common Use Cargo Facility Development	Design and construction of common use cargo facility	\$3,000,000
		Commercial Development Total	\$6,700,000
		Grand Total	\$32,650,000

APPENDIX C

2017-2018 to 2021-2022 Business Plan Assumptions



2017-2018 to 2021-2022 Business Plan

Assumptions

Introduction

In developing the 2017-2018 to 2021-2022 Business Plan the following key assumptions have been used based on YKF's Mission, Vision and Goals, and the known changes that will affect the operation, management, development and investment in the Airport.

Legislative and Regulatory Changes

The following legislation and regulations will take effect on July 1, 2017:

- a. The Yellowknife Airport Revolving Fund; and
- b. Updated NWT Public Airports Fee Regulation.

Consumer Price Index

A projected CPI of 1.5%.

Traffic Forecasts

- Passengers: growth for the planning period assumed at 3.5% annually:
 - 45% of the departing passenger traffic is intra-territorial and 55% is extra-territorial.
- Cargo: growth assumed to be flat for the first two years in the planning period based on current activity, and then +3% in Year 3, +4% in Year 4, and + 5% in Year 5.
- Aircraft Movements: minimal growth is anticipated during the planning period:¹⁷
 - Air Traffic mix (type, gauge of aircraft, etc.) remains stable over the forecast period.

Planned Revenue Enhancements

Aeronautical Fee Schedule Changes

The following regulated Aeronautical Fee Schedule will be implemented effective July 1, 2017:

¹⁷ In recent years the number of aircraft movements has been declining even while passenger numbers have increased significantly. This is due to some carriers switching to larger aircraft. With further passenger growth assumed there will be some additional movements to balance out at net-zero growth.

Landing Fees. The updated Landing Fee (LF) Schedule is shown in Table 3.

Table 3. 2017-2018 Landing Fee Schedule

AIRCRAFT LANDING FEES			
* applies to turbine powered aircraft only			
Aircraft weight (MTOW)	Domestic	Aircraft weight (MTOW)	International
Minimum	\$25.00	Minimum	\$25.00
Less than 2,500 kg	\$8.80 per 1,000 kg	Less than 2,500 kg	\$8.80 per 1,000 kg
2,501 – 10,000 kg	\$9.00 per 1,000 kg	2,501 – 10,000 kg	\$9.00 per 1,000 kg
10,001 – 21,000 kg	\$9.50 per 1,000 kg	10,001 – 21,000 kg	\$9.50 per 1,000 kg
21,001 – 45,000 kg	\$12.00 per 1,000 kg	21,001 – 45,000 kg	\$12.00 per 1,000 kg
More than 45,001 kg	\$14.25 per 1,000 kg	More than 45,001 kg	\$14.25 per 1,000 kg

LF revenues to increase at rate of annual movement growth forecasts plus CPI.

General Terminal Fees. The updated General Terminal Fee (GTF) Schedule is shown in Table 4.

Table 4. 2017-2018 General Terminal Fee Schedule

PROPOSED GENERAL TERMINAL FEES PER AIRCRAFT SEATING CAPACITY	
(Schedule C)	
Maximum Certificated Seating Capacity	Fee
Less than or equal to 9	\$30.00
10 – 15	\$60.00
16 – 25	\$100.00
26 – 45	\$155.00
46 – 60	\$230.00
61 – 89	\$345.00
90 - 125	\$480.00
126 – 150	\$580.00
More than or equal to 151	\$650.00

GTF revenues to increase at rate of annual movement growth forecasts plus CPI

Aircraft Parking. YZF currently uses a congestion pricing strategy for its aircraft parking rates and this strategy will continue; no rate increases are anticipated as shown in Table 5.

Table 5. 2017-2018 Aircraft Parking Fee Schedule

AIRCRAFT PARKING FEES		
Aircraft weight (MTOW)	Terminal Apron (Schedule B, Part 1)	Off-Terminal Apron (Schedule B, Part 2)
	Fee (for more than 2 hrs, rate for each full 2 hr period)	Fee (for more than 6 hrs, each 24 hr period or portion thereof)
Grace period	< 2 hrs	≤ 6 hrs
< 5,000 kg	\$6.11	\$6.11
5,000 – 10,000 kg	\$10.82	\$10.82
10,001 – 30,000 kg	\$20.01	\$20.01
30,001 – 60,000 kg	\$31.00	\$31.00
60,001 – 100,000 kg	\$46.79	\$46.79
100,001 – 200,000 kg	\$78.23	\$78.23
200,001 – 300,000 kg	\$109.29	\$109.29
> 300,000 kg	\$141.05	\$141.05

Aircraft parking revenues to increase at the rate of annual movement growth forecasts plus CPI.

Fuel Concession Fees. Fuel suppliers pay a base lease rate for properties on airport (\$2.40/m²) and a concession fee of \$0.0501 per litre of AvGas and \$0.0123 per litre on oils and lubricants. A concession fee is not charged on jet fuel pumped. The current fee schedule will remain in effect.

Common Use Fees. YZF will implement new common-use fees beginning in 2017-2018 (October 1, 2017). The O&M costs will be recovered from the air carriers. It is recognized that counter space leases will decrease with the implementation of common use terminal equipment (CUTE); however, it is assumed these revenue decreases will be offset by CUTE recoveries (for O&M and capital expenditures).

Yellowknife Airport Improvement Fee (YkAIF)

Beginning on July 1, 2017 YZF will charge a \$20 YkAIF for departing passengers travelling outside of the NWT, and a \$10 YkAIF for departing passengers travelling within the NWT. This revenue stream will be segregated within the revolving fund and will fund essential aviation capital. It will be levied on most enplaned passengers, including those using a Fixed Base Operations (FBO) facility but not those “in-transit within 4 hours” to/from other NWT community airports.

As outlined in the traffic forecast section it is assumed that 45% of the departing passenger traffic is intra-territorial and 55% is extra-territorial. In addition, 5% of departing passengers are assumed to be “in-transit”.

For planning purposes, YkAIF revenue for the first 18 months following implementation is assumed to rise gradually from approximately one-third of potential revenue in July 2017 to 90% in 2018 to account for tickets having being purchased prior to YkAIF implementation.

An air carrier YkAIF collection agreement is being negotiated. An administration fee paid to airlines of 5% has been assumed.

Non-Aeronautical Revenue Changes

Commercial Fees / Rates:

Overall, it is assumed that lease revenues (ATB and non-ATB) will grow at the rate of inflation. No new leases (ATB or land) are anticipated during the planning period.

Building Rentals. Some increases may be possible as leases come due for renewal. Increases to building rental fees, however, will be based on appraisals, and increases will reflect the length and timing of lease agreements. As noted above, no net revenue increases have been assumed for planning purposes.

Land Lease / Rentals. It is assumed that lease rates and maintenance charges will increase with inflation as leases come up. The basis for change however should be an appraisal to ensure that leases are appropriate and inline with market rates in the community. New land leases and lease renewals could be short-term to provide the airport with flexibility for future facility expansion. In some situations, a long-term approach may be necessary to address mortgage or other financing terms and conditions.

Commercial Land Development. Preliminary commercial land development options have been identified by the airport. There are however no immediate or short term plans to implement these. The average per hectare development costs would need to be recovered and reflected in the implementation of a one-time development surcharge based on a per hectare rate. These development costs have not been identified or included in this business plan.

Air Terminal Concessions. Increases in scope for, and expansion of, retail and food concessions in the terminal building, combined with updates to existing contracts are expected to yield revenue increases in 2017-2018 through 2021-2022 of 25%.

Vehicle Parking Fees. Vehicle parking rates will increase by 10% effective July 1, 2017, and parking capacity will increase at a rate of 25% per year for the first three years of this plan. Revenues will increase in step with this increase in capacity, and with increase in fees. Vehicle parking is included in "concessions" revenue and was estimated to be 50% of the concessions total in 2016-2017.

Planned Expenditure Changes

Organizational. The Airport has recognized that its accounting activities – particularly invoicing and receivables management – are beyond its current resources. Coupled with the creation of the Revolving Fund the need has been identified to locate a manager finance and business affairs, an invoicing clerk and an accounts receivable clerk at the Yellowknife Airport. The cost of the first two positions is already within the overall YZF budget allocation; the AR Clerk position will be added as a new budget item. The net cost increase is limited to \$100K because of savings elsewhere. Salary costs increase will be based on the GNWT/UNW Collective Agreement. Salary costs currently attributable to YZF but covered in the GNWT HQ budget will be transferred to the airport's Revolving Fund income statement.

Governance Model Changes. Additional professional services will be required to implement and maintain the Revolving Fund. An additional \$50,000 in 2017-2018 and \$35,000 per year

thereafter is required for external audit. Legal services will continue to be provided by the GNWT Department of Justice at no cost.

Marketing and Promotion Costs. The Yellowknife Airport has recognized that it will require enhanced promotional activities and \$25K annually has been assumed.

Commercial Development Planning. With a new emphasis on commercial planning, annual expenditures of \$150K have been built into the financial projections. Commercial development planning and marketing will be undertaken by a qualified third party under contract.

Miscellaneous Costs. A number of cost lines are assumed to increase with inflation, including:

- Materials and Supplies.
- Travel costs plus the additional travel for increased marketing efforts.
- Utilities costs.
- Contracts costs (plus adjustments).
- Fees and payments.
- Software and hardware.

Payments in Lieu of Taxes (PILT) remain at the 2015-2016 level.

Amortization of assets remains stable. New additions will be amortized based on the straight-line method over a period of 25 years for buildings and airside surfaces, and 15 years for mobile equipment and non-ATB facilities.

Costs associated with implementing the strategic goals:

2017-2018	\$110,000
2018-2019	\$ 75,000
2019-2020	\$150,000
2020-2021	\$150,000
2021-2022	\$150,000

Planned Capital Expenses

A rolling two-year Capital Plan and Annual Capital Budget will be developed throughout the course of this Business Plan timeline. On-going stakeholder consultation concerning developing capital needs and the associated budget will be undertaken.

Aviation-related capital needs of \$26 million have been identified for implementation during the five-year planning period and will be inflated at the rate of inflation to reflect the year in which the expenditure is incurred. Some of this capital expenditure will only be undertaken if outside sources of funding are available (such as ACAP). Only the following capital investments – totalling some \$15.8 million in 2017 dollars - are assumed from YZF generated revenues:

2017-2018: \$1.625 million

2018-2019: \$2.411 million

2019-2020: \$6.366 million

2020-2021: \$4.166 million

2021-2022: \$1.193 million

Identified **commercial development capital expenditures** of \$6.7 million in 2017 dollars during the latter part of the five-year planning period will be inflated at the rate of inflation to reflect the year in which the expenditure is incurred:

2017-2018: \$50,000

2018-2019: \$1.15 million

2019-2020: \$2.7 million

2020-2021: \$2.8 million