

# BMA

Management Consulting Inc.

## Timmins Airport



City of Timmins

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## **Executive Summary**

Timmins Airport is a critical element to the areas' competition for economic activity, however, there is not a clear vision and mission to achieve economic development. There is no updated Master or Business Plan.

A great deal of strategic and business planning has been undertaken in other northern Ontario airports. These other airports have clearly articulated plans for the direction of the airport and have identified strategies to implement the plans.

It is therefore recommended the City undertake an Airport Master Plan and Business Plan in order to align with the economic development goals of the City and evaluate the future direction of the Airport. This should be a comprehensive approach which evaluates the current status of the Airport, examines future opportunities/threats and identifies affected stakeholders.

Once the Master and Business Plans have been developed, a review of the governance models should be undertaken to match with strategic objectives. The ultimate governance solution should be based on a carefully developed long range plan for growth and management of the Airport.

## **Summary of Recommendations**

***That an equipment and vehicle rationalization exercise be undertaken to determine the ongoing needs of the Airport, to identify whether there are any opportunities to share equipment with Public Works and to determine whether it is more cost effective to rent equipment that is not frequently used.***

***That as part of an overall strategic plan, a fee and revenue generating strategy be developed for the Timmins Airport.***

***That the City undertake an Airport Master and Business Plan which would:***

- 
- ***Develop a land use plan and appropriate zoning controls for the airport which foster development opportunities while protecting the existing and future on-airport operations and surrounding land uses.***
- ***Optimize the potential use of the lands without affecting increases in core aviation related activities and promotes new tenants/users in order to enhance airport revenues.***
- ***Identify and assess potential new and innovative sources of revenue, enhancements to existing revenue sources and strategies to retain and expand the current tenant base.***
- ***Identify business development and marketing strategies that strengthen Timmins Airport relationships with its present and future customers.***

***That upon completion of the Airport Master and Business Plan, the City of Timmins review the governance structure of the airport.***

**Overview of the Timmins Airport**

The airport has two runways, a flight service station and precision landing aids. Daily flight operations are available for scheduled carriers, business, health, government, cargo and general aviation.

The number of arriving and departing passengers per year varies by year from a low of 90,000 to a high of 126,000 over the past 4 years. From 1999 to 2002, passenger activity decreased significantly however has rebounded somewhat in the past two years but continues to be well below activity in 1991 and 2000. This is considerably lower than the volumes experienced in 1988 which saw over 190,000 arriving and departing passengers.

The mandate, as identified by the Manager of the Airport is to operate on a break even basis, with no cost to the taxpayer.

The Airport Capital Assistance Programs (ACAP) was established by Transport Canada to assist small to medium sized Airports with major capital restoration projects. Timmins was successful in receiving \$5.8 million for the reconstruction of the runways and associated drainage and lighting.

**Staffing****Manager's Responsibility's**

The Manager of the Airport is responsible for lease administration for all land leases and terminal space agreements. In addition, the Manager is responsible for agreements for parking, advertising signage, taxi/limo and food and beverage. The Manager also oversees the administration of contracts for security, janitorial services as well as parking lot cashier services.

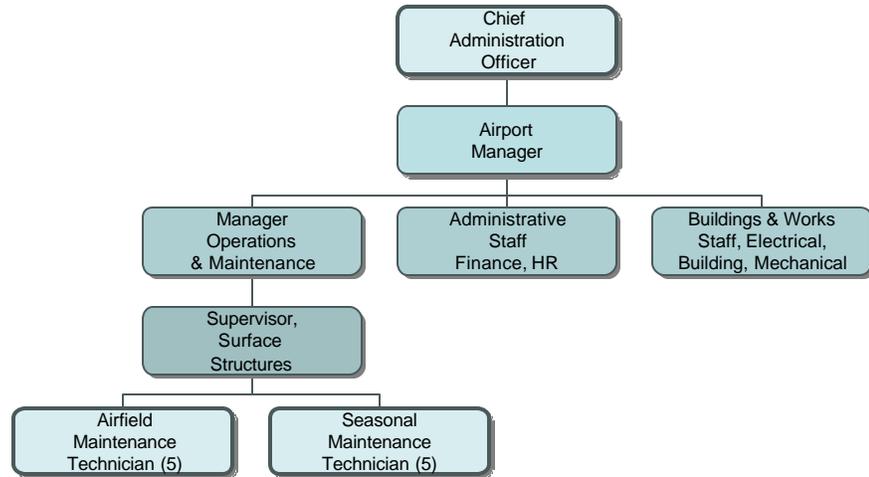
The Manager is responsible for forecasting the needs of the entire facility, participating with TEDC and the City's Planning and Development Department regarding potential business interests which includes aviation and non-aviation interest and land development and planning for vacant land.

Administratively, the Manager is responsible for revenue billing, collection, reconciliation, expenditure approval within the budget and preparing the annual operating and capital budget for the airport. The Manager is also responsible for safety and security, implementing and complying with the Federal Aviation Security Regulations, liaising with the Timmins Police on all security and criminal code infractions.

The Manager hires the staff and is responsible for day-to-day HR administration.

The Manager also oversees all aspects of airport maintenance including buildings and infrastructure, snow removal and ice control and maintaining a fleet of vehicles and mechanical equipment.

The following chart provides an overview of the Airport staffing.



The Airport Manager directly reports to the CAO. There are 15 full-time staff and 5 seasonal staff (winter) at the Timmins Airport. This includes an Airport Manager, a Manager of Operations and Maintenance, a Supervisor of Surface Structures, a Field Maintenance Foreman, two mechanics, an electrician, a maintenance craftsperson and two finance and administrative positions.

*The Airport  
operates on a  
break even basis*

**Budget**

The following summarizes the 2003 and 2004 Airport budget.

<b>Budget Report By Function</b>				
<b>Account</b>	<b>2002 Actuals</b>	<b>2003 Budget Values</b>	<b>2003 Actuals</b>	<b>2004 Budget Values</b>
<b>Airport Revenue</b>				
Aircraft Related	\$ (1,129,196)	\$ (1,165,000)	\$ (1,059,901)	\$ (1,100,000)
Improvement Fee	\$ (418,609)	\$ (450,000)	\$ (429,451)	\$ (475,000)
Concession	\$ (173,682)	\$ (175,000)	\$ (171,226)	\$ (175,000)
Rentals	\$ (229,881)	\$ (225,000)	\$ (159,241)	\$ (225,000)
Interest Income	\$ (20,550)	\$ (25,000)	\$ (56,347)	\$ (55,000)
Utilities	\$ (15,569)	\$ (15,000)	\$ (15,067)	\$ (15,000)
Misc. Services	\$ (28,225)	\$ (30,000)	\$ (53,556)	\$ (50,000)
Parking Lot Revenue	\$ (134,675)	\$ (135,000)	\$ (155,751)	\$ (155,000)
Transfer From Reserve	\$ (307,638)	\$ (254,100)	\$ -	\$ -
<b>Total Revenue</b>	<b>\$ (2,458,025)</b>	<b>\$ (2,474,100)</b>	<b>\$ (2,100,540)</b>	<b>\$ (2,250,000)</b>

<b>Airport Expenditures</b>				
Salaries & Benefits	\$ 887,719	\$ 925,300	\$ 961,306	\$ 975,000
Material & Supplies	\$ 919,868	\$ 909,600	\$ 916,786	\$ 987,000
Capital Expenditure	\$ 1,135	\$ 60,000	\$ 18,216	\$ 50,000
Vehicles & Equipment	\$ 146,494	\$ 155,000	\$ 99,354	\$ 148,400
Provision for Reserve	\$ 418,609	\$ 340,000	\$ -	\$ -
Chargeback	\$ 84,200	\$ 84,200	\$ 84,200	\$ 84,200
<b>Total Expenditures</b>	<b>\$ 2,458,025</b>	<b>\$ 2,474,100</b>	<b>\$ 2,079,862</b>	<b>\$ 2,244,600</b>
<b>Net Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (20,678)</b>	<b>\$ (5,400)</b>

Salaries and benefits comprise approximately 43% of the total operating expenditures at the Airport in 2004. Contracts have been established for janitorial services, security and parking lot cashier services.

***The Airport operations have an extensive inventory of equipment and vehicles that should be rationalized***

Vehicle and equipment costs were budgeted at approximately \$150,000 in 2004. The Airport has a relatively large fleet of vehicles and equipment, some of which is historic, dating back to when the airport was under Federal control. At the time of ownership transfer to the municipality, equipment and vehicles were also transferred. The current inventory of equipment and vehicles includes but is not limited to the following:

- 6 pick-up trucks
- 2 other vehicles (van and GMC Tahoe)
- 3 plow trucks with 4 frink plowblades
- 3 snowblowers
- 1 Backhoe
- 2 caseloaders
- 1 Case tractor
- 1 bulldozer
- 1 forklift
- 1 grader
- 3 sweepers
- 1 spreader
- 1 stripper
- 2 mowers
- 1 sled

In the future, as the existing equipment reaches the end of its useful life, a review should be undertaken to determine whether there is a need to repurchase/lease the equipment. In some cases, where usage is limited such as a backhoe, bulldozer, loaders and forklift, it may be more cost effective to rent the equipment. Further, the existing fleet has not been rationalized and opportunities to share equipment with Public Works has not been pursued to date. This should be investigated further with an overall objective of reducing the operating costs to the Corporation.

#### ***Recommendations***

***That an equipment and vehicle rationalization exercise be undertaken to determine the ongoing needs of the Airport, to identify whether there are any opportunities to share equipment with Public Works and to determine whether it is more cost effective to rent equipment that is not frequently used.***

***Landing fees are set higher than other local airports...it is beyond the scope of this study to understand what if any impact this has on airport activity***

## **Revenues**

Airport related revenues include landing and parking fees. The overall landing fees at the Timmins Airport have not been increased since 1999, however, the landing fees in Timmins are amongst the highest of other similar airports. As will be discussed later in the report, some other comparable airports have made a conscious decision to reduce landing fees significantly to increase activity at the airport. It is not known the extent to which the high airport landing fees has on the activity of the airport. This research has not been undertaken to date.

Based on discussions with staff, there does not appear to be a specific revenue setting strategy in Timmins beyond holding the fees at the current level.

The City also charges a \$10 improvement fee to departing passengers. This is a common practice for airports. The Timmins Airport has budgeted revenues of \$475,000 in 2004. While this is common practice, as an example, the Thunder Bay International Airport Authority (TBIAA) eliminated their improvement fee as part of an overall strategy which also included reducing landing fees to promote a low cost business strategy to complement today's low cost airline market. While this is not being advocated for Timmins as part of the operational review, this example has been included to provide a better understanding of the approaches taken in other northern Ontario airports to increase activity. In the absence of a strategic plan and market analysis, it is difficult to assess the appropriateness of the existing revenue/pricing policies.

While concession revenues have remained relatively constant over the past few years, the revenues per passenger have declined since 2002.

## **Recommendations**

***That as part of an overall strategic plan, a fee and revenue generating strategy be developed for the Timmins Airport.***

*The other major Northern Ontario airports are governed by a separate corporation or are moving in that direction*

### **Governance**

The City owns and operates the airport. There are a number of other models employed by municipalities to oversee airport operations. The following summarizes some of the governance models employed by other Northern Ontario Airports:

- **Sudbury**—Sudbury Airport Community Development Corporation, a non-share capital corporation. The Board consists of the Mayor, 2 Councillors, 2 representatives from the Ec. Dev. Corporation and 7 citizens
- **Thunder Bay**—Thunder Bay International Airport Authority, a not-for-profit, non-share corporation with 9 Board members. Members of the Board are nominated by three levels of government, the Thunder Bay Chamber of Commerce, and community labour groups
- **North Bay**—considering an arm's length Commission or authority to ensure that the airport reaches its full potential. The airport is operated by a private company (ATCO Airports). Staff are reviewing the options with respect to make up of Board and years of office.
- **Sault Ste. Marie**—Sault Ste. Marie Airport Development Corporation (SSMADC) is the only Airport that is not directly affiliated with a municipality.

Some of the advantages of operating through a separate not-for-profit corporation identified in the research include the opportunity to gain expertise in the community through direct representation on the Board of directors, increased ability to respond to market changes and opportunities, streamline decision-making and provide business focus.

Each airport is unique and models of governance must be assessed on strengths, weaknesses and constraints to match with strategic objectives. In considering a shift from one type of governance to another, there must be a clear understanding of the objectives, opportunities and risks. The ultimate governance solution should be based on a carefully developed long range plan for growth and management of the airport.

### **Other Northern Ontario Airport Experiences**

The benchmarking focused on other northern Ontario airports. While there are many factors impacting the success of an airport, the overall development of a strategic plan is necessary. Factors impacting the activity and ultimate success of an airport operation includes but is not limited to the following:

- Geographic location
- Land availability
- Climate
- Catchment area
- Transportation network

A great deal of strategic and business planning has been undertaken at other northern Ontario airports. While each offers somewhat different market opportunities, each airport has identified the need to develop a strategic plan to achieve success.

Airports such as Sault Ste. Marie, Thunder Bay and North Bay have formalized strategic, business and master plans that clearly articulate the direction of the airports and identify strategies and plans that address such issues as:

- Land development
- Marketing
- Fees
- Market/Competitive Analysis
- Air Service Development

While it is certainly more challenging to attract activity in an area that has a larger catchment area than Timmins, there is a need to prepare a comprehensive long term strategic plan.

The next few pages provides some of the highlights of the plans developed in other northern Ontario airports. This does not assume that these strategies are necessarily transferable to the airport in Timmins but serves to provide:

- A cursory understanding of their approach
- A review of the elements that should be included in a plan
- An understanding of how to approach the plan
- An appreciation for the importance of a clearly articulated plan

***SSM has developed a detailed Business and Master Plan upon which all activities are aligned***

### **Sault Ste. Marie**

Of the 23 regional, local or small airports in Ontario which have been transferred from the Federal government, Sault Ste. Marie is the only airport that is not directly affiliated with a municipality.

Assuming ownership and control of the airport from the Federal government in 1998, the Sault Ste. Marie Airport development Corporation (SSMADC) has strived to improve air transportation services for the community in a socially and fiscally responsible manner, while being progressive in its efforts to promote, develop and upgrade the airport's lands and facilities. The success of Sault Ste. Marie is well recognized in the airport industry.

The Sault Ste. Marie Development Corporation (SSMADC) retained a consultant to develop a 10 year Business and Master Plan for the airport in 1999. This document has provided a blueprint for the future development of the airport lands, operations and facilities. Their mission statement is to make the airport the best regional air transportation facility in the country through the philosophy of **community-based control, self-sustaining operations** and by providing **positive benefits** to the people and commerce of SSM and the District of Algoma.

Strategies developed in Sault Ste. Marie included:

- Business Development Strategies
- Marketing Strategies
- Air Service Development Strategies
- Land Use Strategies
- Financial Strategies

The following section summarizes some of the key strategies as taken from their Business and Master Plan report.

#### **Business Development Strategies**

The identified opportunities included:

- Land development
- Non-terminal commercial development
- Terminal commercial development

***Detailed marketing strategies have been developed to target specific growth***

More specifically, some of the opportunities being pursued with respect to business development include:

- Market for development of additional general hangars by private owners/operators or third party developers
- Issue a call for proposals to the industry for the development of an airport
- Market to attract cold weather training/testing and aviation related manufacturing

#### Marketing Strategies

The study identified three primary goals that the SSMADC's marketing plan would need to address:

- The need to creatively enhance the airport's operations so that it may become financially self-sufficient within a 2-3 year timeframe
- The need to solidify and further build the close link between the economy of the region and of the airport
- The desire to lever assets and land not required for core airport operating purposes, as additional revenue sources to help subsidize operations

The study identified 8 actions to be undertaken:

1. Market to retain existing users
2. Retain and promote scheduled, itinerant and local aviation traffic
3. Create community awareness
4. Lever aviation related industrial/commercial development
5. Identify non-competitive other uses
6. Develop airport support services
7. Expand marketing activities at other airports and communities
8. Promote air cargo activities

The Corporation also identified that before any marketing activities were to take place, the airport must be seen as being ready for investment. Three attributes were identified to prove investment readiness which included a requirement that those individuals that represent the SSMADC to potential investors and partners **MUST** be knowledgeable about the needs of private investors, the regulatory environment, the priorities of the community and the airport.

In addition, responses to investment opportunities **MUST** be quick and flexible and the airport **MUST** be prepared to devote time and resources (staff and money) to ensure that the economic potential of the facility can be met.

#### Air Service Development Strategies

For the airport to achieve long-term sustainability, it is crucial that air service be **retained, expanded and attracted** particularly that of passenger service which generates the most significant portion of the airport's revenue. The following excerpts from the plan identify the strategies/tasks that are to be undertaken over a five year period.

- Collect relevant market data to identify air service opportunities including a regular program of passenger, tenant and ticket lift surveys
- Work closely with the air carriers on a regular basis in an effort to improve scheduling and pricing levels
- Work closely with the City, local travel agents and associations and operators of various tourist attractions to develop a tourism marketing strategy, aimed primarily at the US, which would promote the use of air transportation as the primary means for inbound travel. This could include joint marketing packages, creating of charter packages and group tours, and discounting opportunities with other vendors and businesses
- Identify and study, along with local travel agents and associations, opportunities for direct outbound charters to North American destinations
- Retain and expand itinerant and local aircraft activity by making the airport more "pilot friendly", by providing aircraft owners/operators an opportunity to provide input as to their needs by conducting a comprehensive survey of aircraft owners/operators
- Actively seeking to attract a permanent aircraft maintenance and certification company (AMO)

***North Bay and SSM  
jointly  
commissioned a  
study to develop a  
strategic marketing  
plan***

### Land Use

In order to facilitate the controlled and progressive development of airport lands while maintaining safe operations, protecting existing and future lands and facilities and optimizing the Airport's economic potential, the Master Plan proposed an "Airport Business Park" (ABP) model as the Airport's land use policy framework. The ABP model includes provisions for an airport core operations area, airport industrial/commercial area, open space commercial area and protected wetlands area, and includes a framework for a Development Control Agreement.

### **North Bay and Sault Ste. Marie form a Partnership**

North Bay and Sault Ste. Marie have identified that the on-going globalization of the world economy, their strategic location, and their existing airport infrastructure provide them with a potential opportunity to develop as an international air cargo gateway.

In recognition of the risks involved, the two communities jointly commissioned a study to:

- Examine the basis for the opportunity
- Competitive position of these two communities
- Determine potential market niches
- Develop a strategic marketing plan

The study was completed in the fall of 2004 and included a four phased approach:

- Market Analysis
- Comparative Analysis
- International Cargo Opportunity Analysis
- Strategic Marketing Plan

*The City is preparing a business plan to review opportunities to create a foreign trade zone*

The strategies that are being employed by these airports include the following key elements.

#### **Distribution Activity**

This involves working with existing and prospective call centre tenants to develop distribution activities. Similar to the City of Timmins, both North Bay and Sault Ste. Marie have the telecommunications infrastructure to support a growing call centre industry. While call centres themselves do not generate air cargo, many firms operating call centres also have significant distribution activities. Their approach is to attract the distribution activities of such firms in addition to the call centre activity to support the expansion of the local market.

#### **Foreign Trade Zone/Export Centre Development**

This involves developing a business plan for an airport area Foreign Trade Zone/Export Distribution Centre (FTZ/EDC) and then establish and market the FTZ. FTZ/EDC activity is also a potential source of enhanced local traffic that could support the international gateway concept. The cities are jointly looking at developing a business case for an FTZ.

#### **International and Integrator Carrier Marketing**

The first step identified in the plan is to prepare an "Air Service Proposal" for each of the international and integrator carrier market. The proposal would include:

- the general opportunity available to the carrier;
- community information (emphasizing key factors such as the connectivity to key markets by road and air, and resident aerospace competencies);
- airport information (particularly the low costs, available incentives, lack of congestion, lack of operating restrictions, distribution activity accompanying the call centre, FTZ distribution activity, growth in inter-provincial trade, international trade etc);
- distribution cost savings available (total distribution costs air and road via North Bay/Sault Ste. Marie versus alternative U.S. hubs);
- service considerations; and
- the business case from the carriers' perspective

***Thunder Bay has developed a long term strategic plan***

The plan then includes:

- approaching high priority target carriers with a business case for service;
- approaching medium priority target carriers with a business case for service;

**Thunder Bay**

The Thunder Bay International Airports Authority Inc. (TBIAA) is the not-for-profit, non-share capital corporation established to privately fund and operate the Airport. There are a number of Committees that have been formed including:

- Future Development Analysis Committee
- Finance and Audit Committee
- CEO Evaluation and Compensation Committee

The Board's Governance Action Plan involves meetings with aviation and non-aviation industry representatives, community leaders and others for the purposes of refining and or reaffirming the Board's long term strategic direction.

A committee (Future Growth and Development Committee) was established to provide the Board with input regarding:

- future-oriented options regarding growth and development potential of the authority
- identification of appropriate industry and community leaders with which the Board could dialogue about future growth potential

The President and CEO of the Thunder Bay International Airports Authority Inc. explained that a number of factors have contributed to making this bold decision possible. "Elimination of the Airport Improvement Fee (AIF) is a key component of our long term growth strategy. We have seen the dramatic effects of low cost airfares in Thunder Bay. Air travel is available to more people, which translates directly into more economic activity for the region, which in-turn means more growth for the Airport. Elimination of the AIF may be the single biggest contribution the TBIAA can make in reducing the cost of air travel and stimulating economic growth."

***Revenues at the TBIAA have increased 68% over the past 5 years and earnings have increased 500% during the same time frame***

Revenues at the TBIAA have grown from \$3.8 million in 1998 to \$6.4 million in 2003. Operating earnings increased from less than \$200,000 in 1998 to \$1.2 million in 2003. Unlike the situation in Timmins where passenger activity never returned to its 1988 level, passenger volumes in 2003 at the Thunder Bay Airport surged to the same levels of 1988 (591,000).

The TBIAA actively works with the municipal council to develop appropriate **incentive programs** to encourage development of airport lands. For example, Council passed a resolution to create a **tax incentive zone** through the development of a community improvement area.

In 2003, the TBIAA completed the first phase of its Areospace Commercial Development project. Confederation College became the first business partner/tenant with the construction and completion of the Aviation Centre of Excellence. The TBIAA received \$1.8 million in support from Northern Ontario Heritage Fund and an additional \$500,000 from Fednor for this project.

## **Sudbury**

In April 2000, the Sudbury Airport was transferred to the *Sudbury Airport Community Development Corporation*. The Airport Development Corporation is a non-profit corporation run by the City of Sudbury. This was the last federally-owned airport in Ontario to be transferred to local control.

Since this time, the air terminal building at greater Sudbury Airport has undergone a \$6.34 million expansion and renovation project with the intent to encourage economic development in Northern Ontario. The approach is to make the airport viable for transporting passengers and goods in and out of Sudbury to all of Canada and will be the key to trade and tourist initiatives.

## **Business & Master Plan**

Timmins airport currently does not have an up to date Master or Business Plan. Airports operate in a competitive environment, competing for passengers and air service and it is therefore essential that a framework for development of the Airport's lands, operation and facilities be developed to provide a clear vision and mission. It is recommended that a Master and Business Plan be developed which optimizes the potential use of lands, promotes new tenants and users, identifies new sources of revenue, identifies opportunities to enhance existing revenue sources and identifies business development and marketing strategies.

***Recommendations******That the City undertake an Airport Master and Business Plan which would:***

- **Develop a land use plan and appropriate zoning controls for the airport which foster development opportunities while protecting the existing and future on-airport operations and surrounding land uses.**
- **Optimize the potential use of the lands without affecting increases in core aviation related activities and promotes new tenants/users in order to enhance airport revenues.**
- **Identify and assess potential new and innovative sources of revenue, enhancements to existing revenue sources and strategies to retain and expand the current tenant base.**
- **Identify business development and marketing strategies that strengthen Timmins Airport relationships with its present and future customers.**

**That upon completion of the Airport Master and Business Plan, the City of Timmins review the governance structure of the airport.**