

# A YEAR IN REVIEW 1997



Ottawa International  
Airport Authority





Ottawa International Airport Authority

Telephone: (613) 248-2000

Fax: (613) 248-2003

web: [www.ottawa-airport.ca](http://www.ottawa-airport.ca)

50 Airport Road, Gloucester ON Canada K1V 9B4

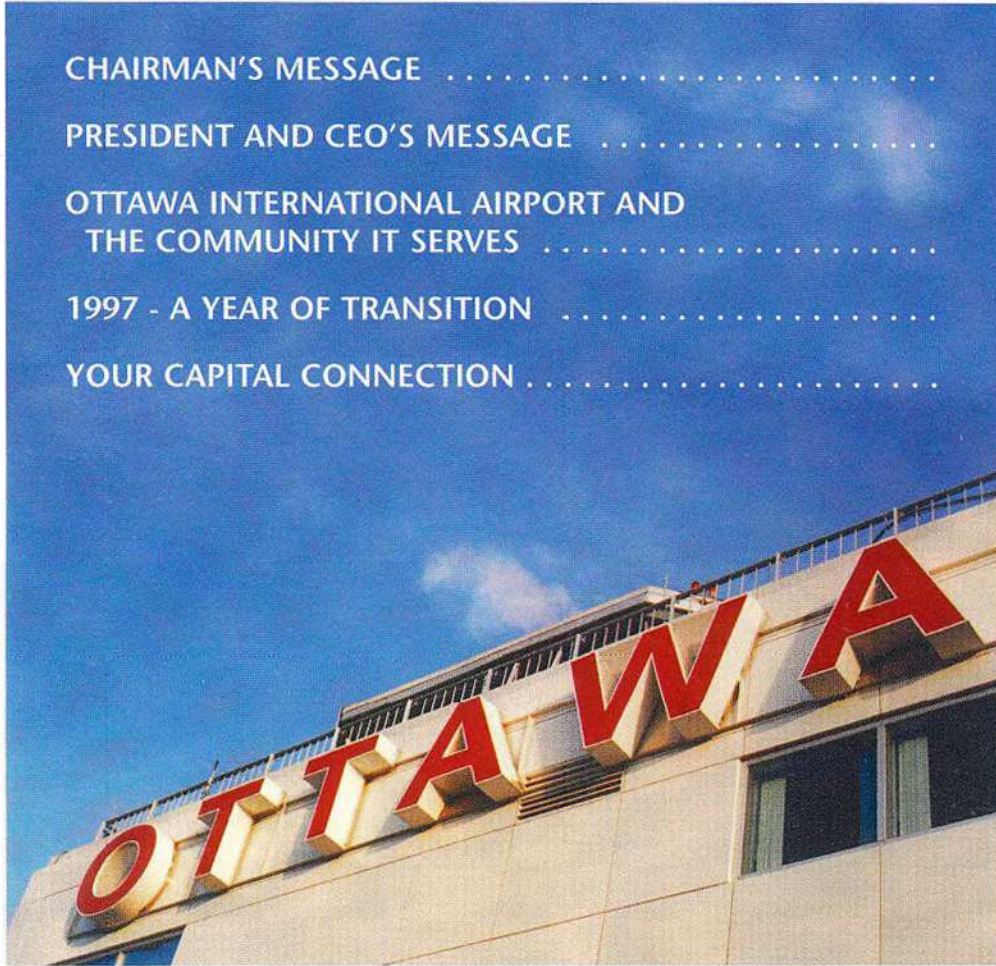
**NOTE:**

*Annual Financial Report for 1997* is available under a separate cover.

Aussi disponible en français.

# TABLE OF CONTENTS

CHAIRMAN'S MESSAGE .....	2
PRESIDENT AND CEO'S MESSAGE .....	3
OTTAWA INTERNATIONAL AIRPORT AND THE COMMUNITY IT SERVES .....	4
1997 - A YEAR OF TRANSITION .....	8
YOUR CAPITAL CONNECTION .....	16



## OTTAWA AIRPORT AUTHORITY BOARD OF DIRECTORS

David C. Gavsie, Chair  
Shirley Westeinde, Vice-chair  
Louis Bertrand, Board Secretary  
Gaétan Bélec  
Claude Bennett  
Graham Bird  
Hugh Blakeney  
Marilyn Jones

Roger Lachapelle  
Gayle Mullington  
François Pichard  
Leonard Potechin  
Michael Robinson  
Regis Trudel  
Richard Wagner



## CHAIRMAN'S MESSAGE



### *... a dream that became a reality in February ...*

*On behalf of the Board of Directors of the Ottawa International Airport Authority, I am pleased to present this Year in Review, an account of our first year of operations. What began as an explanation of the definition of "airport authority" on June 23, 1992, became a reality when we were presented with the "keys" to the airport at an official ceremony held on February 4, 1997. On February 1, control and management of the airport had transferred to our Airport Authority.*

*Throughout the negotiation process of over four-and-a-half years, the Board members remained accountable to our community and proved committed to the development of our airport as integral to the economic development of the National Capital Region. The Board was determined to transfer this valuable asset to our community with the belief the airport would serve as a springboard for improving essential aviation-related services and business for the whole region.*

*Our first objective as operators of Ottawa International Airport was to build a U.S. Customs and Immigration preclearance facility. Certainly, this could not have happened without tremendous assistance from many people within the Canadian*

*and U.S. governments and at the regional and municipal levels. I would like to thank everyone who had a hand in this project, particularly those individuals who ensured our airport was added to the list of Canadian cities eligible for U.S. preclearance. The 1995 Canada-U.S. Open Skies Agreement opened a new realm of possibilities for air travel between our two countries. At the transfer ceremony, the Board made a commitment to have preclearance up and running within 150 days. Board members, the President and his senior staff, and all who worked on this important project are to be commended for making this happen.*

*Today, there is a new sense of purpose at Ottawa International as the Airport Authority begins to transform facilities and services to meet the needs of the community it serves. While management focuses on developing the facility and introducing new services, we are very encouraged that the Airport Authority modestly surpassed its financial objectives in the first year. Much of the credit for this accomplishment goes to senior management who were vigilant in managing expenditures. After paying rent to the federal government, the airport can still manage to deliver improved services for the region.*

*On a personal note, for the past few years I have been privileged to serve as Chair of the Board of Directors and to work side by side with each and every Board member. I thank them for their valuable support. Also, I wish to acknowledge the support of business organizations across the region and politicians and public servants at every level of government. This has been most rewarding and extremely helpful to the Airport Authority. I hope and trust we all, at the Board of Directors, have contributed something of lasting value to the community. I am proud of the Board's accomplishments — a dream that became a reality in February and at the opening of preclearance in July.*



Ottawa International Airport is your Capital connection! With the transfer of the airport on February 1, 1997, the local community is now empowered to manage, operate and develop its airport facilities and air services the way it sees fit. Today, the Ottawa airport is a not-for-profit organization servicing the needs of the National Capital Region's travelling public.



## PRESIDENT AND CEO'S MESSAGE



*At Ottawa International Airport, travellers can expect safe, clean, and efficient facilities.*

*There is a new esprit de corps at the region's airport. Foremost, the Airport Authority — its management and staff — is focused on customer satisfaction. We are making the facility better by providing more convenient and comfortable air services. At Ottawa International Airport, travellers can expect safe, clean, and efficient facilities.*

*The first major initiative we undertook as new management was to deliver a U.S. Customs and Immigration preclearance facility that would provide greater choice and ease of travel to more U.S. destinations. The results have been gratifying, as preclearance has resulted in a fifty-percent increase in transborder flights from our region in 1997! Our airport will continue to grow, if and only if, we use the direct service and **insist on direct flights to and from Ottawa.***

*Other noteworthy airport improvements during our first year of operation include new handicap accessible ramps, new washrooms, new duty-free shops, and refurbished retail space. We revamped all our public services — the concessions, retail and food — to offer quality products at street*

*prices. Customers have reacted positively to these changes at the airport with sales up significantly.*

*The changes are but the first steps in transforming and expanding the airport facility and its services. We are months away from having the blueprint for developing Ottawa International to meet the future needs of the region well into the twenty-first century. The master plan will introduce the details for the construction of a new air terminal building and associated aviation facilities. These new facilities will cost an estimated \$300 million — fully funded by the private sector. I am excited about the master plan because it will allow us to accommodate the expected growth in air travel and give the region an airport it can be proud of.*

*I would like to commend the employees of the Ottawa International Airport Authority, without whom none of our success would be possible. Our employees should be extremely proud of the phenomenal job they are doing to meet and exceed customer expectations. The airport's many improvements are a direct result of our employees' commitment to Ottawa International and to the public who travel through it.*



# OTTAWA INTERNATIONAL AIRPORT

*and the  
community it  
serves*



## *Creating new opportunities*

As a new addition to the area's private sector, Ottawa International Airport is an important economic and social lever in promoting the National Capital Region as a superior place to visit and do business. Whether working to attract a microchip fabrication plant or an international conference, the Airport Authority is partnering with the region to create and enhance opportunities for business, tourism, and investment.

On February 1, 1997, the Airport Authority signed a 60-year lease agreement with the Government of Canada, with a renewal option for an additional 20 years, officially assuming operation and control of Ottawa International Airport. Comprised of 15 leaders from local communities, the Airport Authority Board of Directors oversees the management and operation of the facility. It plays a strategic role in ongoing initiatives that will see the airport

grow in the interests of the community, and continue to be an economic generator for the region.

To provide for day-to-day operation, the Airport Authority selected a hands-on management team, headed up by President and CEO Paul Benoit, which has brought



*Presentation of the keys from Transport Minister David Anderson to Airport Authority Chair David Gavsie. Also in photo are (l. to r.) Ministers John Manley, Marcel Massé, and airport President and CEO Paul Benoit.*

about a new emphasis on customer satisfaction. Management's goal is to make a good facility better through the delivery of improved services and a more efficient and comfortable terminal building.

## *Contributing to the region's economy*

Ottawa International Airport is a net generator of wealth for the region. The airport accounts for an estimated **4,600 direct and indirect jobs** in the local economy with an **\$85 million total wage bill** per year. Annually, the airport

*"We are looking forward to the local Airport Authority responding directly to the needs of our region.... I am very confident that the Airport Authority and the 4,000 people who work here will make the airport a catalyst for economic growth in our region for many years to come."*

— John Manley, Industry Minister at the Transfer ceremony



generates an estimated **\$240 million of economic output** in the region.

Effective February 1, 1997, taxpayer dollars are no longer used to cover operational costs; meanwhile, the facility continues to add to the regional tax base. In the year prior to the transfer, the airport lost several million dollars and was a net drain on the nation's taxpayers. In 1997, the airport paid over \$7 million to various levels of government.

In addition, there were more than \$7 million in capital expenditures last year to maintain and upgrade services and facilities. As a first step, on the day it received the keys to the airport, the Airport Authority made a commitment to build a \$3 million U.S. Customs and Immigration preclearance facility. In addition, \$2 million was spent on improvements to the terminal - - everything from a new fire alarm system to washroom renovations was needed. Over \$1.2 million went to airside paving and restoration, and \$500,000 on roads to and from the terminal.

### ***Serving the National Capital Region through the years***

Ottawa International Airport has been in step with the region's development throughout its



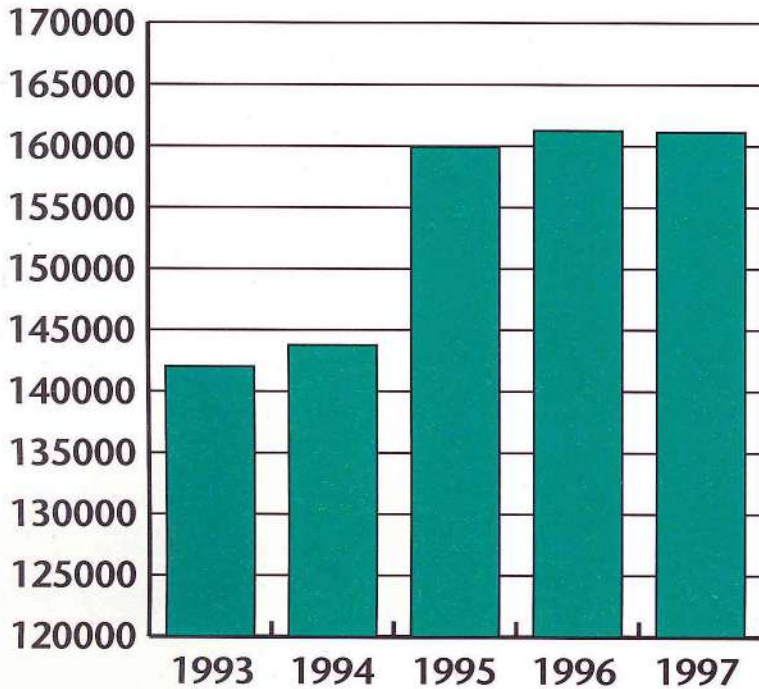
*Ottawa International Airport has come of age as a business-focused, community-based airport.*

history. From the airport's beginning in 1919, when it was known as Hunt Club Field, the area hosted both aviation enthusiasts and military flying. During World War II, Ottawa became home to a British Commonwealth Air Training Plan Base, RCAF Station Uplands, while continuing to function as a civilian-run facility. At that time, it was hailed as the most up-to-date airport for its size in North America. Today, the air terminal building is the product of four decades of extensive renovations and upgrades that is managing a significant jump in traffic. Since the February 1995 signing of the Canada-U.S. Open Skies Agreement, the airport has seen a 50% increase in transborder flights (up from 23 flights per day to 39), with an estimated "lift capacity" increase from 1,260 to 1,820 seats per day.

Ottawa International Airport served over 3 million passengers and handled 68,000



### Aircraft Movements



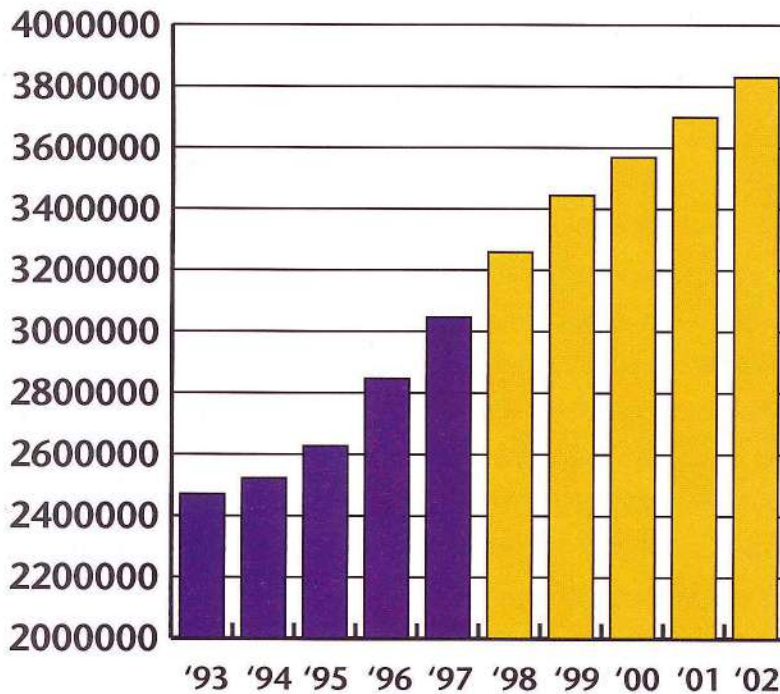
commercial aircraft movements in 1997, making it Canada's fifth busiest commercial airport. The dynamics that go into managing the loads and maintaining the infrastructure are a clear reflection of the community we serve. Our city and the surrounding region, besides being the Capital of a still young and growing Nation, is home to many vibrant international companies like Nortel, Mitel, Corel, Newbridge, among others. Canada's Capital attracts visitors from all over the world to its many and varied cultural and recreational attractions. These, and the many more advantages our community enjoys, hold much potential for a growing role for Ottawa International Airport in the region's future.

### Planning to meet the needs of a new age

The airport is experiencing a significant period in its development as it positions itself to continue to meet the needs of the region's residents and businesses into the new century.

The airport master plan will provide the blueprint for the development of new and improved facilities and services. With input from the public, the master plan will provide a framework for management to follow to meet the needs and expectations of the region's travelling public and the stakeholders it serves. With air traffic forecasts projecting significant passenger increases over the next twenty years, the master plan will provide both a long-term strategy to develop Ottawa International Airport through to the year 2020, and an action plan to meet the region's present and short-term air travel requirements.

### Passenger Traffic







*The airport offers business travellers services and facilities in comfortable surroundings.*

*Over 3 million passengers were served in 1997.*

Management continues to focus on customer satisfaction and new ways to make travel more convenient. It continues to seek out new opportunities to better position our region on the global stage. The people that manage and operate the airport are forging new community ties that will help enhance the quality of life for all of us. Ottawa International Airport is a community-based business with a spirited commitment to the community it serves. It has accepted the challenge in accommodating the region's growing presence in international markets, and in promoting the region's status as a choice destination for the recreational traveller.

As the National Capital Region and Région de l'Outaouais continue to grow its tourism industry and build upon its base as Canada's high-technology industry leader, the airport will continue to evolve and meet new

demands and exceed the expectations of the capital's travelling public. Ottawa International Airport has come of age as a business-focused, community-based airport. It offers unparalleled opportunities to the residents of the National Capital Region and to those who visit it.





# 1997 - A YEAR OF TRANSITION

## Preclearance

The winds of change carved out a new reality for Ottawa International Airport and blew steadily during 1997. Change sometimes seemed to be the only constant, and as the year drew to a close, the tempo of change was increasing. If one event could be singled out to define the Airport Authority's focus on customer service, it would be the inauguration of the U.S. Customs and Immigration preclearance facility on July 7. To say that preclearance had long been high on the wish list of the business community and travelling public would be an understatement. That the new facility opened for business just five months after the initial announcement is a tribute to the cooperation extended by the U.S. Government, and the vision and hard work of everyone involved.

The logistics involved in construction were considerable. Office space in the east wing of the air terminal building was relocated to make room for 21 new check-in counters, a 100 square-metre transborder duty-free shop and

*"The preclearance facility is important for what it tells us about what Ottawa is and is becoming — not only the capital of Canada, but Silicon Valley North, a centre of high tech, that now has this important connection to consumer centres in the U.S."* — Tom Weston, Charge d'Affaires of the U.S. Embassy

new retail space. Two all-new security-screening stations were also added. Multiple crew shifts allowed work to proceed on a 24-hour basis, and the project came in on time, at a total cost of \$3.4 million. Gates 26-28 and 30-34 are now being used by pre-cleared flights. With some of the airline check-in



*Chair David Gavsie and Chargés d'Affaires of the US Embassy Tom Weston officially open the preclearance facility on July 7, 1997.*

counters now on the second level, peak-hour congestion in the main floor check-in area has been reduced.

The benefits of allowing passengers to clear U.S. Customs and Immigration inspections before boarding their flights are significant. Preclearance allows airlines to offer direct flights to U.S. airports not equipped with customs facilities. Connection times at stopover airports have been reduced by as much as 1.5 hours, giving the traveller more alternatives and greater flexibility in planning a trip. This means that businesses in the National Capital Region are better connected with customers, suppliers, and markets. Less tangible, perhaps, but more significant to the growth and vitality of the Capital Region, is that businesses and tourism associations can now position themselves more prominently on the world stage.

## Airside and Terminal Building Improvements

Following the Transfer, the Airport Authority immediately set out to make needed improvements to the airport infrastructure and terminal building. A \$5 million airside



improvement program was put into place, with the first phase being a \$1.2 million restoration of the primary taxiway. The Airport Authority took a proactive approach by notifying nearby communities in advance of increased noise from aircraft using Runway 32. The project was completed in September with minimal disruption to operations. Other airside improvements included replacing airport security fencing and adding and relocating lighting on the deicing centre.

In collaboration with Ottawa-based DEW Engineering, Ottawa International Airport has been using a prototype low-level passenger loading bridge at Gate 8 since June. The state-of-the-art system was designed for use with aircraft that are too low for standard bridges, such as the Dash-8 and Saab 340, and can also be used with commuter jets like the Canadair RJ and BAe 146.

*“This marks an important change for all business people who use the airport. We are moving from being caught up in lengthy holding patterns, to having a direct access to U.S. centres that will increase effectiveness and prosperity for all of us.”* — Gedas Sakus, president of Nortel Technology, at the opening of the preclearance facility.

As part of \$2 million in building improvements, the Terminal Beautification Program has seen the building’s front canopy painted, curbsides renewed and new signage added. Within the building, wheelchair-accessible ramps and a new ceiling in the baggage claim area have been added and extensive renovations to the ground floor



*Over \$7 million of capital projects have made the airport brighter and more convenient for air travellers.*

washrooms carried out. New offices were added on the second level, along with three boardrooms that are available to businesses on a per-hour basis at a nominal fee.

In November, representatives from regional economic development and tourism agencies turned out for the unveiling of the airport’s community collage. These multi-themed displays are a welcome addition to the baggage carousel area, and highlight the Ottawa-Hull area’s cultural, tourist and business attractions. The visually appealing



*DEW Engineering was one of the new business partnerships struck with the Airport Authority in 1997.*





*The region's attractions are featured throughout the airport. Here, Mary Vanburen and Les Miller of the Ottawa Tourism and Convention Authority are in front of the Community Collage.*

collage allows business travellers to learn about the region's recreational diversity, and for vacationers, showcases the benefits of doing business in the Capital region.

Other important changes to the terminal have been less visible to the public. The move from the government telephone network necessitated a new telephone system, part of a \$300,000 communications and information systems upgrade. The building's energy-management control system was also replaced. At the end of April, the Ottawa-Carleton Regional Police took over responsibility for policing the airport from the RCMP, and suitable accommodations, including office space, holding areas and a command centre, were constructed.

Improvements to public areas outside the terminal included spending \$500,000 on the resurfacing of roadways in the airport's central core and the addition of reserved parking spaces for seniors, disabled persons and expectant mothers.

## Retail

The airport terminal building took on a fresher, more welcoming look during 1997, as new retail outlets made their presence felt with upscale styling and a broader range of products and services. Driving these changes was the Airport Authority's commitment to quality and selection in the provision of goods and services, with prices reflecting those found in the downtown area. With this in mind, all contracts



*The airport's retail services provide travellers with everything they need and want.*



with food and beverage operators were renegotiated, and as new storefronts went up and prices came down, the response was gratifying. Sales are up significantly over the corresponding period last year.

New tenants in the main concourse include **Battery Plus!**, **Toast! Quick Serve**, and **The Second Cup**. With this comes a new **Toast! Café and Grill** restaurant and a new pizza outlet, **Pizza Grilla**. A completely renovated bar will also be open for business in early 1998. Located in the departures area are **The Gatineau Brew Works**, **The Second Cup** and **Toast! Café**, and a new duty free shop. The new transborder area features two retail outlets, **The Second Cup** and **Gatineau Brew Works**, and also includes a duty free shop.

The main concourse is now a much brighter, friendlier place than even a few months ago. Departure areas that used to be more like waiting rooms now offer comfort and convenience to the traveller, making it easy to relax, catch up on work, or even log onto the Internet to check email or view destination weather. Making the airport a more inviting place for travellers also makes it a better place to work and do business. The Airport Authority's commitment to the customer is shared equally by our employees, our business and retail partners, and in fact, everyone you will encounter at the airport.

## Flights

The signing of the February 1995 Open Skies agreement between Canada and the United



*82 daily non-stop flights to Canadian cities.  
39 daily non-stop flights to major US cities.  
Daily non stop flights to Europe.*

States saw the introduction of new non-stop services between Ottawa and points south of the border. The introduction of U.S. Customs and Immigration preclearance in July has removed one final barrier and opened the door to greatly improved service for U.S.-bound travellers. At the one-year mark since



*There are now 39 direct flights to the US —  
an increase in 1997 of 50%.*





*The airport uses specialized equipment and techniques in its stewardship of the environment.*

the transfer of Ottawa International Airport to the Airport Authority, there were 39 direct U.S. destinations available, and transborder flights had increased 50% over the previous year.

During October, Business Express initiated the first-ever Ottawa-LaGuardia service when it began offering four daily flights to this convenient New York City airport. Ten daily nonstop flights, six by Business Express, and four by Air Nova, serve Boston's high-tech markets and network of connections. There are now more flights to Newark (Air Canada) and Chicago (American Airlines and Air Canada).

Newer, more efficient and quieter aircraft are showing up on domestic routes. Air Canada introduced the new Airbus A-319 on its Toronto Rapidair flights in April and is using the Canadian-built Canadair Regional Jet on some late-hour departures. On the international scene, Air Canada now operates daily service to London, England with the new 747-400, and Canadian Airlines will enter this market in June. More choices and improved convenience add up to better service. When

you "Fly Ottawa," you are helping ensure that we can maintain and build on that level of service during the months and years to come.

## ***Environmental and Safety***

With full-time environmental professionals on staff, the airport has taken a proactive role in its stewardship of the environment. It is minimizing impact of operations on the land through environmental audits, soil, water and air quality testing, and the use of highly specialized equipment and techniques such as those used to recover de-icing fluid from ramps and aprons.

In the area of noise management, the Airport Authority has become more active in raising the issue of compatible land use planning with developers, planners and the Ontario Municipal Board. Future residents of areas under development must be aware of the airport's efforts to minimize noise while understanding that the airport provides services based on community demand, and that aircraft noise is an unavoidable result of airport operations. To address the concerns of established communities, the Airport Authority delivered public presentations to both community associations and municipalities in 1997. These presentations outlined in detail federal and provincial regulatory guidelines, previous and ongoing noise management programs, and future initiatives.

In 1997, the Airport Authority initiated a Noise Management Committee composed of representatives from neighboring communities and the Regional Municipality of Ottawa-Carleton, from the Air Transport Association of



Canada, and from NavCanada, which operates the Canadian air traffic control system. The committee provides a forum for the exchange of information on community concerns related to noise, noise prevention, and methods of minimizing the impact of aircraft noise.

Safety and security measures will continue to receive the utmost attention, with new advances in technology and well-trained personnel playing an important role in achieving a more secure and safe facility for users and employees. Newly implemented equipment and procedures include a state-of-the-art scanning system, a fourth X-ray machine in the departure area, and two new screening stations in the preclearance facility.

## *Master Plan*

In August of 1997, following a tender process that began in June, the Airport Authority announced that a consortium led by a local firm, MAXGROUP Associates, in collaboration with Landrum and Brown had been selected to develop the airport's master plan. The final report is expected in May 1998, and will outline the development of the airport's facilities and infrastructure through the year 2020. The document will be used by management to make immediate business decisions, and to formulate long-term strategies. Following the selection, work began immediately, with public consultations and open forums held to identify issues and concerns, and to provide background information to stakeholders and interested parties in the National Capital Region and

others in the aviation industry.

The Master Plan will assess demands currently placed on the airport by passenger, cargo and general aviation activity, along with regulatory and organizational changes taking place in the aviation industry. It will apply projections for future use against options for expansion or relocation of the airline terminal building, and the requirement for, and timing of a new parallel runway. The impact of present and future airport operations on neighbouring communities will be addressed in conjunction with environmental concerns, as will the requirements for external systems and services such as access roads, water, natural gas and communications. The cost implications of each of these factors will form part of the final report.

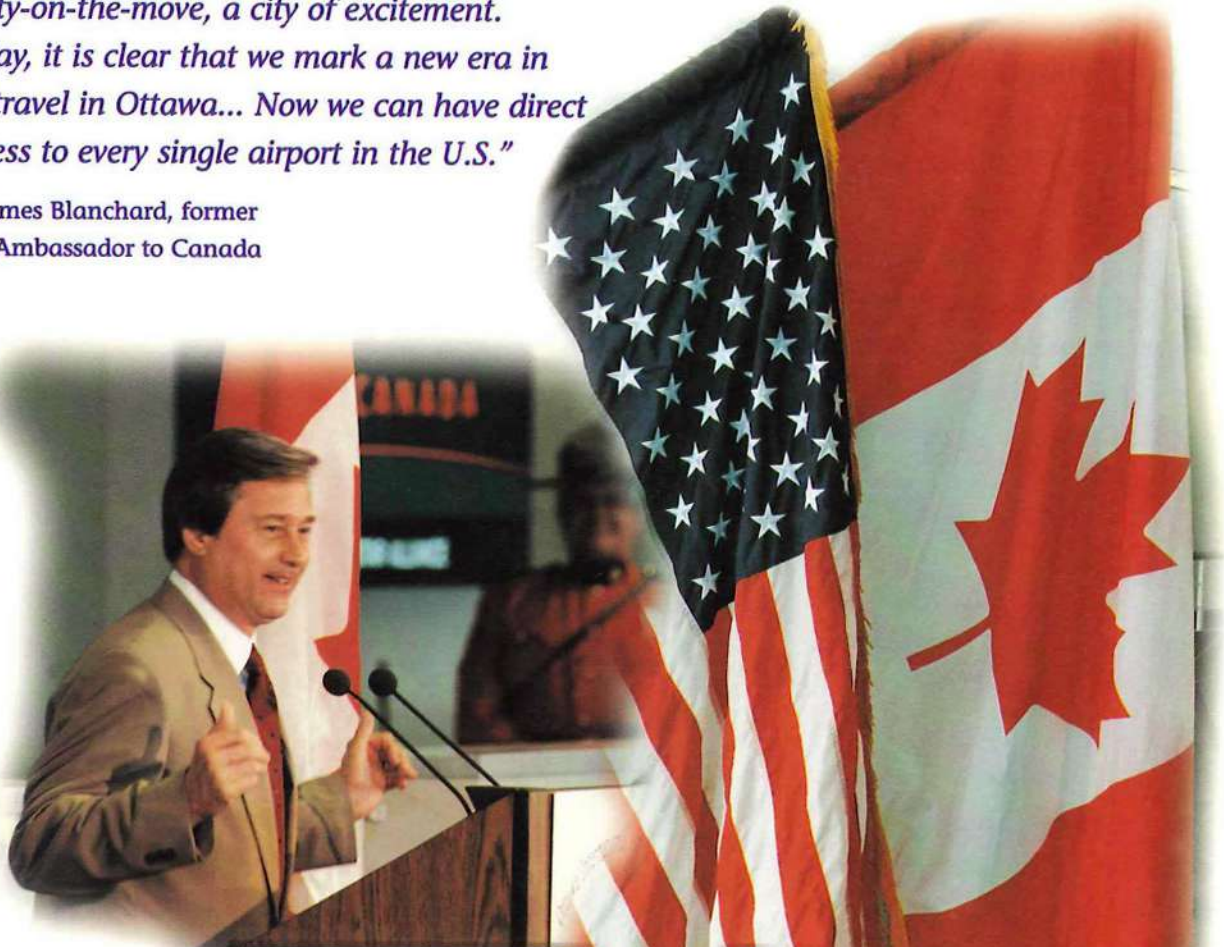
*"The airport is one of the most important infrastructures we have in developing partnerships and opportunities abroad. The work the Airport Authority is doing in developing better connections to the U.S. market must be commended, for these connections are the lifeblood of our region."*

— Ken Lawless, Executive Director Ottawa Life Sciences Council



*“Ottawa is the best-kept secret in Canada, and probably in North America. Often it is taken for granted as a hometown. But it is a majestic city, a wholesome city, a family city, a city-on-the-move, a city of excitement. Today, it is clear that we mark a new era in air travel in Ottawa... Now we can have direct access to every single airport in the U.S.”*

— James Blanchard, former  
U.S. Ambassador to Canada



**DEPARTURES**  
**Domestic and International**

**DÉPARTS**  
**Intérieurs et**  
**internationaux**







## Officers

Paul Benoit - President and CEO  
 John G. Weerdenburg, CA - Vice-President, Finance & Corporate Services  
 Pierre Lanoix - Vice-President, Operations & Technical Services

## Senior Management

Brett McAllister - Director, Marketing & Customer Services  
 Annette J. Nicholson - General Counsel  
 Bill Thistle - Director, Safety & Security Services

## Employees

107 full time employees, plus 32 seasonal workers

## Finances

Revenues: \$26.8 million for 11 months of 1997  
 Expenses: \$23.9 million for 11 months of 1997  
 Gross Capital Expenditures: \$11.3 million for 11 months of 1997

- Ottawa International Airport is less than 20 minutes to Parliament Hill and the core of the Ottawa region.
- The Corporate Resources Group, a Swiss-based management firm, has ranked the Ottawa region sixth in the world in terms of its quality of life (the ranking is based on many factors, including low crime rates, environmental cleanliness, public services, political stability, and economic and social conditions).
- The region boasts good health for its citizens, safe neighbourhoods, and access to good schools and after school activities with no tolerance for drugs and violence.
- The typical drive to work is less than 30 minutes.
- By car, Ottawa is an hour's drive from the United States border. It is four hours drive to Toronto and two hours to Montreal.
- The population of the Ottawa region is expected to grow to 1.2 million by 2001, up from 1.09 million in 1996.



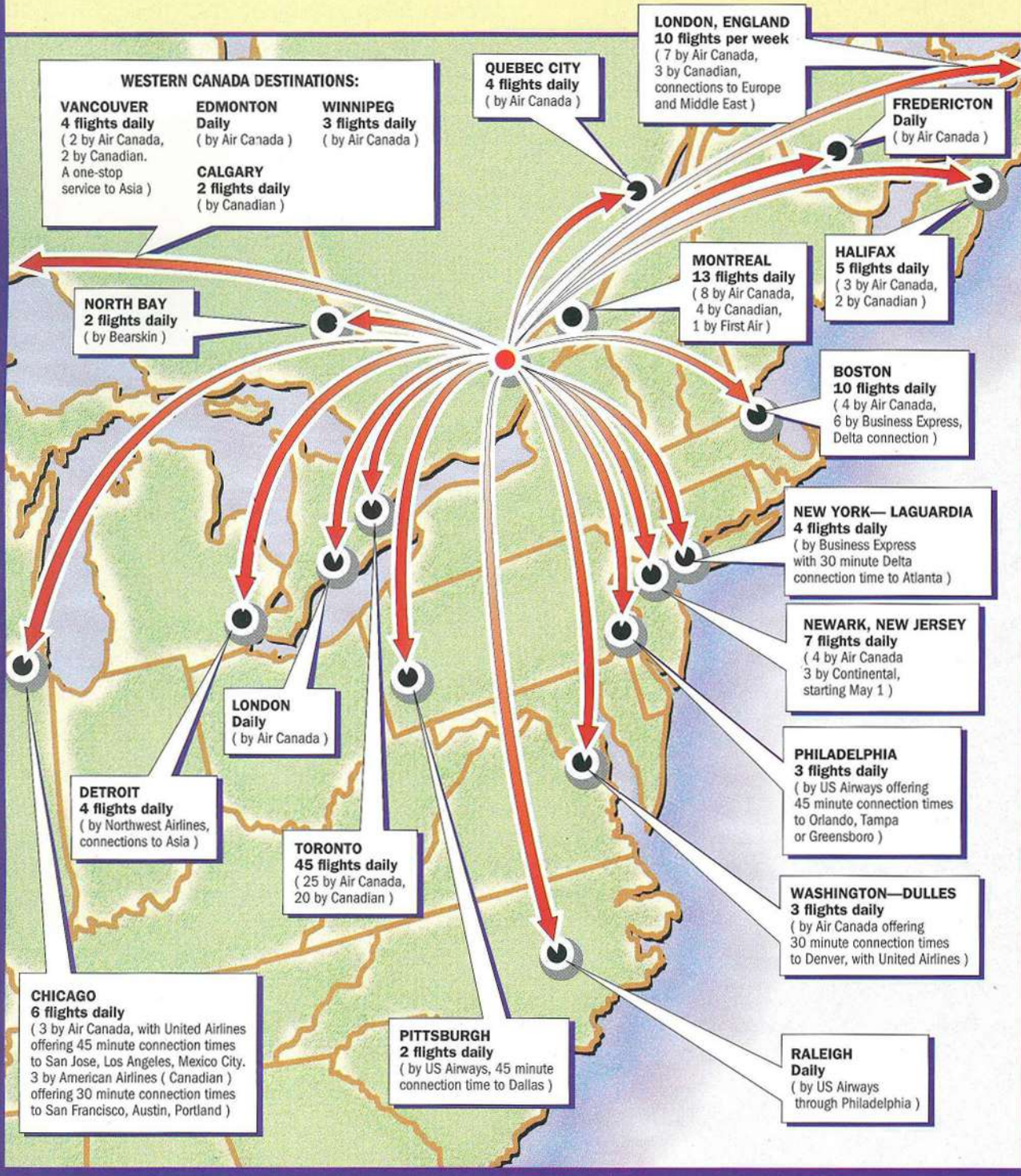


# Are you taking the quickest route?

**Daily non-stop flights from Ottawa International Airport:**

- 82 daily non-stop flights to major Canadian cities
- 39 daily non-stop flights to major US cities

## Your Capital Connection





**ANNUAL FINANCIAL REPORT  
1997**

**Ottawa  
Macdonald-Cartier  
International Airport  
Authority**





# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management of Ottawa Macdonald-Cartier International Airport Authority is responsible for the integrity of the accompanying financial statements and all other information in this Annual Report. The financial statements have been prepared by management in accordance with generally accepted accounting principles. Their preparation necessarily involves the use of management's best estimates and careful judgement, particularly in those circumstances where transactions affecting a current period are dependent upon future events. All financial information in the Annual Report is consistent with the information and data contained in the financial statements.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and reliable preparation of financial statements.

The Board of Directors discharges its responsibilities for the financial statements primarily through its Audit Committee, which is composed solely of directors who are neither officers nor employees of the Authority. This committee meets periodically with management and independent auditors to review performance and to discuss audit, internal control, accounting policy, and financial reporting matters. The Audit Committee reports its findings to the Board of Directors which reviews and approves annual financial statements. These financial statements were reviewed by the Audit Committee and approved by the Board of Directors.

The financial statements have been audited by Deloitte & Touche, who were appointed at the annual general meeting. Their report is presented on the following page.



Paul Benoit

President and Chief Executive Officer



John G. Weerdenburg, C.A.

Vice-President, Finance and Corporate Services



# AUDITORS' REPORT

To the Directors of

Ottawa International Airport Authority

We have audited the balance sheet of Ottawa Macdonald-Cartier International Airport Authority as at December 31, 1997 and the statements of operations and changes in net assets and changes in financial position for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.



Chartered Accountants

Ottawa, Ontario

February 13, 1998



# BALANCE SHEET

as at December 31, 1997  
(in thousands of dollars)

	<u>1997</u>	<u>1996</u>
CURRENT ASSETS		
Accounts receivable	\$ 2,912	\$ 126
Consumable supplies	367	-
Prepaid expenses and advances	644	-
	<u>3,923</u>	<u>126</u>
CAPITAL ASSETS (Note 3)	7,523	37
ORGANIZATION COSTS (Note 4)	<u>2,327</u>	<u>2,616</u>
	<u>\$ 13,773</u>	<u>\$ 2,779</u>
CURRENT LIABILITIES		
Bank indebtedness (Note 5)	\$ 1,949	\$ 2,670
Accounts payable & accrued liabilities	3,422	109
Current portion of long-term debt	1,260	-
	<u>6,631</u>	<u>2,779</u>
SECURITY DEPOSITS	289	-
LONG-TERM DEBT (Note 6)	<u>3,926</u>	<u>-</u>
	10,846	2,779
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET ASSETS	<u>2,927</u>	<u>-</u>
	<u>\$ 13,773</u>	<u>\$ 2,779</u>
ON BEHALF OF THE BOARD		

 , Director

 , Director

(See accompanying notes to the financial statements)



# STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

year ended December 31, 1997

(in thousands of dollars)

	<u>1997</u>
REVENUES	
Landing fees	\$ 6,559
General terminal fees	6,825
Car parking	4,684
Concessions	3,757
Land and space rentals	2,779
Other revenue	2,185
	<u>26,789</u>
EXPENSES	
Ground rent	3,977
Materials, supplies and services	8,240
Salaries and benefits	6,022
Payments in lieu of municipal taxes	2,583
Land transfer tax (Note 9)	1,327
Interest expense and financing charges	331
Amortization	1,382
	<u>23,862</u>
EXCESS OF REVENUE OVER EXPENSES	2,927
NET ASSETS, BEGINNING OF YEAR	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 2,927</u>

(See accompanying notes to the financial statements)



# STATEMENT OF CHANGES IN FINANCIAL POSITION

year ended December 31, 1997

(in thousands of dollars)

	<u>1997</u>	<u>1996</u>
<b>Cash provided by (used in) -</b>		
<b>Operations:</b>		
Excess of revenues over expenses	\$ 2,927	\$ -
Add non-cash items:		
Amortization of capital assets and organization costs	1,382	18
Loss on sale of capital assets	4	-
Changes in non-cash working capital:		
Increase in accounts receivable	(2,786)	(67)
Increase in consumable supplies	(367)	-
Decrease (increase) in prepaid expenses	(644)	7
Increase in accounts payable and accrued liabilities	3,313	29
Increase in security deposits	289	-
<b>Total operations</b>	<u>4,118</u>	<u>(13)</u>
<b>Financing activities:</b>		
Increase in long-term debt	5,186	-
<b>Investing activities:</b>		
Purchase of capital assets	(11,266)	(9)
Less related assistance (Note 7)	2,889	-
	<u>(8,377)</u>	<u>(9)</u>
Increase in organization costs	(224)	(1,476)
Proceeds from sale of capital assets	18	-
<b>Total investing activities</b>	<u>(8,583)</u>	<u>(1,485)</u>
<b>Decrease (increase) in bank indebtedness</b>	721	(1,498)
<b>Bank indebtedness, beginning of year</b>	<u>(2,670)</u>	<u>(1,172)</u>
<b>Bank indebtedness, end of year</b>	<u>\$ (1,949)</u>	<u>\$ (2,670)</u>
<b>Bank indebtedness consists of:</b>		
Bank overdraft	\$ (453)	\$ (2,670)
Bankers acceptance	(1,496)	-
	<u>\$ (1,949)</u>	<u>\$ (2,670)</u>



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 1997

## 1. DESCRIPTION OF BUSINESS

Ottawa Macdonald-Cartier International Airport Authority (Ottawa International Airport Authority) was incorporated January 1, 1995 as a corporation without share capital under Part II of the Canada Corporations Act.

The objectives of the Authority are:

- a) to manage, operate and develop the Ottawa International Airport, the premises of which are leased to the Authority by Transport Canada (see Note 10), and any other airport in the National Capital Region for which the Authority becomes responsible in a safe, secure, efficient, cost effective and financially viable manner with reasonable airport user charges and equitable access to all carriers;
- b) to undertake and promote the development of the Airport lands, for which it is responsible, for uses compatible with air transportation activities; and
- c) to expand transportation facilities and generate economic activity in ways which are compatible with air transportation activities.

On January 31, 1997, the Authority signed a 60 year ground lease with Transport Canada and assumed responsibility for the management, operation and development of the Ottawa International Airport. Accordingly, the 1997 financial statements include the results of operations of the airport for the eleven month period commencing on February 1, 1997. The results for this eleven month period are not necessarily indicative of the results to be expected for a full year.

The Authority is exempt from federal and provincial income tax, federal large corporation tax, and Ontario capital tax.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, commitments and contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Examples of such estimations and assumptions include the useful lives of capital assets, valuation adjustments, and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

### *Inventories*

Inventories of consumable supplies are valued at the lower of cost, determined on a first-in, first-out basis, and estimated replacement value.

### *Capital assets*

Capital assets are recorded at cost, net of government assistance, and are amortized over their useful lives on a straight-line basis as follows:

Furniture and equipment	10% - 20%
Computer equipment and software	20% - 50%
Vehicles	6% - 17%
Leasehold improvements	10% - 33%
Roadways and paved surfaces	10%

**Organization costs**

Organization costs represent start-up expenditures incurred by the Authority in advance of the transfer of operations to the Authority from Transport Canada. Organization costs are amortized to operations on a straight line basis over 5 years.

**Ground Lease**

The ground lease with Transport Canada is accounted for as an operating lease.

**Revenue recognition**

Landing fees, terminal fees, and parking revenues are recognized as the airport facilities are utilized. Concession revenues are recognized based on agreed percentages of reported concessionaire sales, with specified minimum rent guarantees. Rental revenues are recognized over the lives of respective leases, licences, and permits.

**3. CAPITAL ASSETS**  
(in thousands of dollars)

	1997	1996
Cost:		
Furniture and equipment	\$ 570	\$ 47
Computer equipment and software	253	22
Vehicles	3,269	-
Leasehold improvements	2,982	-
Roadways and paved surfaces	1,348	-
	8,422	69
Less accumulated amortization:		
Furniture and equipment	128	19
Computer equipment and software	69	13
Vehicles	431	-
Leasehold improvements	235	-
Roadways and paved surfaces	36	-
	899	32
	\$ 7,523	\$ 37

**4. ORGANIZATION COSTS**  
(in thousands of dollars)

	1997	1996
Cost:		
Carrying value, beginning of year	\$ 2,616	\$ 1,140
Additional costs incurred during the year	224	1,476
	2,840	2,616
Less accumulated amortization:	513	-
	\$ 2,327	\$ 2,616



**5. BANK INDEBTEDNESS**

On January 31, 1997, the Authority signed a credit agreement with its bank providing an operating line of credit of \$20 million bearing interest at the prime lending rate. This operating line is secured by a General Security Agreement over all property and assets, and a mortgage by way of a sublease of the Authority's interest in its lease with Transport Canada. At December 31, 1997, the Authority was indebted under the terms of this credit facility at interest rates which vary with the bank's prime rate (6.0%) and bankers' acceptance rates (4.55%).

**6. LONG-TERM DEBT**

(in thousands of dollars)

	<u>1997</u>	<u>1996</u>
Non-interest bearing debt payable to Transport Canada in three equal annual instalments commencing on January 1, 1998	\$ 3,779	\$ -
Non-interest bearing debt to the Province of Ontario, discounted at a rate of 6.0%, payable over a 5 year period commencing in 2007	<u>1,407</u>	<u>-</u>
	5,186	-
Less: current portion	<u>1,260</u>	<u>-</u>
	<u>\$ 3,926</u>	<u>\$ -</u>

The debt payable to Transport Canada was incurred in exchange for capital assets and inventories of consumable supplies acquired from Transport Canada in order to operate the airport.

The amount payable to the Province of Ontario relates to land transfer tax (see Note 9).

**7. GOVERNMENT ASSISTANCE**

During the year, the Authority received a non-repayable contribution of \$1.4 million from Industry Canada, a department of the government of Canada, under the Ontario Base Closures Adjustment Program. Under the Authority's agreement with Industry Canada, an additional final contribution of \$600,000 will be payable under this program in April 1998. These funds were provided for the construction of a temporary preclearance facility to accommodate customs preclearance of United States bound passengers at Ottawa International Airport. This construction was completed on July 7, 1997 at a total cost of \$3.4 million. The Authority has recognized the total funding of \$2 million, as a reduction of the cost of the project included in leasehold improvements.

During the year the Royal Canadian Mounted Police (the RCMP) provided a grant of \$1.5 million through Transport Canada, a department of the government of Canada, to cover costs to replace protective policing and security services withdrawn by the RCMP. These funds were made available to assist the Authority in establishing replacement policing and security at the airport as required by law. These funds were recorded as a reduction of the cost of related capital assets of \$889,000 and a reduction of related one time operating expenses included in the statement of operations of \$611,000.

**8. PENSION PLANS**

The Authority sponsors a pension plan on behalf of its employees which has defined benefit and defined contribution components. The defined benefit component is for employees who were employees of the Authority on the date of transfer including former Transport Canada employees who may elect to transfer their entitlements under the Public Service Superannuation Plan to the Authority plan. The Authority will inherit no unfunded pension plan liability from Transport Canada in respect of transferring employees who elect to transfer their entitlements to the defined benefit component of the plan. As this plan has been in existence for a short period of time and as transferring employees have yet to elect to transfer entitlements, no actuarial determination is currently required. The Authority has determined that no material deficit exists under either component of its pension plan.

Pension Plan costs are charged to earnings as services are rendered. The cost reflects management's best estimates of the rate of return on plan assets, rate of salary increases, and various other factors including mortality, termination, and retirement rates. The pension cost for 1997 amounted to \$505,000.

At December 31, 1997, the Authority held \$637,000 in a separate bank account on behalf of the pension plan. This amount and the related offsetting liability are not reflected on the Authority's balance sheet pending finalization of trust agreements with the Authority's pension plan trustee.

**9. LAND TRANSFER TAX**

The Authority has recorded a one time charge of \$1,327,000 resulting from land transfer tax payable over a 5 year period commencing in 2007 for the transfer of lands to the Authority.

**10. COMMITMENTS AND CONTINGENCIES**

On January 31, 1997, the Authority signed a 60 year ground lease with Transport Canada for the management, operation and development of Ottawa International Airport. The ground lease contains provisions for compliance with a series of requirements, including environmental standards, minimum insurance coverage, specific accounting and reporting requirements, and various other matters that have a significant effect on the day-to-day operation of the Airport. The Authority believes that it has complied with all requirements under the ground lease.

The lease contains a 20 year renewal option which may be exercised at the end of the lease term. At the end of the renewal term, unless otherwise extended, the Authority is obligated to return control of the Airport to the landlord.

Rent payable under the ground lease with Transport Canada includes base rent and participation rent and is calculated based on a formula reflecting annual passenger volumes, annual revenues, and predetermined base operating costs. Base rent is calculated on a capped passenger volume formula subject to adjustments for inflation. Participation rent is based on a measure of incremental revenues and commences in year 11 (2007) of the lease.

Projected lease payments under the ground lease for the next five years are as follows:

1998	\$ 5.4 million
1999	\$ 6.1 million
2000	\$ 6.3 million
2001	\$ 8.9 million
2002	\$11.1 million

At December 31, 1997, the Authority had total annual operating commitments in the ordinary course of business of approximately \$3.9 million per year. These annual commitments extend for periods varying up to 5 years in duration.

**11. COMPARATIVE FIGURES**

The 1997 financial statements include the results of operations of the Airport for the eleven month period commencing on February 1, 1997 when the Authority assumed responsibility for the management, operation, and development of the Ottawa International Airport. Start-up expenses incurred by the Authority in advance of February 1, 1997 have been included as organization costs.



# REQUIRED DECLARATIONS

The senior officers of the Authority at December 31, 1997 are as follows: Paul Benoit, President and CEO, John G. Weerdenburg, C.A. Vice-President, Finance and Corporate Services, and Pierre Lanoix, Vice-President, Operations.

The following table gives the name of each Director, the government body that confirmed each Director's nomination to the Board, their respective Committee membership, and remuneration in 1997.

DIRECTOR	CONFIRMED BY	COMMITTEES	FEES PAID IN 1997
David C. Gavsie - Board Chair	RMOC	See Note #A	\$12,950 See Note #B
Shirley Westeinde - Board Vice-Chair	RMOC	1, 3, 5, 6	\$21,667
Louis Bertrand - Board Secretary	CUO	1, 3, 6	\$14,017
Gaétan Bélec	CUO	2, 4, 6	\$14,217
Claude Bennett	RMOC	2, 4	\$17,167
Graham Bird	RMOC	1, 5	\$15,907
Hugh Blakeney	ON	2, 3	\$12,417
Marilyn Jones	RMOC	3	\$ 9,917
Roger Lachapelle	CUO	2	\$ 9,677 See Note #C
Gayle Mullington	RMOC	1, 3	\$17,917
François Pichard	GOC	1, 2	\$14,167
Leonard Potechin	RMOC	4, 5	\$12,917
Michael Robinson	RMOC	3, 5	Nil
Regis Trudel	RMOC	1, 4	Nil
Richard Wagner	GOC	4, 5, 6	\$11,417

NOTE:	KEY:	COMMITTEES:
A. Mr. Gavsie is a member of all the Airport Authority committees.	CUO - La Communauté Urbaine de L'Outaouais;	1 - Executive 2 - Audit 3 - Human Resources
B. Fees of \$12,950 were paid to Mr. Gavsie's firm Ogilvy Renault.	GOC - Government of Canada;	4 - Facilities & Environment 5 - Government Affairs
C. Fees of \$9,677 were paid to Mr. Lachapelle's company, Le Groupe du Barry Enr.	ON - Ontario Government;	6 - Nominating
D. Some Directors elected not to accept directors fees.	RMOC - Regional Municipality of Ottawa-Carleton.	

The salary range for the President of the Authority is \$113,000 to \$169,400. The salary range of the Vice-President Finance and Corporate Services and the Vice-President Operations is \$77,000 to \$115,400.

Conflict of Interest Guidelines are included in the Bylaws. Each Director has filed a Conflict of Interest declaration for 1997, as required by the Bylaws, and in compliance with the Guidelines.