City of Richmond

Report to Committee

To:	General Purposes Committee	**Date:**	November 21, 2016
From:	Amarjeet S. Rattan Director, Intergovernmental Relations and Protocol Unit Jerry Chong Director, Finance	**File:**	01-0130-01/2016-Vol 01
Re:	**Federal Government Proposed Sale of Airport Land Assets**		

Staff Recommendation

That a letter be sent to the Federal Minister of Transport outlining the City's opposition to the sale of Vancouver International Airport as part of the collective group of airport assets being considered for sale.

A. Rattan

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Attachment 1

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: DW
APPROVED BY CAO	

Staff Report

Origin

This report provides information related to a recently released report, *Pathways: Connecting Canada's Transportation System to the World* (the Emerson Report), which has recommended the Federal Government consider 'asset recycling,' which would involve selling stakes in major public assets such as airports, highways, rail lines, and ports to help pay for Canada's mounting infrastructure costs.

This report supports Council's 2014-2018 Term Goal #5 Partnerships and Collaboration:

> *Continue development and utilization of collaborative approaches and partnerships with intergovernmental and other agencies to help meet the needs of the Richmond community.*
>
> *5.1. Advancement of City priorities through strong intergovernmental relationships.*
>
> *5.2. Strengthened strategic partnerships that help advance City priorities.*

Findings of Fact

The 2016 Federal Budget paid considerable attention to infrastructure investment, which is seen as a way to create jobs and boost long-term economic growth. The Federal government has committed more than $120 billion toward infrastructure over the next decade. The funds from 'asset recycling' would help the Federal government avoid amassing debt or raising taxes. As per the Emerson Report's recommendations, the Federal government would make public assets available to non-government investors, similarly to public pension funds.

The Emerson Report was created by the Honourable David Emerson for the previous Conservative government. Mr. Emerson was CEO of Vancouver International Airport Authority from 1992-1996 and also held various public service positions with the BC Government as well as federally elected positions, including Minister of Industry, Minister of International Trade, Minister for the Pacific Gateway and the Vancouver-Whistler Olympics and Minister of Foreign Affairs. He also became a member of the International Advisory Council of the Chinese sovereign wealth fund China Investment Corporation, in 2009. He is currently Board Chair of Maple Leaf Foods, GCT Global Container Terminals Inc. and the Asia Pacific Foundation.

The Emerson Report's recommendations include the following:

- The linking of user (airport) fees to the provision of services and infrastructure;
- Payments in lieu of taxes by airport authorities should not be disadvantageous when compared with comparable job-creating industries;

- Divestiture by the Federal Government of smaller federally owned airports in consultation with provinces and municipalities;
- Moving quickly to a share-capital structure for the larger airports, with equity-based financing from large institutional investors, supported by legislation to enshrine the economic development mandate of airports and to protect commercial and national interests by: establishing investment thresholds, limiting foreign airline ownership (to increase commercial airlines by at least 49%), and tests of public interest and national security to be administered by Industry Canada and the Competition Bureau, under the Investment Canada Act and the Competition Act;
- Establishing a set of principles to guide all airports in Canada when determining fees;
- Tying airport improvement fees to specific projects; and
- Requiring airline expertise on the boards of directors of airport operators.

Advisory Council on Economic Growth

The recommendations of the Report are being endorsed by the Federal Government's new Advisory Council on Economic Growth, a group of 14 members comprised of Canadian and international business and academic leaders. The council was tasked with helping the government map out a long-term growth plan for Canada.

The members of the Advisory Council are:

- Dominic Barton (chair) - Global Managing Director of McKinsey & Company
- Elyse Allan - President and Chief Executive Officer, General Electric Canada
- Katherine Barr - General Partner, Mohr Davidow Ventures
- Jennifer Blanke - Chief Economist, Member of the Executive Committee, World Economic Forum
- Kenneth Courtis - Chairman, Starfort Investment Holdings
- Brian Ferguson - President and Chief Executive Officer, Cenovus Energy Inc
- Suzanne Fortier - Principal and Vice-Chancellor, McGill University
- Carol Anne Hilton - Chief Executive Officer, Transformation International
- Carol Lee - Chief Executive Officer and Co-Founder, Linacare Cosmetherapy Inc.
- Christopher Ragan - Associate Professor, Macroeconomics and Economic Policy, McGill University
- Michael Sabia - President and Chief Executive Officer, Caisse de dépôt et placement du Québec
- Angela Strange - Partner, Andreessen Horowitz
- Ilse Treurnicht - Chief Executive Officer, MaRS Discovery District
- Mark Wiseman - President and Chief Executive Officer, CPP Investment Board

Analysis

Airport Governance

Between 1986 and 2006, Canada shifted to a commercially based, market-driven system from one based on government ownership and control. This transformation began with the economic deregulation of the domestic market for air services and the privatization of Air Canada. Following deregulation and privatization in the carrier sector, the Federal Government moved to commercialize larger airports and air navigation services.

Under the 1994 National Airports Policy, the Federal Government transferred the management, operation and development of 22 large airports, including those in the national and provincial capitals to non-profit airport authorities governed by local boards but retained ownership of land and fixed assets. As a result of these changes, Transport Canada's roles in the air sector is now largely confined to those of policy maker, regulator and landlord for the country's largest airports.

These airport authorities pay rent to the Federal Government for their land and assets, which they hold under 60-year leases with one 20-year renewal option. That gives these airports until the 2050s — or 2070s if they renew the lease — before they must return to the Federal Government "a world-class airport, with no debt," according to the Emerson Report. Vancouver International Airport's (YVR) current lease (with the 20 year extension) is set to expire in 2072.

The Emerson Report recommends that the Government of Canada strengthen the viability, accountability and competitiveness of the National Airports System by moving within three years to a 'share-capital structure' for the larger airports, with equity-based financing from large institutional investors, accompanied by legislation to enshrine the economic development mandate of airports and to protect commercial and national interests (including provisions that are currently spelled out in the airports' leases).

The Emerson Report notes that a number of options are available for privatizing the large airports. This could include working with airport authorities to facilitate their transformation into for-profit entities and selling them the assets of larger airports. Similar processes were followed in the past with the privatization of Crown corporations like Petro Canada and Air Canada. Otherwise, it could be achieved by selling the airports to another private enterprise, as was done with large airports in the United Kingdom in the 1980s. Alternatively, the Federal Government could maintain ownership, while fully privatizing the operation of the airport, as was done in Australia.

The larger airports, of which the top four are Toronto, Vancouver, Calgary, Montreal, support many of the Emerson Report recommendations, including a much-needed overhaul of security screening protocols, however, they are not supportive of the proposal that they move within three years to a share-capital structure with equity-based financing from large institutional investors. Pierre Elliot Trudeau International Airport in Montreal is the only airport in the country that supports the Emerson Report recommendations to sell airport lands.

The Vancouver International Airport Authority has concerns that a for-profit system would increase costs rather than lower them (Attachment 1). YVR's CEO, Craig Richmond, has stated "as a not-for-profit, we have plowed everything we've made back into the airport and we've built up this beautiful asset". Airport authorities can currently issue bonds, but cannot raise equity, which results in "very high leverage," he said. In addition, airports are restricted in what they can do with their land, which is still owned by the Crown. As the lease end date draws closer, in order to comply with the current lease terms, airport authorities will have to reduce their debt and use their reserves to pay off the existing debts. This may impact future capital investments and levels of service.

The Canadian Airports Council, which lobbies the Federal Government on behalf of Canada's airports, maintains that full privatization isn't the best way to lower costs. Some airports would prefer the Federal Government to cut their rent and allow for rolling lease extensions while maintaining the existing model, a solution that YVR supports.

Vancouver International Airport (YVR) Governance

YVR is managed by Vancouver Airport Authority, a private not-for-profit corporation with no issued share capital. The Airport Authority is governed by a non-political Board of Directors appointed from organizations within the community including federal and municipal governments and professional and business associations. The City of Richmond's current appointee to the board is Howard Jampolsky. The Airport Authority receives no funding from the Federal Government and pays rent each year to Transport Canada. Since its inception in 1992, Vancouver Airport Authority has invested $3.1 billion into its capital assets that was paid for through airlines, passengers and their Airport Improvement Fees while reducing costs for airport users – essentially meaning YVR is paid off. The current governance structure, which includes the City nominating someone to the Board would no longer be required; therefore any input provided through the City's nominated director would be gone if YVR were privatized.

Privatization

The Canada Development Investment Corporation (CDEV), a Crown agency has hired Credit Suisse AG, an investment bank, to analyze airport related privatization options before the end of the year, as the Federal Finance Minister prepares the 2017 budget. Recent airport privatization transactions include airports located in Gatwick, Athens, Kansai, Osaka and London City. London City Airport was acquired in February 2016 by three Canadian pension funds, Ontario Teachers' Pension Plan (OTPP), Ontario Municipal Employees Retirement System (OMERS), Alberta Investment Management Corp (AIMCo) and Wren House, an infrastructure investment vehicle owned by the sovereign wealth fund of Kuwait, for a reported $2.8 billion. London City Airport was put up for sale by infrastructure fund Global Infrastructure Partners, which also owns Gatwick and Edinburgh airports. Credit Suisse acted as the sole adviser to Global Infrastructure Partners. Due to the low yields that exist in the bond market and the relative high risks in the equity market, large institutional investors are looking at alternative investments that provide stable returns with relatively low risk, hence the growing interest in real estate and infrastructure investments such as toll roads, bridges and airports.

The Government of Canada has also recently hired investment bank Morgan Stanley Canada Ltd. to review ownership options for 18 Canadian ports. Canada Development Investment Corp., a Crown agency responsible for selling federal assets, hired the firm "to provide financial advice" on its port holdings, which include facilities in Halifax, Montreal, Toronto, Thunder Bay and Vancouver.

First Nations Impact

In order to proceed with the sale of YVR lands, the Federal Government would first need to transfer ownership to its commercial property arm, Canada Lands Company, and then go through a consultation and accommodation process with First Nations groups, particularly the Musqueam.

The challenge to selling off federal land comes from major Supreme Court of Canada decisions, especially the 1997 Delgamuukw ruling that required governments to consult and accommodate First Nations when their interests where affected by economic development. Canada's highest court cemented aboriginal title rights with a June 2014 decision granting a large tract of land to a B.C. interior First Nation.

The potential for a costly lawsuit, and the risk of being required to pay compensation to a First Nation group claiming title, could potentially convince the Federal Government that privatization of YVR lands is not financially feasible.

Financial Impact

Airport Revenues

The Government of Canada has collected approximately $5 billion in airport rent since 1992, already well in excess of the value of the assets originally transferred, and is estimated to collect at least $12 billion more over the next 40 years. In total, the Federal Government collected nearly $1 billion in airport rent and security fees in 2015.

YVR advises that they pay approximately $50 million per year in rent to the Federal Government and $16 million in annual Payment in lieu of taxes (PILT) payments (approximately 50% is the municipal portion). Other businesses which reside on YVR remitted PILT of approximately $1.5 million and commercial tenants remitted approximately $13.9 million in property taxes.

The City currently receives PILT for all federally and provincially owned land in the City of Richmond, which includes YVR. YVR and other airport authorities are currently paying PILT because they are tenants on Crown land and because the *Assessment Act* specifically exempted the Authority from paying property taxes. Tenants of YVR are currently 100% taxable and it is up to the City of Richmond to bill and collect from each tenant individually.

If YVR is privatized and is not specifically required to pay PILT, then it would become 100% taxable for property taxes (similar to BC Hydro and TELUS properties). In this case, YVR would be responsible for taxes for their entire property, including taxes for properties leased to sub-tenants. In this scenario, the privatized airport authority would be similar to Richmond Centre, in that they will be responsible for 100% of the taxes for their property and would have to recover the cost directly through their tenants. This could reduce any collection issues and associated risks. However, since the City charges the same tax rate for PILT as for property taxes, there should be no financial loss to the City.

With respect to water/sewer utilities, currently YVR sewer flows directly to the Lulu Island treatment plant and they pay Metro Vancouver for this service. The City charges YVR a lower water rate in addition to 50% of the annual maintenance cost and capital cost spent on YVR land annually. Over the last 12 months the City received approximately $1.1 million in utility fees from YVR. If YVR becomes privatized, the City would need to review the agreement and re-evaluate the existing structure.

Currently, YVR is considered exempt from the City's Zoning Bylaw, Development Cost Charge Bylaw and typical development requirements because the airport is located on lands owned by the Federal Government. The implications with respect to the City's zoning and development regulations cannot be determined until further information is received on how any transfer/sale is structured.

YVR Airport Authority was recognized as one of Canada's Top 100 Employers in 2016 and they currently employ approximately 425 employees. It is unknown how many employees are Richmond residents, and if any of these positions would be eliminated or increased if the airport is privatized.

Conclusion

While the timing of a Federal decision to proceed with 'asset recycling' in relation to airport lands is unclear, YVR is of the view that it is not imminent, while some media reports indicate it may come as soon as this spring. The issue is being aggressively pushed by Federal Finance Minister Bill Morneau, while Minister of Transport Minister Marc Garneau is of the view that only airport authorities that wish to be privatized should be made to do so.

Privatization of Federal Government assets is very complex as local, national and First Nations interests must be considered. While YVR has been run very efficiently and effectively the Federal Government is hoping that infrastructure spending will increase investments and economic growth in Canada. Funding infrastructure will only be achieved through elimination/reduction of programs, additional taxation measures or asset recycling. In a simplified scenario, one must evaluate whether funding should be shared by all Canadian taxpayers or through user fees.

YVR is currently in an "educate mode" with respect to this issue and is in the process of discussion with community partners. The City of Vancouver announced on October 19th that its Council endorsed a motion to write to the Federal Government outlining its opposition to the proposed sale of YVR lands to private interests.

YVR has demonstrated innovation and sustainable financial results annually. YVR has modernized, diversified and invested any arising profits back into the facilities. The current governance model has been responsive and inclusive to the City's requests. YVR was recently recognized by the CAPA Centre for Aviation with the annual Airport of the Year Award at the Aviation Awards for Excellence.

Prior to any transactions being contemplated an assessment of each individual airport should be made and their merits and performance assessed in an objective manner. Rather than disposing of all of the airports as a package each airport should be evaluated with input and feedback from respective stakeholders. It is recommended that Council write to the Minister of Transport outlining its opposition to the sale of YVR as part of the collective group of airport assets being considered for sale and that each individual airport be evaluated independently with input from the City of Richmond.

Staff will provide updates on this issue as more information becomes available.

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VANCOUVER AIRPORT AUTHORITY

Beyond, Every Day.

Privatization versus Share Capitalization of YVR

This Vancouver Airport Authority (YVR) paper is provided in response to recommendation 3(B) of the Canadian Air Transportation Act (CTA) Review released on February 25, 2016. Specifically, 3(B) recommended "moving within three years to a share-capital structure for the larger airports, with equity-based financing from large investors".[i] It is the Vancouver Airport Authority's unequivocal view that the CTA Review does not provide any justification for this fundamental change to the governance structure of airports. We strongly oppose this recommendation for three reasons:

1. The costs of share capitalization would add hundreds of millions of extra costs to the airport which would be passed to airlines and passengers. YVR would become much less competitive
2. YVR and Canadians have already reaped the benefits of airport privatization
3. The communities in British Columbia are well served by the current governance structure (which would not be the case if YVR was owned and operated by investment banks and pension funds)

Well researched, excellent papers from other Airport Authorities have detailed the current model, the history and reasons for transfer to local authorities from government and the unintended consequences of recommendation 3(B) from the CTA review, so they need not be repeated. [ii] Rather, this paper will focus specifically on the impact of share capitalization to YVR.

Financial Impact of Share Capitalization on YVR

Earlier in August, 2016 we submitted a paper entitled "YVR Share Capitalization 22 Aug 2016" which describes in great detail the financial implications of a sale of the major airports. The comprehensive analysis demonstrates how such a sale would lead to sizable increased annual costs that would need to be recovered through aeronautical or AIF revenue, reduced operating expenses or a reduction in capital expenditures.[iii] Very simply, it would be too costly for a share capital buyer to acquire an airport such as YVR without reducing services and passing these costs on to airport users through higher fees and charges and fewer capital investments. This would be a serious step backward for commercial aviation, airlines and passengers in Canada.

Our purpose in producing this paper, "Privatization versus Share Capitalization of YVR" is to communicate that the benefits of privatization have already been achieved, to great success, and that there are very real problems with the idea of share capitalization of Canada's major airports, focussing specifically on YVR. It should be noted that YVR's Board and Senior Management has had extensive experience in the purchase, management and sale of for-profit airports around the world through our previous ownership of Vantage Airport Group. Vantage Airport Group is an industry-leading investor, developer and manager of airports around the globe. Since inception, Vantage Airport Group has been involved in 27 airports in 11 countries and has taken 19 airports from public to private management and currently operates eight airports in five countries. There have been many successful examples of equity privatizations of poorly capitalized, poorly run airports precisely because of their poor financial state. Canada's major airports do not fall in that category.

In fact, the CTA Review itself noted that Canada's Airport System is "...frequently ranked among the best in the World".[iv] The review also states that the large airport authorities have "...successfully fulfilled their mandate to develop or renew infrastructure through capital investment, while remaining self-sufficient".[v]

The Benefits of Privatization - Realized

The CTA review consistently and mistakenly equates privatization with share capitalization. This is a structural misconception. Vancouver Airport has been privatized for 24 years. It is a private not-for-profit non-share capital corporation, with a community based, non-politicized Board and with independent means of financing. This is not merely a semantic difference. It is an essential, fundamental organizational fact ignored by the CTA review: YVR agrees with and has already benefited immensely from privatization.

The CTA Review postulates that "independent analysis and international examples show the benefit of increased private sector discipline in the management of large airports".[vi] Privatization is often characterized by economists as a way to change the actions of an entity from relatively inefficient government operations to a more nimble and reactive private operation. YVR is in agreement with this conclusion - and considers itself a private sector operator. Some of the generally stated benefits of privatization and the actual results at YVR include:

1. **To transfer capital and operating expenses from taxpayers to private operations.**
   Achieved. Since transfer in 1992 Vancouver Airport Authority has invested $3.1 billion in capital assets, including a new Category III runway and award winning

terminals while paying $1.3 billion in rent. YVR receives no federal subsidies to operate the airport.

2. **To eliminate political interference.**

This has been accomplished through the bylaws, nominating entity process and by the fact that no elected official can sit on our Board of Directors. While the Authority is certainly influenced by local and federal politics, it is not interfered with.

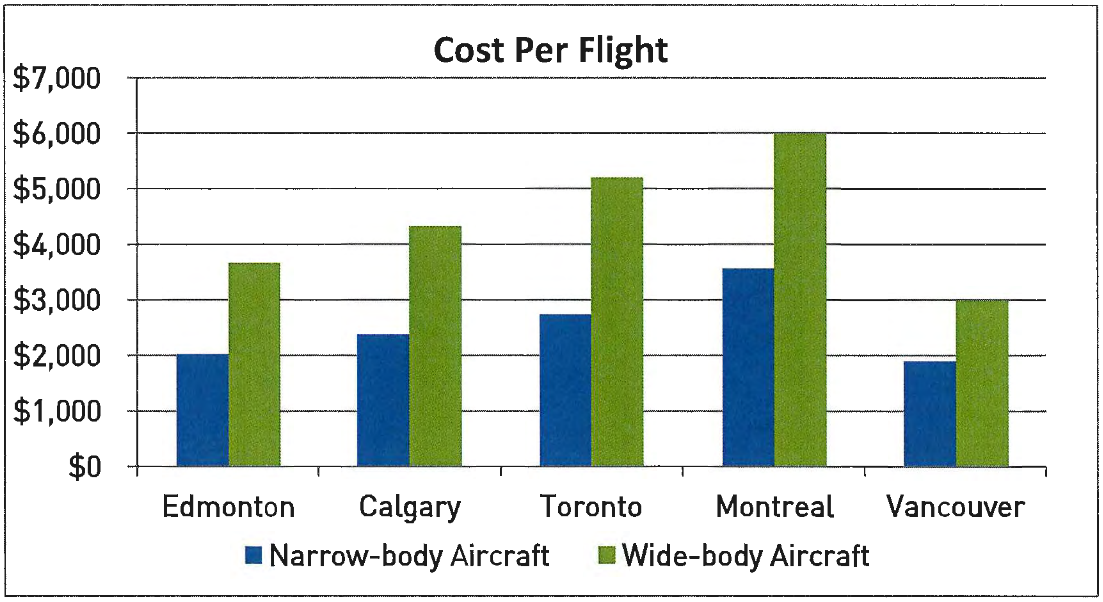
3. **To access capital and to lower borrowing costs.**

This too has been achieved: rating agency Standard & Poor's just affirmed Vancouver Airport Authority's AA credit rating – one of the highest credit ratings in the world. In 2015, YVR refinanced $200 million of 30 year bonds at an interest rate of 3.875% - a new low rate for airport bonds in Canada. YVR has no trouble attracting capital and the cost of capital is very low.

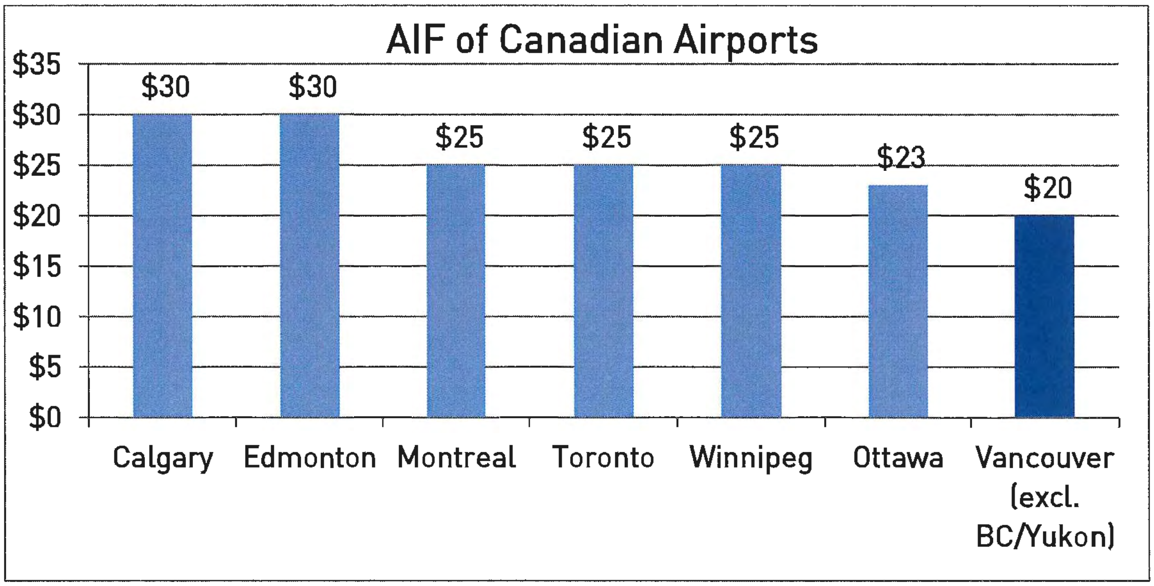
4. **Using market discipline to promote efficiency and lower costs to airlines and passengers.**

Vancouver is an extremely efficient airport. The Air Transport Research Society has named YVR as the most efficient airport in Canada and fourth most efficient in North America: Professor Tae Oum stated "YVR has been doing very, very well, since inception of this project in 2002," Oum said. "YVR, this year is fourth-most efficient in North America, but the top in Canada".[vii] Vancouver has one of the highest rates of non-aeronautical revenue in North America, at almost $22 per enplaned passenger and 45% of revenue.

In addition, as of 1 January 2016, Vancouver Airport lowered its airline rates and charges for the next five years by an average of 15% to maintain its global competiveness. These rates and charges are the lowest among the larger Canadian airports and even among YVR's American competitor airports. The lower rates and charges are designed to promote airline gate efficiency and to reward airlines who add flights. The new program is already having a positive effect: "The operating economics of the Dreamliner together with the efforts of the Vancouver Airport Authority who have maintained airport operating costs at levels among the lowest in Canada, have enabled us to grow our Vancouver hub," concluded Mr. Calin Rovinescu" (Air Canada CEO announcing a new daily route to Brisbane).[viii]



Vancouver also has the lowest Airport Improvement Fee (AIF) of any of the large airports in Canada and maintains a minimum fee of $5 for any flights within BC and the Yukon.



5. **To spur creativity, innovation and implement industry best practices.**

This has been realized to an exceptional extent at YVR. The Vancouver Airport Authority has a well-deserved reputation for innovation and creativity, earned over two decades of privatization. Vancouver has incubated two successful independent companies, interVistas Consulting and Vantage Airports Group. In 2015 Vancouver won the Centre for Aviation (CAPA) World Award for Airport Innovation, for inventing the Border Xpress – YVR's home-grown border processing technology. These self-service kiosks have reduced border waits in airports by up to 89% and more than 1,000 have been sold to 32 airports in North America and the Caribbean including some of the busiest such as Chicago O'Hare, Atlanta and LAX. All the profits from these sales are returned to YVR to help reduce operating costs and keep aeronautical fees low.

Vancouver Airport Authority also won the following awards in 2016:

- Airports Council International – North America, Best Overall Marketing and Communications - 2015
- Canada's Best Corporate Health and Safety Culture – 2015
- Airports Council International – North America, Best Overall Human Resources Program 2016
- Airports Council International – North America, Best Specialty Retail Program – 2016
- In 2016 awarded the first Salmon-safe Certification for an airport in the world – ensuring we meet the highest standards for water quality in and around Sea Island and the neighboring Fraser River.

6. To increase customer service.

This has been clearly achieved. On March 16, 2016, Skytrax World Airport Awards announced that Vancouver Airport had won the Best Airport in North America for a record 7 times in a row. These results come from a half year survey of over 13 million passengers, across 39 categories of customer service. YVR was also named the third best airport in the world in the 20 – 30 million passenger category.

Serving our Community

In addition to the aforementioned benefits of privatization, one of the basic tenets of the devolution of Canadian airports was the desire to involve local communities in the strategic goals of the airports.[1] This devolution allowed locally run Airport Authorities to be governed by a community appointed Board of Directors. YVR's Board of Directors is formed with experienced members appointed from the community at large and through

[1] (Calgary International Airport Submission)

Nominating Entities representing key professions including law, accounting and engineering. While the Federal government and local municipalities provide representatives for the Board of Directors, they cannot be elected officials. These individuals work and live in the very communities the airport serves and are charged with ensuring the airport operates in the best interest of our local community and the province of British Columbia.

Our success as an Airport Authority hinges on our connection to the people we serve. As a locally-based organization and as BC's airport, we are committed to serving our diverse communities and the businesses that benefit from our role as an economic hub and jobs creator. We accomplish this through a commitment to transparency and a willingness to engage. It is also through this two-way dialogue that we are able to grow the airport to meet the needs of British Columbians. YVR has engendered a deep sense of pride by British Columbians in their airport.

The Authority regularly meets with both surrounding and more distant city councils and nominating entities to discuss airport plans and to gather feedback. Consultation on everything from maintenance work to major developments and Master Planning are held whenever required. The Authority sends executives to speak at cities across the province and attends over 70 local events in order to maintain open lines of communication.

The Vancouver Airport Authority is committed to providing a positive airport experience for everyone – this means minimizing obstacles for people with disabilities, seniors and anyone requiring extra help. We exceed accessibility codes wherever possible and have established new accessibility design criteria, developed a multi-year accessibility plan and completed a terminal-wide assessment and audit of our facilities and services using those in affected communities as advisors.

It is often difficult to judge community perception, but in this case, Business in Vancouver Magazine and Ipsos-Reid have gathered hard data: in a survey conducted by Ipsos-Reid in 2015 YVR was named as one of BC's best loved brands and was simultaneously the best loved brand and the company at which respondents would most like to work (see graphic below).[ix]

Love the Brand, Not the Workplace

Every February, *BCBusiness* partners with Ipsos to survey British Columbians on the Most Loved Brands in B.C. "Love" measures things like how much you trust a brand, how innovative you find it and whether you think it's a brand that's making a positive contribution to B.C. For our workplace survey, we offered up a list of this year's most loved brands and asked: Which of the following companies would you most like to work for? As you can see from the graph below, the most loved brands (Save-on-Foods, London Drugs) aren't necessarily the ones you most want to work for. ■

Conclusion: The Future

While our first submission outlined clearly that a share-capital model is not financially viable for YVR, this paper has demonstrated that the qualitative benefits of privatization have already been achieved at YVR. Our local Board of Directors is a vital part of our accountability and outreach program, and has helped our demonstrably positive reputation in the community which is essential in running a 24-hour airport.

The current model does need to address key issues with the ground lease including end of lease, rent and environmental mitigation claims. First Nations land claims are once again at the forefront. Our governance model, as unique and balanced as it is, is not well understood and requires continued improvement in transparency and accountability.

However, these issues are not insurmountable and are not inherent to the current system; they can be fixed. Over the past 24 years Canadian airports have thrived no matter what challenges were faced, largely due to the flexibility and balance of the current governance model. YVR in particular is a pillar in the community, employing over 24,000 people as well as 450 volunteers and donating over $1million per year to local community organizations. YVR works with business, tourism, industry and education associations to represent their interests around the world and support their efforts to connect efficiently with global markets. And YVR is a financial success – a consistently strong business with world-class facilities and an outstanding safety record. YVR continues to grow its passenger and airline partner base, year over year. The Canadian Airport Model has created a true success story at Vancouver International Airport.

The Canadian Airport Model remains enviable template for airport management and governance, delivering the best results for the Canadian economy, for Canadian communities, for Canadian airlines and for Canadian passengers. Moving to a share capital model would be an irreversible mistake.

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[i] Pathways: Connecting Canada's Transportation System to the World, Volume 1, pp 194.

[ii] Canadian Airports: Yesterday, Today and Tomorrow/A Review of the Case for Privatization of Canadian Airports and the Related Systems of Corporate Structure, Governance and Finances, Calgary Airport Authority Aug 2016. UNINTENDED CONSEQUENCES" A COMMENTARY RESPONSE TO RECOMMENDATION 3(B) – CHAPTER 9 OF "PATHWAYS: CONNECTING CANADA'S TRANSPORATION SYSTEM TO THE WORLD" Edmonton Airport Authority Aug 2016. Letter to the Minister of Transport, Halifax Airport Authority, 19 Aug 2016.

[iii] Share Capitalization of Canadian Airports, Vancouver Airport Authority, 22 Aug 2016.

[iv] Pathways: page 185

[v] Ibid. pp 186

[vi] Ibid. pp 193

[vii] http://vancouver.24hrs.ca/2014/08/20/vancouver-airport-named-most-efficient

[viii] Air Canada News Release, July 8, 2015.

[ix] BC's most loved brands, Business in Vancouver Magazine, 28 Jan 2015