

Airport Advisory Committee AGENDA



Friday, January 20, 2017

10:00 am

Airport Administration Boardroom

Kelowna International Airport

1-5533 Airport Way

Kelowna, BC

	Pages
1. Call to Order, Welcome & Introductions	
2. Confirmation of Minutes	2 - 8
Approve Minutes of the Meeting of May 24, 2016	
3. Reports	9 - 107
3.1 Operational Update	
3.2 Air Service Development	
3.2.1 Progress in 2016	
3.2.2 Business Plan 2017	
3.3 Financial Update	
3.4 Airport Development Update	
3.4.1 Progress on the Drive to 1.6 Million and 2020 Development Programs	
3.4.2 New AIF Program	
4. 2045 Master Plan	
5. Questions & Wrap Up	
6. Termination of Meeting	



Airport Advisory Committee Minutes

Date:	Tuesday, May 24, 2016
Location:	Airport Administration Boardroom Kelowna International Airport 1-5533 Airport Way Kelowna, BC
Committee Members Present:	Chair, Mayor Colin Basran, City of Kelowna Councillor Luke Stack, City of Kelowna Walter Gray, Kelowna City at Large Andre Blanleil, Kelowna City at Large Meryle Corbett, Aviation Industry Representative Mayor James Baker, District of Lake Country Mayor Nancy Cooper, City of Salmon Arm Corie Griffiths, Economic Development Commission Jaron Chasca, Greater Vernon Chamber of Commerce Norm Lecavalier, Greater Westside Board of Trade Mayor Andrew Jakubeit, City of Penticton Thom Killingsworth, Tourism Kelowna Councillor Duane Ophus, City of West Kelowna Brian Highley, South Okanagan Chamber of Commerce Tom Dyas*, Kelowna Chamber of Commerce
Committee Members Absent:	Mayor Akbal Mund, City of Vernon Councillor Peter Schierbeck, District of Peachland Chair Gail Given, Regional District of Central Okanagan Councillor Mic Wierstuik, Westbank First Nation Erick Thompson, Summerland Chamber of Commerce
Staff Present	Airport Director, Sam Samaddar Senior Airport Operations Manager, Phillip Elchitz, City of Kelowna Senior Airport Finance & Corporate Services Manager, Shayne Dyrdal Senior Airport Development Manager, Ed Stephens Legislative Systems Coordinator, Sandi Horning

(* denotes partial attendance)

1. Call to Order, Welcome & Introductions

The Chair called the meeting to order at 9:04 a.m. and welcomed everyone in attendance. Introductions were conducted.

2. Confirmation of Minutes

Moved By James Baker/Seconded By Luke Stack

THAT the Minutes of the September 29, 2015 Airport Advisory Committee meeting be adopted.

Carried

3. Reports

3.1 Operations Update

3.1.1 Passenger Traffic Statistics

Airport Director:

- Provided an update regarding the Passenger Traffic Statistics.
- Ahead of last year's forecast by almost 8% due to the increase in 'ski hill' traffic.
- Noted that the Airport Plaza construction is underway; Phase 1 will be open to the public sometime in October this year.
- The outbound baggage project is currently underway.
- Comments on the ALC exclusion application currently in process.
- Responded to questions from the Committee Members.
- Provided an overview of the impact of the Fort McMurray fire on the airport and advised that the charters are not currently flying out of YLW to Fort McMurray.

3.2 Master Plan Update

Airport Director:

- Provided an update on the Master Plan process.
- Currently conducting detailed stakeholder presentations and would be willing to make presentations to any of the member municipalities or organizations.
- Commented on the passenger growth.
- Commented on the growth of the aircraft takeoffs and landings.
- Provided an update on the revised Runway Extension and RESA Proposal.
- Provided an overview of the Terminal Apron Expansion - Option 1, Option 2 and Option 3.
- Provided an overview of the existing Terminal Building layout.
- Provided an overview of the Demand-Capacity Results - Current ATB Space Allocation vs. Updated Functional Program Requirements (2015).
- Provided an update of the Airport Infrastructure, Air Terminal Building (ATB) - Current Expansion Program.
- WestJet is currently conducting a pilot project in which elite passenger having a RFID impeded in their baggage that will assist with self-baggage.
- Noted the advantages of the current expansion program.
- Provided an overview of the Parking Demand Forecasts.

- There is an allocation of space for a future parkade at YLW; however, at the moment, a parkade is not financially feasible as parking rates would be extremely high and it has a very high capital cost.
- Provided an update on the Groundside Development Plan and the impacts of the traffic flow change as a result of the 4-laning of Highway 97 and the change of the intersection at Sexsmith Road.
- Responded to questions from the Committee Members.
- Commented on the challenges in Option 1 of the Terminal Apron Expansion.
- Encouraged the Committee Members to complete the survey for the Detailed Master Plan 2045 at <https://www.surveymonkey.com/r/MASTERPLAN2045YLW-1>.
- YLW is continuing to develop the Master Plan and will report on the progress in the summer of 2016.
- Provided comment on how Mill Creek will impact the Airport's expansion.

3.3 Financial Update

Senior Airport Finance & Corporate Services Manager:

- Provided an overview of the 2015 Year End Results.

Committee Member Tom Dyas joined the meeting at 9:29 a.m.

Senior Airport Finance & Corporate Services Manager:

- Noted that the AIF revenue is slightly down due to the reduction in passengers counts in 2015.
- Provided an overview of the proposed changes to YLW's Fees and Charges - 3% in 2016; 1.5% in 2018 & 2019.
- These increases are cost effective and have not received any negative feedback from the Air Carriers.

Airport Director:

- Responded to questions from the Committee Members.
- Provided the rationale for how fees and charges are increased and why they are not done on a regular basis based on inflation rates.
- Need to conduct major stakeholder consultation prior to increasing fees and charges; Always negotiating fees and charges with air carriers.

Committee Member, Meryle Corbett:

- Provided comment on how air carriers address increases in Airport fees and charges and the challenges the air carriers face when fees and charges are increased.

Airport Director:

- Provided the rationale for the proposed increase in Aircraft Parking from \$40/night to \$45/night.
- Across Canada, YLW is in the bottom 1/3 for Airport fees and charges.
- Need to manage fees so that Air Carriers continue to fly out of YLW.

Moved By Jarod Chasca/Seconded By Andrew Jakubeit

THAT the Airport Advisory Committee supports, in principle, the proposed amendments to the Airport Fees and Charges Bylaw No. 7982 as presented to the Committee on May 24, 2016;

AND THAT the Airport Advisory Committee supports obtaining the approval of Kelowna City Council for the amendments to the Airport Fees and Charges Bylaw No. 7982 as presented to the Committee on May 24, 2016.

Carried

3.4 Air Service Development Update

Senior Airport Operations Manager:

- Provided an overview of the 2016 Air Service Development Strategy.
- Provided an update with respect to the service to Toronto.
- Toronto is a dominant hub for connections to key regions.
- Air Canada's conversion to 'rouge' service has driven Toronto growth.
- WestJet service on the Kelowna to Toronto route has remained steady.
- The introduction of high-density rouge product and subsequent up-gauge to A321 in summer 2016 is driving seat capacity growth.
- Air Canada significantly increases capacity in summer and winter.
- Air Canada will operate the A321 over the peak summer season, returning to A319 in October.
- Air Canada's winter schedule will increase to 5x/week service on December 17, 2016.
- YLW staff are working with Air Canada on a new Toronto initiative - Air Canada Toronto-Kelowna Shoulder Season.
- WestJet offers consistent capacity to Toronto.
- The Toronto service is a major service for YLW.
- Provided an update regarding the New Leaf 'ultra-low cost carrier' service.
- New service to launch during the week of June 27th; Direct non-stop service to Winnipeg (x3), Regina (x2) & Saskatoon (x2); Same plane service to Hamilton; Winnipeg is YLW's top domestic market without direct non-stop service; \$89 one-way introductory fares.
- Provided an update on YLW's air service to Alberta.
- YLW market has shown resilience to Alberta downturn.
- Provided an overview of the other initiatives to Air Service Development.
- Provided an update on the proposed Frankfurt-Kelowna direct air service.
- Provided an update on the Charter Carriers.
- Provided an update on the US Carriers.
- YLW staff are going to Denver in mid-June and will be meeting with all of the US Carriers in order to promote air service to/from YLW.
- Responded to questions from the Committee Members.

Airport Director:

- Responded to questions from the Committee Members regarding the proposed Frankfurt-Kelowna direct air service.
- Provided an overview of the Jet Line low cost carrier; Confirmed they are very interested in entering the YLW marketplace.

3.5 Development Update

3.5.1 Existing Program

Senior Airport Development Manager:

- Provided an update on the existing AIR Program and noted the projects that have been completed to date.
- Provided an overview of the 2016 Projects.

The meeting recessed at 10:11 a.m. The meeting reconvened at 10:20 a.m.

3.5.2 New AIF Program

Senior Airport Development Manager:

- Provided an overview of the proposed new AIF Program.
- Provided a list of potential projects proposed under the New AIF Program.
- Provided further details regarding the Apron 1 Rehabilitation, Phase II Project.
- Provided further details regarding the Apron 1 South Expansion; No new terminal gates are expected until beyond 2035; Requirement for remote stands will emerge by 2021-2025.
- Provided further details regarding the Airside Pavement Rehabilitation.
- Provided further details regarding the New East Taxiway.
- Provided further details regarding the Runway End Safety Area.
- Provided further details regarding the New Loading Bridge - Gate 3.
- Provided further details regarding the Loading Bridge Refurbishing - Gates 4, 6-9.
- Provided further details regarding the Covered Walkway to OPS Stands 1 & 2.
- Provided further details regarding the Self-Serve Baggage Drop.
- Provided further details regarding the CUSS/CUTE Replacement.
- Provided further details regarding the Terminal Expansion South.
- Provided further details regarding the International Arrivals Repurposing.
- Provided further details regarding the Non Passenger Screening Vehicle - Phase II.
- Provided further details regarding the Combined Operations Building - Phase II.
- Provided further details regarding the Glycol Secondary Capture.
- Provided further details regarding the GSE Relocation.
- Provided further details regarding the Airside Equipment Fleet Plan.
- Provided an overview of the requests from the Airline Consultative Committee:
 - o Feedback on the Plan;
 - o Funding to further define the projects;
 - o Funding to develop Class D or C estimates; and
 - o AIF evaluation based on the cost impacts.
- Responded to questions from the Committee Members.

Airport Director:

- Provided additional comment regarding the New AIF Development Program.
- The current program ceases in 2020; Need to have a new program in place so that there is no interruption in the AIF Development Program.

Senior Airport Finance & Corporate Services Manager:

- Responded to questions from the Committee Members regarding impacts of YLW's expansion on ALR lands.

Moved By Walter Gray/Seconded By James Baker

THAT the Airport Advisory Committee supports, in principle, the projects proposed for a new AIF Development Program as presented to the Committee on May 24, 2016;

AND THAT the Airport Advisory Committee supports a request to Kelowna City Council for funds to prepare cost estimates for projects under the new AIF Development Program.

Carried

3.6 Groundside Development

Senior Airport Finance & Corporate Services Manager:

- Provided an overview of the Groundside Development.
- Provided the details with respect to the purchase of Shadow Ridge Golf Course; Will run the property as a golf course for the next 5 years as the lands will not be needed until at least 5 years; Going out to tender to obtain an operator for the golf course for the time being.
- Provided the details with respect to the West Lands Development; Investing \$2.6M to develop 5 of the 12 lots.

Airport Director:

- Responded to questions from the Committee Members regarding the development of the West Lands.
- Confirmed that the lots will not be sold and will be on a long-term lease; Will need to be in the aeronautical service in order to lease the lots.
- Confirmed that there is a 'construction' clause in the leases so that construction will need to be commenced in a timely manner.
- All the 'deep' services will be installed in the ground at the time of the first phase of the subdivision.
- Provided an overview of the type of businesses that may wish to lease lots in the West Lands Development.

Senior Airport Finance & Corporate Services Manager:

- Responded to questions from the Committee Members regarding the rationale for developing the specified 5 lots.

Committee Member, Meryle Corbett:

- Provided comment on future projects/strategies for Kelowna Flightcraft.
- Provided comment on future plans for the expansion of Kelowna Flightcraft.

Senior Airport Finance & Corporate Services Manager:

- Provided further details regarding YLW's ALR Exclusion Application.
- The application to the ALC is currently underway.
- Requesting exclusion in order to expand the Airside at YLW; All non-ALR lands have been completely exhausted and no further expansion can be obtained without utilizing ALR lands.
- As per direction from the ALC, YLW has purchased the entire site in order to expand.

- Provided the rationale for requesting the ALR exclusion; Provided the reasons that will be provided to the ALC in order to obtain the exclusion; YLW feels that the exclusion will provide a net benefit to agriculture.
- The application has been submitted to the ALC; Have been to both the Regional District of Central Okanagan & the City's Agricultural Advisory Committee and both have provided support.
- Provided an overview of the ALC application process.
- Responded to questions from the Committee Members.

Senior Airport Development Manager:

- Provided further details regarding the upgrades to the Highway 97 Intersection.
- Displayed a slide of the 'preferred concept'.

Committee Member, Walter Gray:

- Provided comment regarding the ALC and their regulations regarding the ALR.

Airport Director:

- Noted that farmer worker flights are now direct to Kelowna which will assist agriculture.

Committee Member, Duane Ophus:

- Provided comment regarding YLW's ALC exclusion application; Confirmed that West Kelowna Council has provided their support for the ALR exclusion.

4. Questions & Wrap Up

Airport Director:

- Responded to questions from the Committee Members.
- Provided comment regarding the possibility of adding a second runway at YLW; Believes that the current runway allows for a lot of capacity.

5. Termination of Meeting

The Chair thanked everyone for attending and provided closing comments.

The Chair declared the meeting terminated at 11:05 a.m.

Mayor Colin Basran



YLW

Kelowna International Airport

Airport Advisory Committee Presentation

January 20, 2017

Agenda

- 1) **Call to Order, Welcome and Introductions**
- 2) **Confirmation of Minutes**
Approve Minutes of the Meeting of May 24, 2016.
- 3) **Reports**
 - 3.1 **Operational Update**
 - 3.2 **Air Service Development**
 - 3.2.1 **Progress in 2016**
 - 3.2.2 **Business Plan 2017**
 - 3.3 **Financial Update**
 - 3.4 **Airport Development Update**
 - 3.4.1 **Progress on the Drive to 1.6 Million and Flight to 2020 Development Programs**
 - 3.4.2 **New AIF Program**
- 4) **2045 Master Plan**
- 5) **Questions & Wrap Up**
- 6) **Termination of Meeting**



YLW

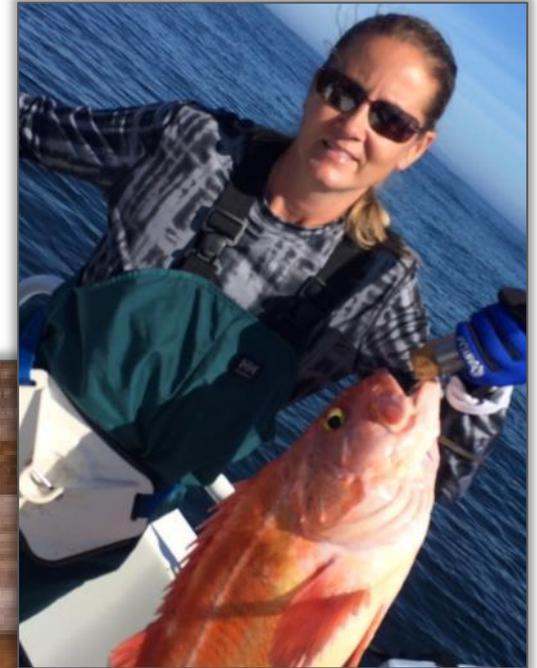
Kelowna International Airport

Operational Update

Record Year

YTD Diff (2016 to 2015)				
Month	2016	2015	Diff	% Diff
January	149,574	139,144	10,430	7.50%
February	293,637	273,115	20,522	7.51%
March	445,546	413,225	32,321	7.82%
April	565,333	532,551	32,782	6.16%
May	692,007	653,700	38,307	5.86%
June	827,076	777,824	49,252	6.33%
July	977,256	921,225	56,031	6.08%
August	1,138,102	1,068,652	69,450	6.50%
Sept	1,281,268	1,196,688	84,580	7.07%
Oct	1,428,973	1,323,017	105,956	8.01%
Nov	1,565,576	1,443,724	121,852	8.44%
Dec	1,732,113	1,593,606	138,507	8.69%

New Positions / Titles / Faces



New Positions / Titles / Faces



New CUPE Contract

5 Years to December 31, 2019

New Chemical Spreader



New Loader



New ARFF Truck



Bigger Aircraft & More Frequency



A321 Airbus 200 seats

Daily Toronto non-stop

Summer Seasonal Worker Program



Direct Mexico City

New Airline



New Baggage Hall



Non Passenger Screening Point



Expanded Overflow Parking Lot



Airport Plaza



Live Exercise



Emergency Coordination Centre



Mutual Aid



Art Gallery Partnership



Art Gallery Partnership



Art Gallery Partnership



Suk^wtəmsqilx^w West Kelowna Arts Council (SWAC)



Farm to Flight



Royal Visit





Prime Minister & Family



Airport Lands



Exclusion of YLW lands from ALR



New Airport Lands

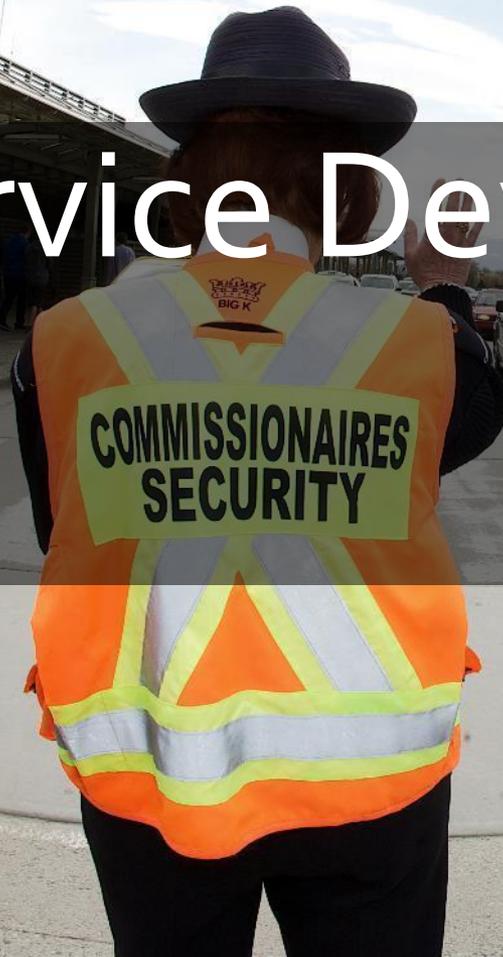




YLW

Kelowna International Airport

Air Service Development





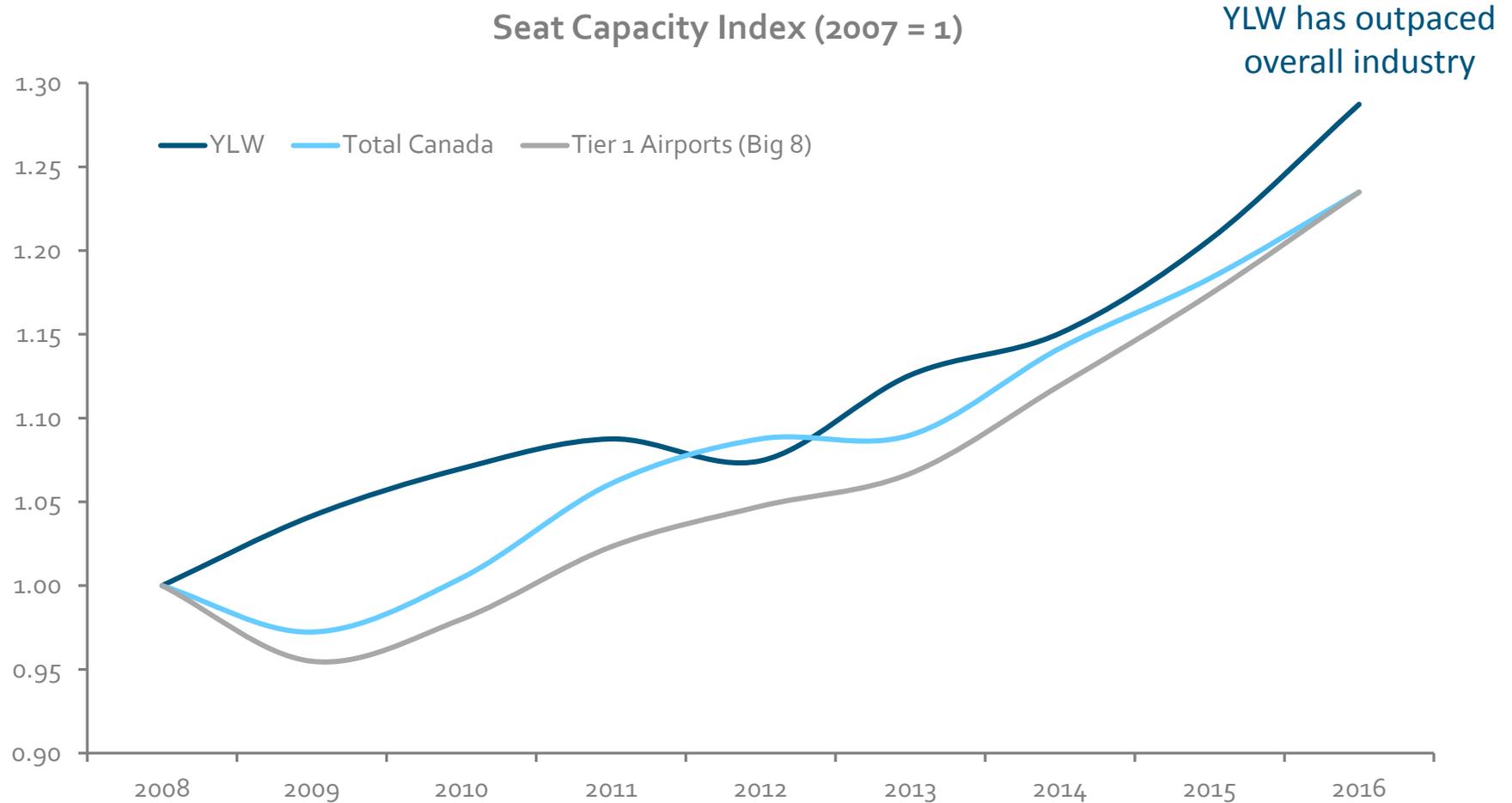
Market Update

Traffic growth has been strong 1.73 Million passenger in 2016



Source: YLW Airport.

Kelowna Seat Capacity



Source: Innovata Schedules (via Diio) Outbound Seats

YLW has service to a number of key markets

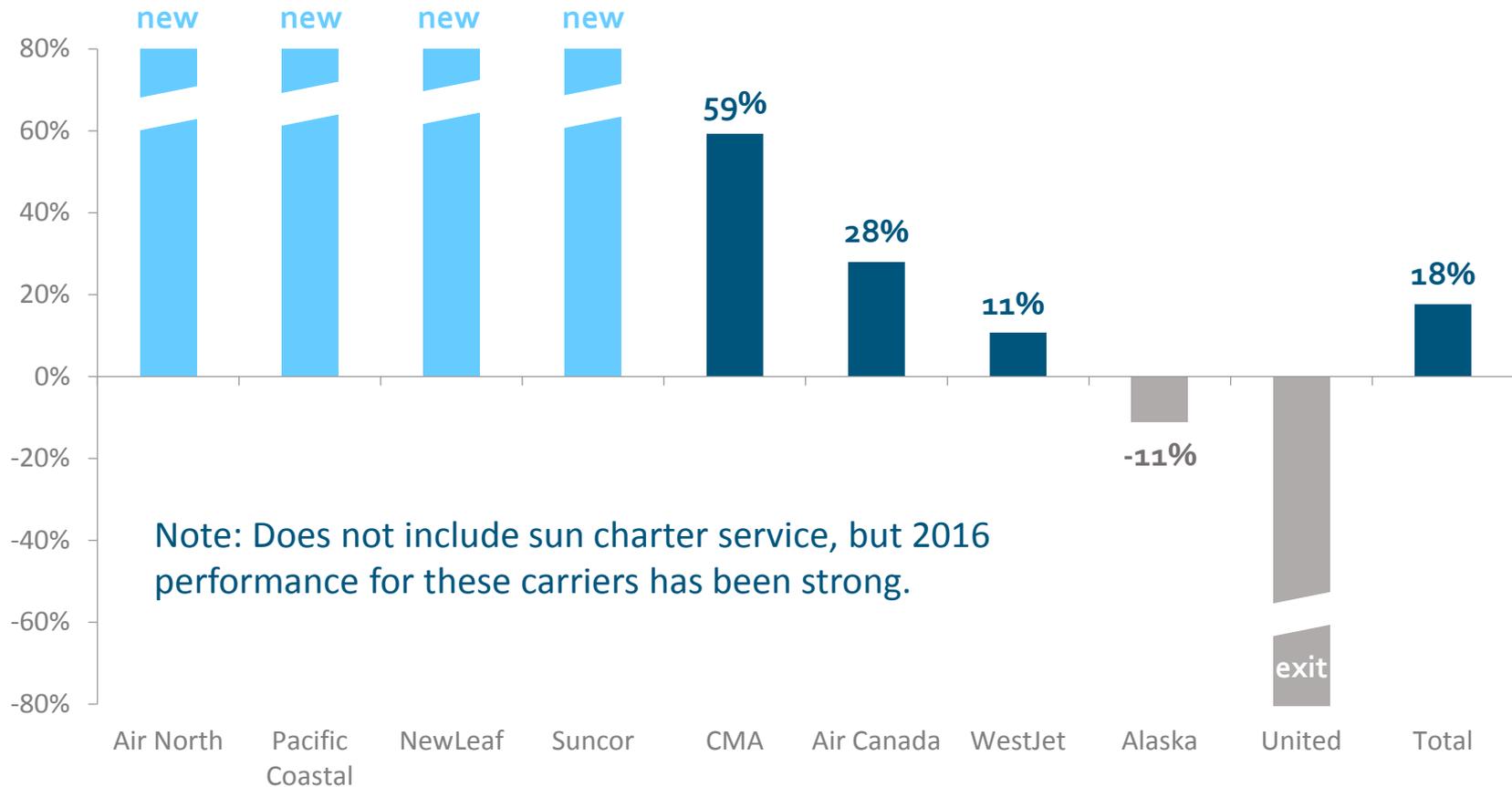


Market	Airline	Aircraft	Weekly Outbound:			
			Winter (2017)		Summer (2016)	
			Flights	Seats	Flights	Seats
Calgary, AB, CA	Air Canada	DHC-8-300	14	700	14	700
		DHC-8-400	7	518	14	1,036
	WestJet	B737-600	9	1,017	6	678
		B737-700	29	3,770	10	1,300
		B737-800	3	504	21	3,528
		DHC-8-400	3	234		
Cancun, MX	Air Transat	B737-400	1	149		
	Sunwing	B737-800	1	189		
	WestJet	B737-700	2	260		
Cranbrook, BC, CA	Pacific Coastal	Beech 1900	6	114	6	114
Edmonton, AB, CA	WestJet	B737-600	4	452	4	452
		B737-700	8	1,040	21	2,730
		B737-800	1	168	2	336
		DHC-8-400	15	1,170	10	780
	NewLeaf	B737-400	2	312		
Las Vegas, NV, US	WestJet	B737-700	2	260		
Phoenix, AZ, US	WestJet	B737-700	1	130		
		B737-800	1	168		
Prince George, BC, CA	CMA	DHC-8-100	5	185	6	222
Puerto Vallarta, MX	Air Transat	B737-400	1	149		
	WestJet	B737-700	1	130		
San Jose del Cabo, MX	WestJet	B737-800	1	168		
Seattle, WA, US	Alaska	DHC-8-400	20	1,520	14	1,064
Toronto, ON, CA	Air Canada	A319	5	680		
		A321			7	1,400
	WestJet	B737-600	1	113	1	113
		B737-700	3	390	6	780
		B737-800	1	168		
Vancouver, BC, CA	Air Canada	A319	7	840		
		DHC-8-300	42	2,100	2	100
		DHC-8-400	21	1,554	46	3,404
	Air North WestJet	B737	1	122	1	122
		B737-600	4	452	1	113
		B737-700	10	1,300	5	650
		B737-800	1	168	1	168
		DHC-8-400	28	2,184	14	1,092
Varadero, CU	Sunwing	B737-800	1	189		
Victoria, BC, CA	Pacific Coastal	Saab 340	12	408	12	408
	WestJet	DHC-8-400	14	1,092	14	1,092
Whitehorse, YT, CA	Air North	B737	1	122	1	122

Source: Innovata Schedules via Diio, NewLeaf published. February 2017 schedules shown as winter, July 2016 as summer.

Seat capacity for major airlines has grown over time

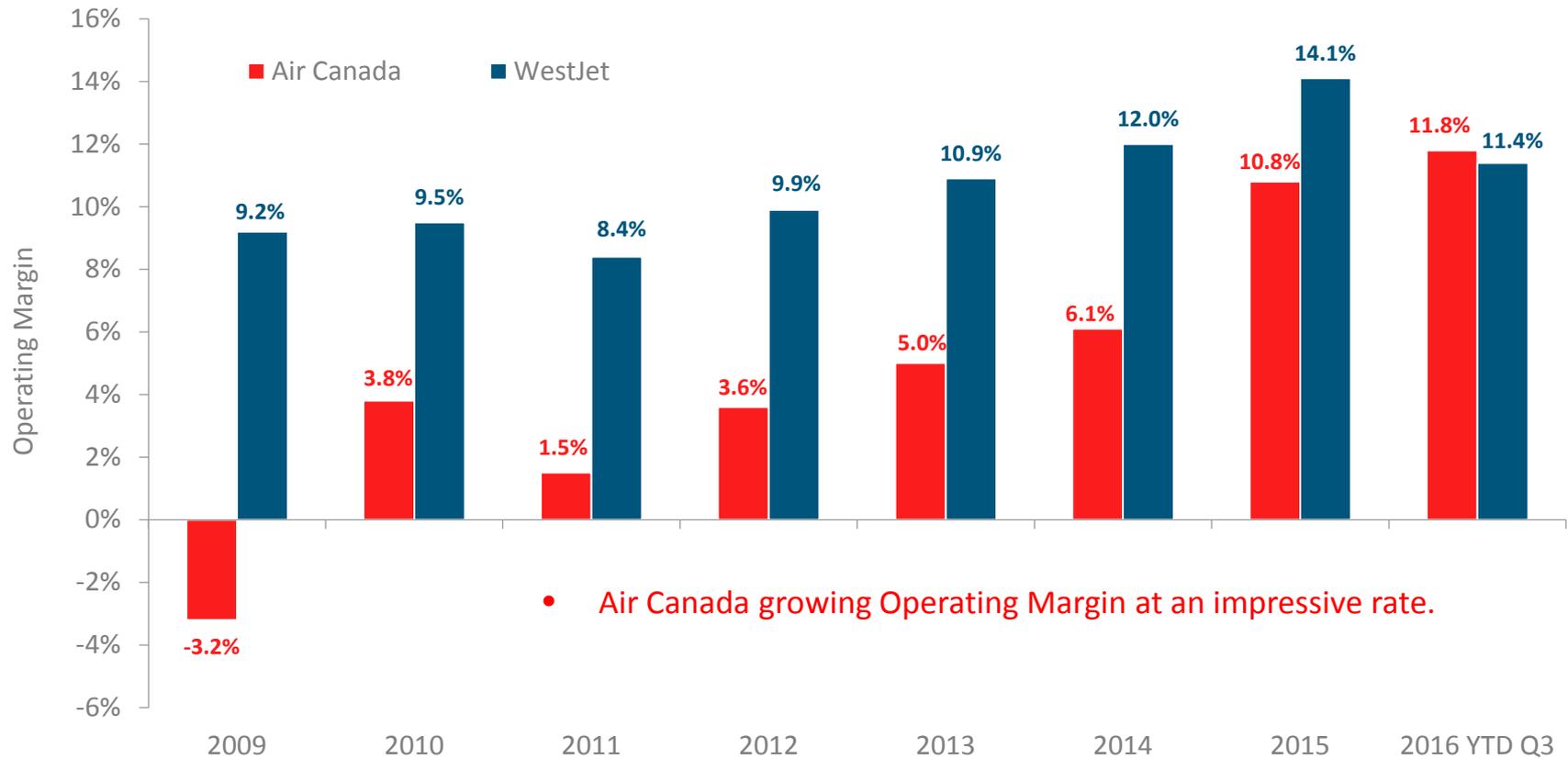
2011 vs 2016 Seat Capacity at YLW



Source: Innovata Schedules (via Diio) Outbound Seats.

Air Canada and WestJet continue to achieve strong financial performance

Airline Operating Margin



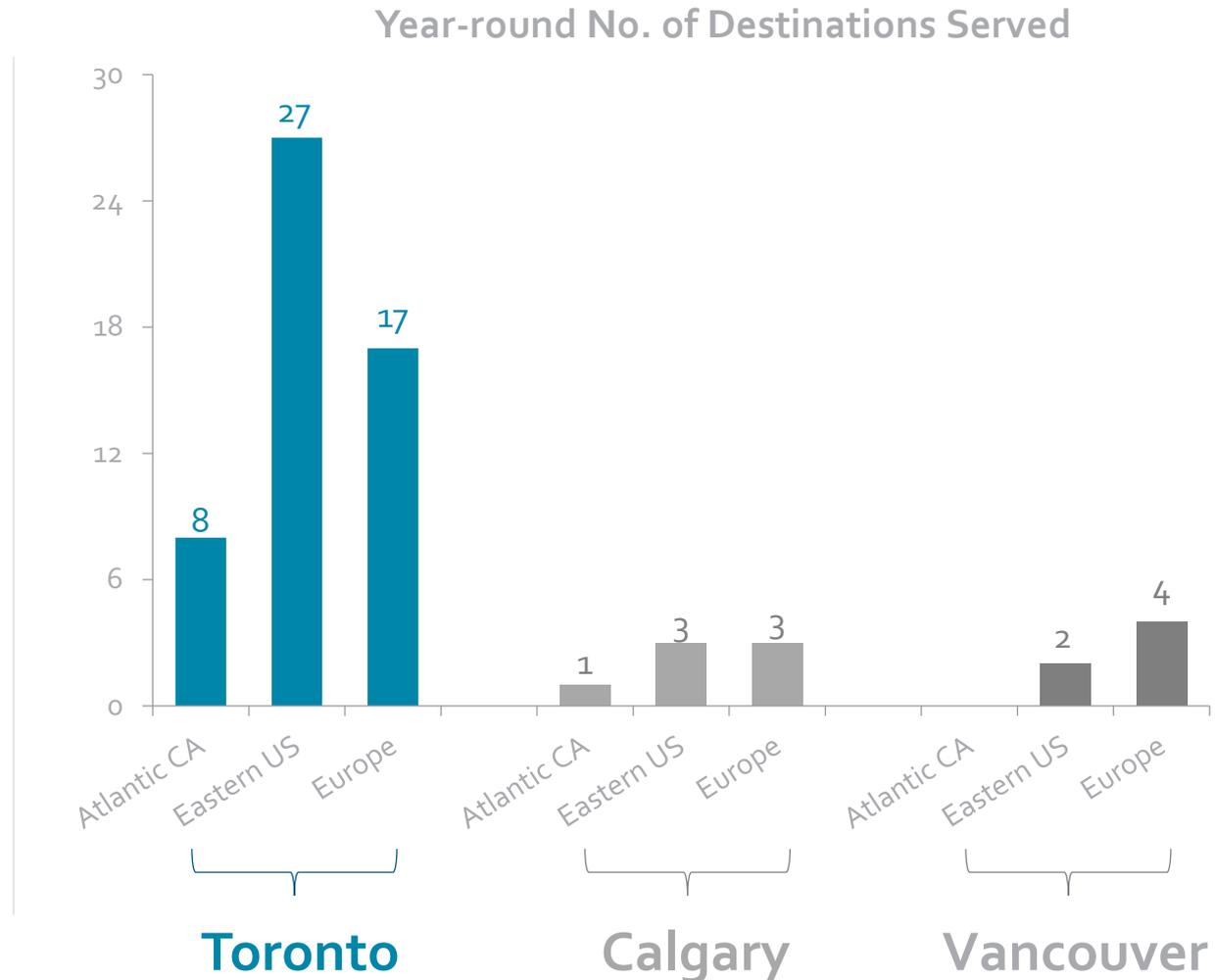
Source: Airline annual reports.



Toronto Service

Toronto is a dominant hub for connections to key regions

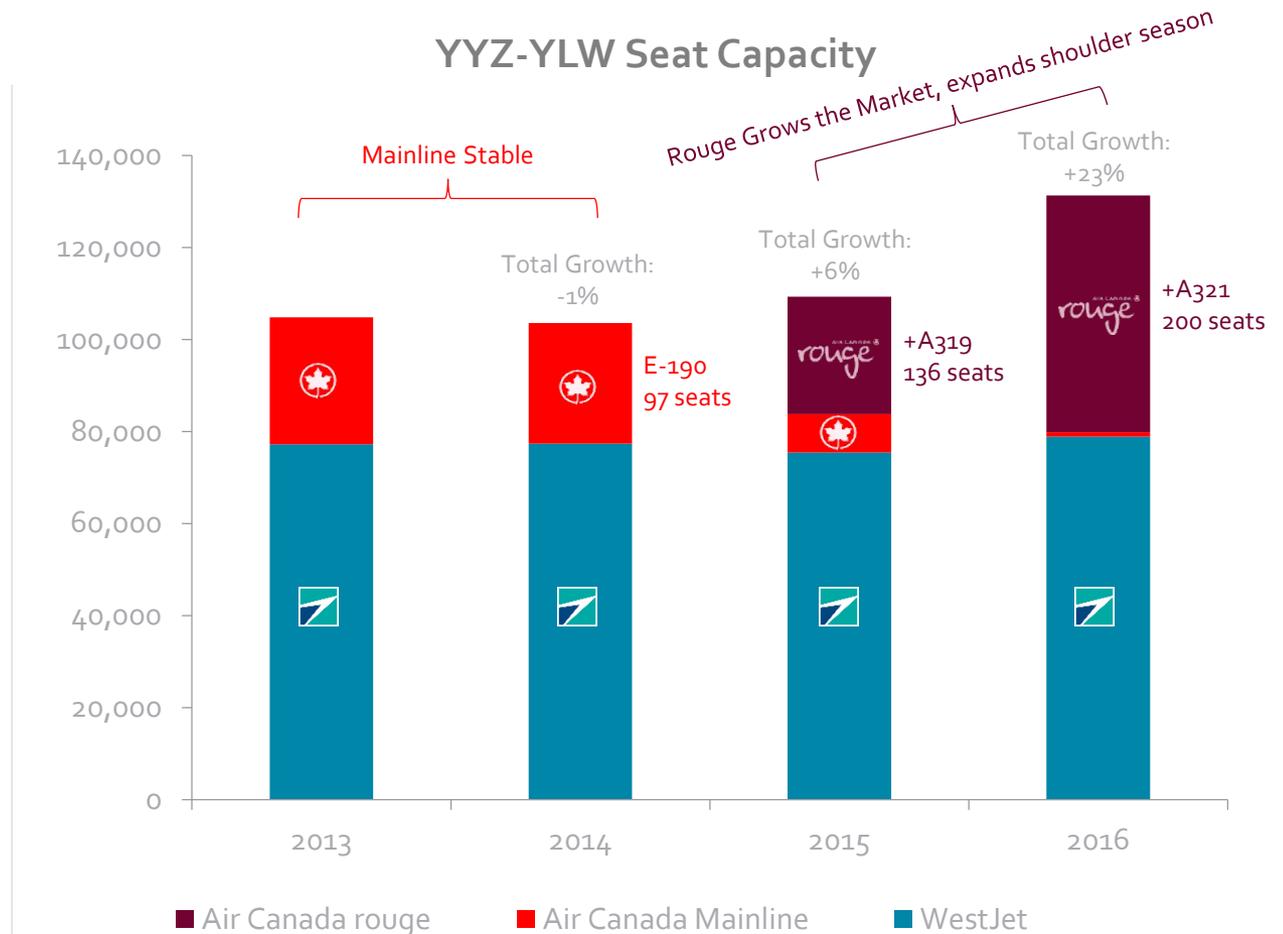
- Toronto is a true global hub and dominant connect point for high demand regions.
- Toronto has far more year-round destinations to Atlantic Canada, the eastern US, and Europe than primary YLW hubs.
- Vancouver has greater western US and Asian connectivity.



Source: Innovata Schedules (via Diio).

AC conversion to rouge service has driven Toronto growth

- WestJet service on the Kelowna to Toronto route has remained steady; Air Canada has converted its service to rouge.
- The introduction of high-density rouge product and subsequent up-gauge to A321 this past summer drove seat capacity growth in 2016.
- AC's expansion of shoulder season service on YYZ also increased capacity.

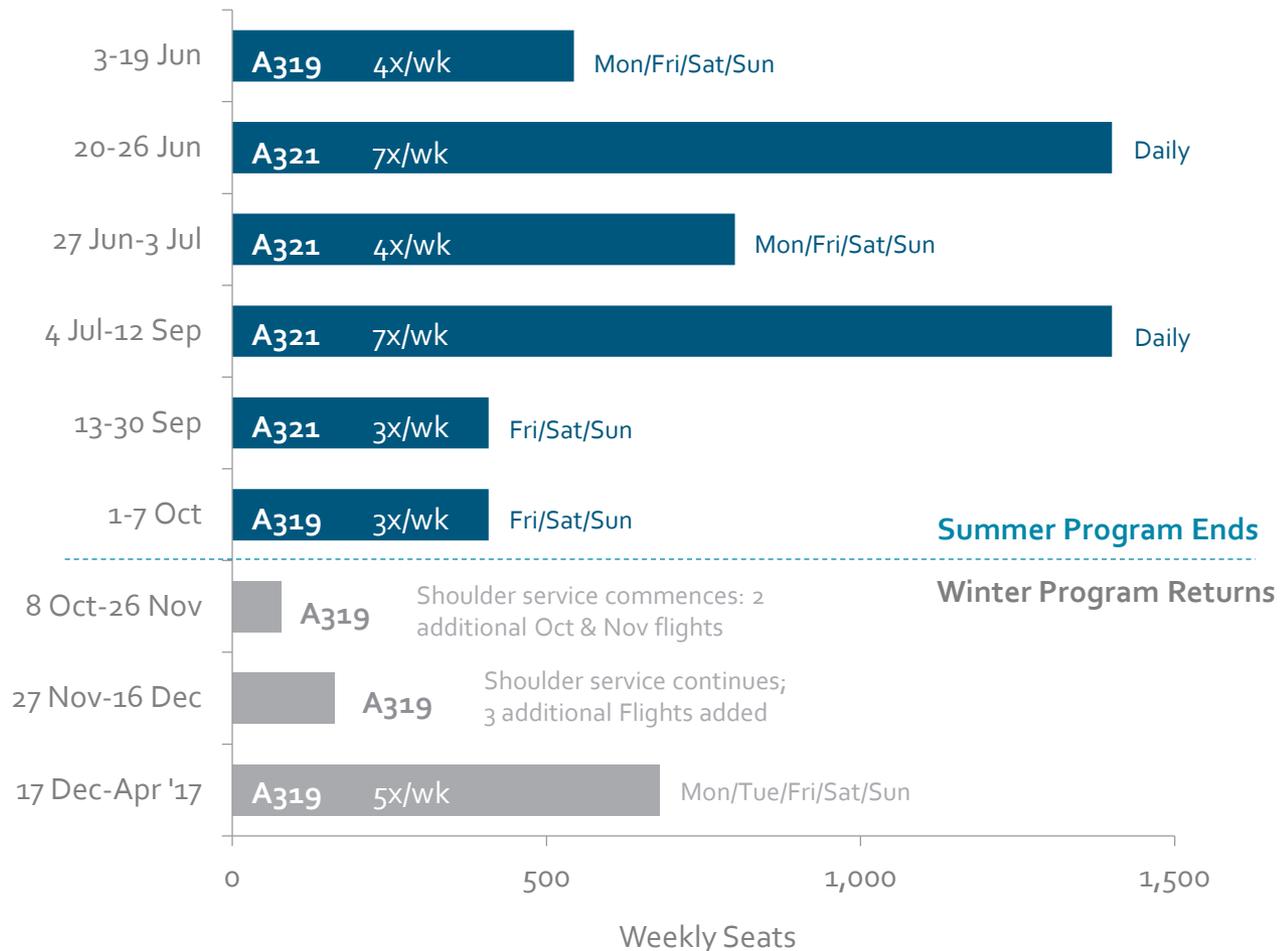


Air Canada significantly increases capacity in summer & winter

- Air Canada operated the A321 over the peak summer season, returning to A319 in October.
- Additional frequencies added to shoulder season in November and December.
- Winter schedule increased to 5x/week service on December 17th, 2016.



Air Canada Toronto-Kelowna Schedule



Source: Innovata Schedules (via Diio).

New Kelowna-Toronto Shoulder Season Initiative - Air Canada

- Summer schedule ended October 9th.
- Winter schedule started December 17th.
- In 2015 there was no Air Canada Toronto service between these dates (shoulder season).
- Air Canada rouge added additional seat capacity in the 2016 shoulder season with an increase in A319 Oct-Dec seat capacity of 133% over 2015, with strong additions in December.
- Support package of approximately \$400,000 in incremental marketing support had been committed by regional stakeholders.
- Unique relationship between YLW and YYZ CEO's driving joint marketing efforts.

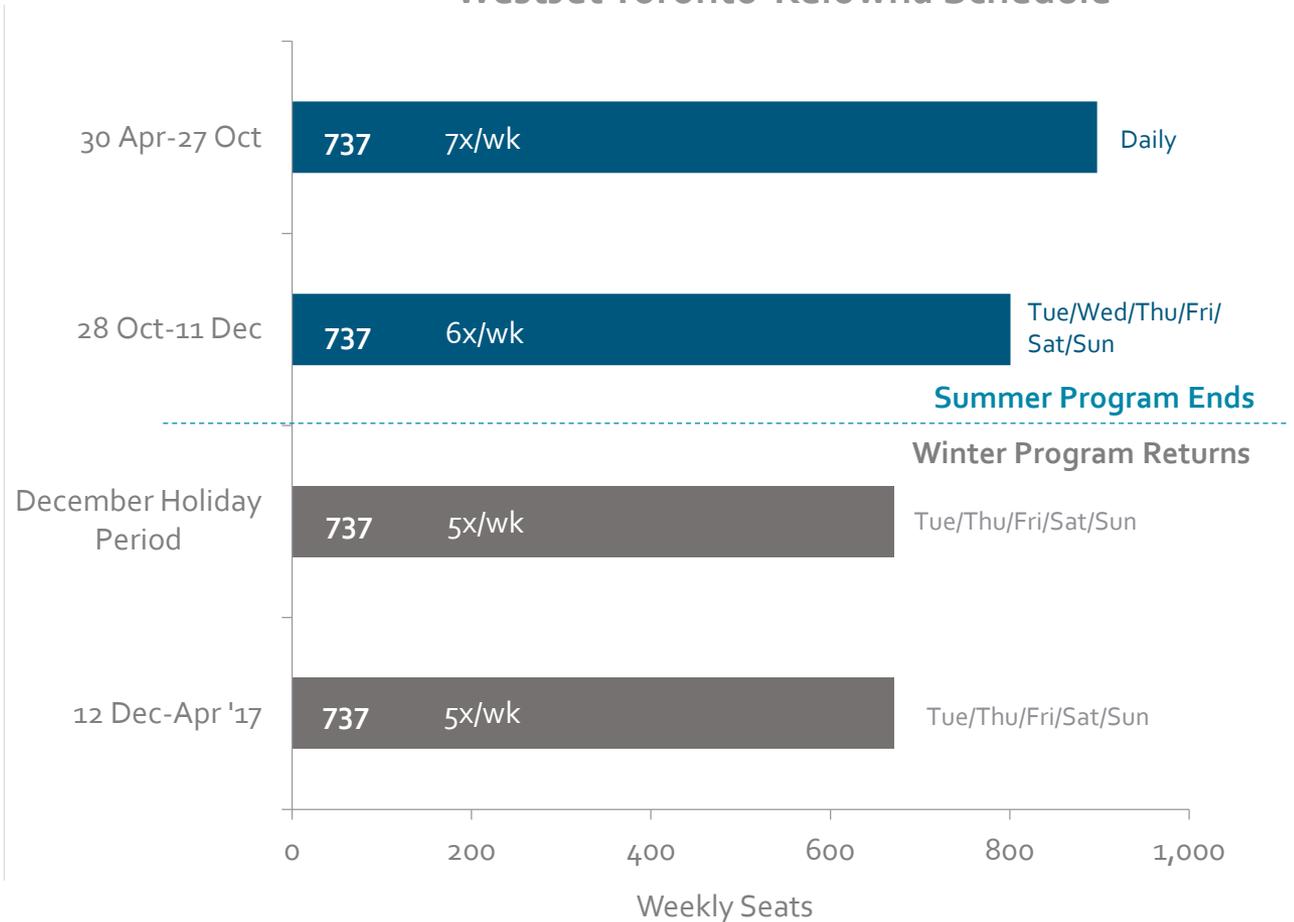


WestJet offers consistent capacity to Toronto

- Utilizing Boeing 737s, WestJet has lower capacity to Toronto than Air Canada during peak summer.
- With higher frequency year-round, WestJet provides the majority of capacity the rest of the year.



WestJet Toronto-Kelowna Schedule



Source: Innovata Schedules (via Diio).

2017 Air Service Development Strategy

Short-term

Frequencies and schedule adjustments

Medium-term

New routes

Long-term

New aircraft and growth strategies

2017 Air Service Development Strategy

Retain & Grow Existing Services

- Air Canada/WestJet - Toronto
- Alaska Airlines/Virgin America - Seattle
- NewLeaf – Edmonton
- Air North - Whitehorse

Regional & Intra-Provincial Services

- Northern BC – Pascoe / CMA
- Winnipeg – Westjet / NewLeaf
- Comox/Nanaimo – Pacific Coastal

Transborder & International Services

- Additional Sunspot – Transat / Sunwing
- Los Angeles – ULCC (Jetlines)
- Eastern US Hub - Delta
- Europe – Condor / Westjet / Icelandair

Top Domestic Markets

Market Size - Kelowna Primary Catchment					Airport Share			
Rank	City	Province	Annual Market Passengers per Day		YLW	YKA	YVR	YYF
			Size	Each Way				
1	Vancouver	BC	235,480	323	95%	4%	0%	1%
2	Calgary	AB	233,264	320	76%	7%	15%	2%
3	Edmonton	AB	160,392	220	81%	9%	10%	0%
4	Toronto Area	ON	135,122	185	79%	2%	19%	0%
5	Victoria	BC	52,005	71	96%	3%	0%	1%
6	Winnipeg	MB	42,227	58	85%	3%	12%	1%
7	Saskatoon	SK	31,624	43	89%	5%	5%	1%
8	Prince George	BC	28,901	40	78%	14%	8%	1%
9	Fort McMurray	AB	28,799	39	86%	2%	12%	0%
10	Regina	SK	21,747	30	81%	11%	7%	1%
11	Montreal	QC	15,602	21	73%	2%	25%	0%
12	Whitehorse	YT	15,365	21	92%	1%	7%	0%
13	Ottawa	ON	14,414	20	79%	3%	18%	0%
14	Fort St. John	BC	9,682	13	75%	12%	10%	3%
15	Terrace	BC	9,575	13	73%	10%	16%	1%
16	Grande Prairie	AB	7,723	11	85%	12%	2%	1%
17	Nanaimo	BC	6,461	9	84%	13%	0%	2%
18	Cranbrook	BC	5,615	8	96%	2%	0%	1%
19	Halifax	NS	5,277	7	81%	4%	14%	0%
20	Comox	BC	4,393	6	57%	10%	32%	1%
	Other		49,789	68	68%	6%	26%	1%
	Total		1,113,456	1,525	83%	6%	10%	1%

Source: InterVISTAS Market Size/Leakage Analysis 2016.

2017 Domestic Focus

- ▶ Winnipeg direct non-stop
 - ▶ Westjet
 - ▶ NewLeaf
 - ▶ Canadian Jetlines

- ▶ Competition on the Toronto area route
 - ▶ NewLeaf
 - ▶ Canadian Jetlines

Top US / International markets

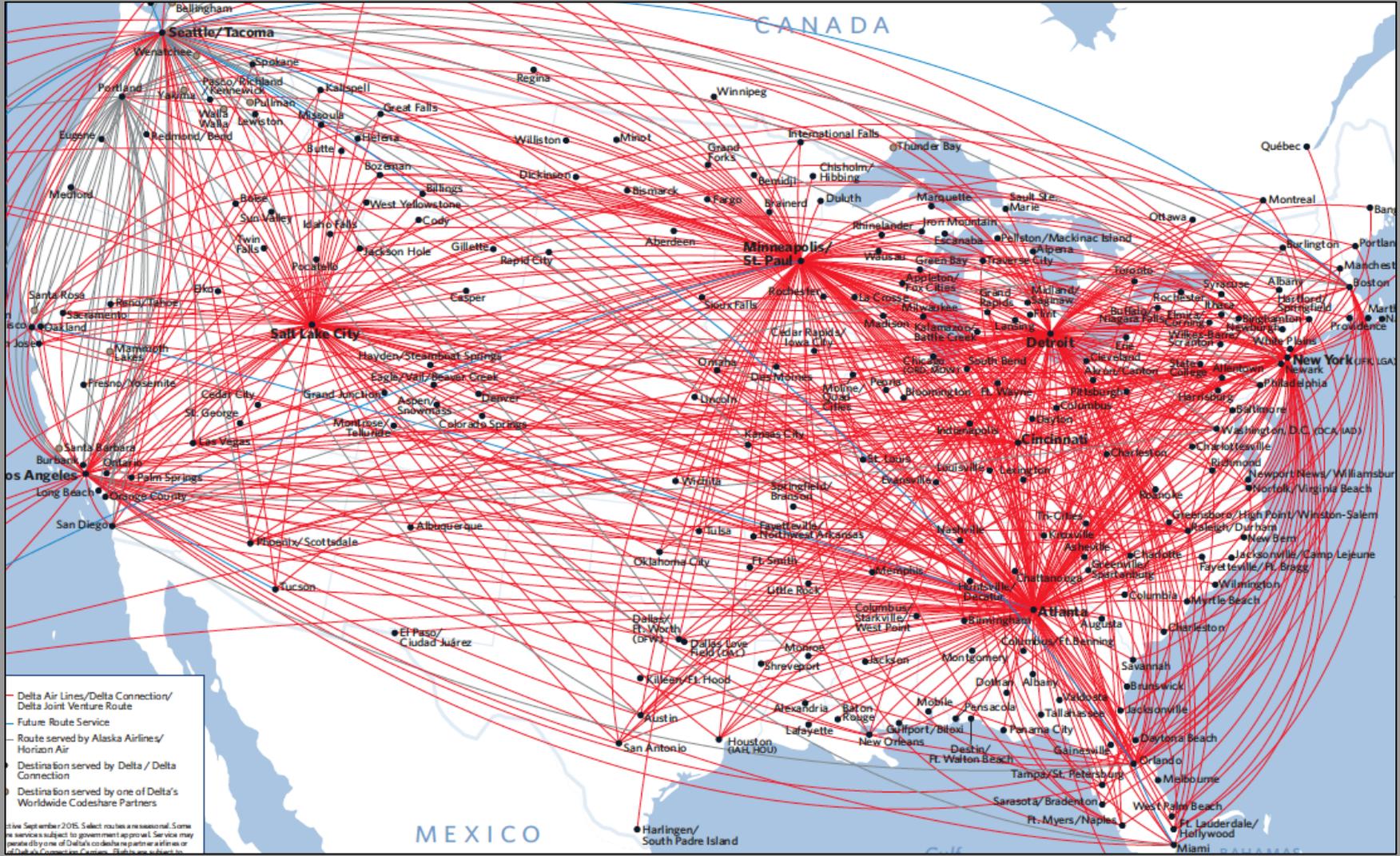
Market Size - Kelowna Primary Catchment					Airport Share				
Rank	City	State	Annual Market Size	Passengers per Day Each Way	YLW	YKA	YVR	YYF	BLI
1	Las Vegas	NV	59,852	82	85%	2%	9%	0%	4%
2	Los Angeles	CA	33,781	46	71%	3%	25%	0%	1%
3	Phoenix	AZ	31,235	43	84%	2%	13%	0%	0%
4	Cancun		21,576	30	81%	1%	17%	0%	1%
5	Puerto Vallarta		19,096	26	81%	1%	18%	0%	1%
6	Seattle	WA	15,965	22	91%	1%	5%	0%	3%
7	San Francisco	CA	13,855	19	74%	2%	24%	0%	0%
8	Kahului	HI	11,862	16	78%	3%	17%	0%	1%
9	London	EN	11,655	16	73%	2%	24%	0%	0%
10	San Jose del Cabo		10,830	15	83%	1%	15%	0%	1%
11	Honolulu	HI	8,382	11	67%	3%	27%	0%	3%
12	Varadero		7,013	10	79%	2%	19%	0%	1%
13	San Diego	CA	6,491	9	71%	1%	25%	0%	3%
14	Santa Ana	CA	6,228	9	88%	0%	11%	0%	0%
15	Palm Springs	CA	6,131	8	72%	3%	18%	0%	7%
16	Sydney	NS	5,748	8	75%	2%	22%	0%	1%
17	Chicago	IL	4,878	7	70%	2%	27%	0%	1%
18	Denver	CO	4,824	7	71%	3%	25%	0%	1%
19	Orlando	FL	4,535	6	71%	1%	27%	0%	0%
20	Dallas	TX	4,428	6	78%	3%	18%	0%	1%
	Other		199,873	274	21%	1%	6%	0%	1%
	Total		488,236	669	74%	2%	22%	0%	2%

Source: InterVISTAS Market Size/Leakage Analysis 2016.

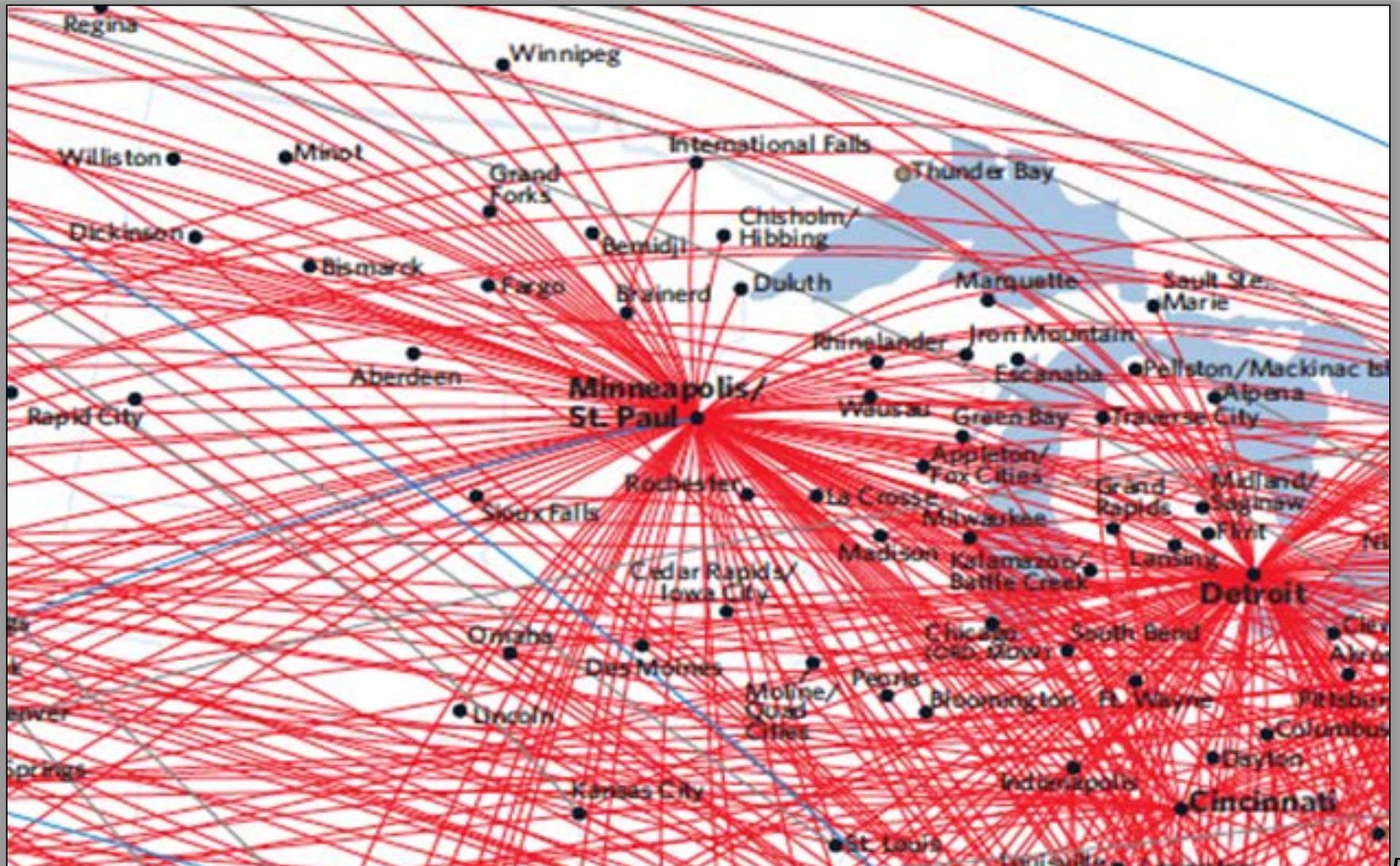
2017 US / International Focus

- ▶ Los Angeles
 - ▶ Westjet
 - ▶ Canadian Jetlines
- ▶ Minneapolis
 - ▶ Delta Airlines
- ▶ London / Frankfurt
 - ▶ Condor
 - ▶ Westjet
 - ▶ Icelandair
- ▶ Hawaii
 - ▶ Westjet

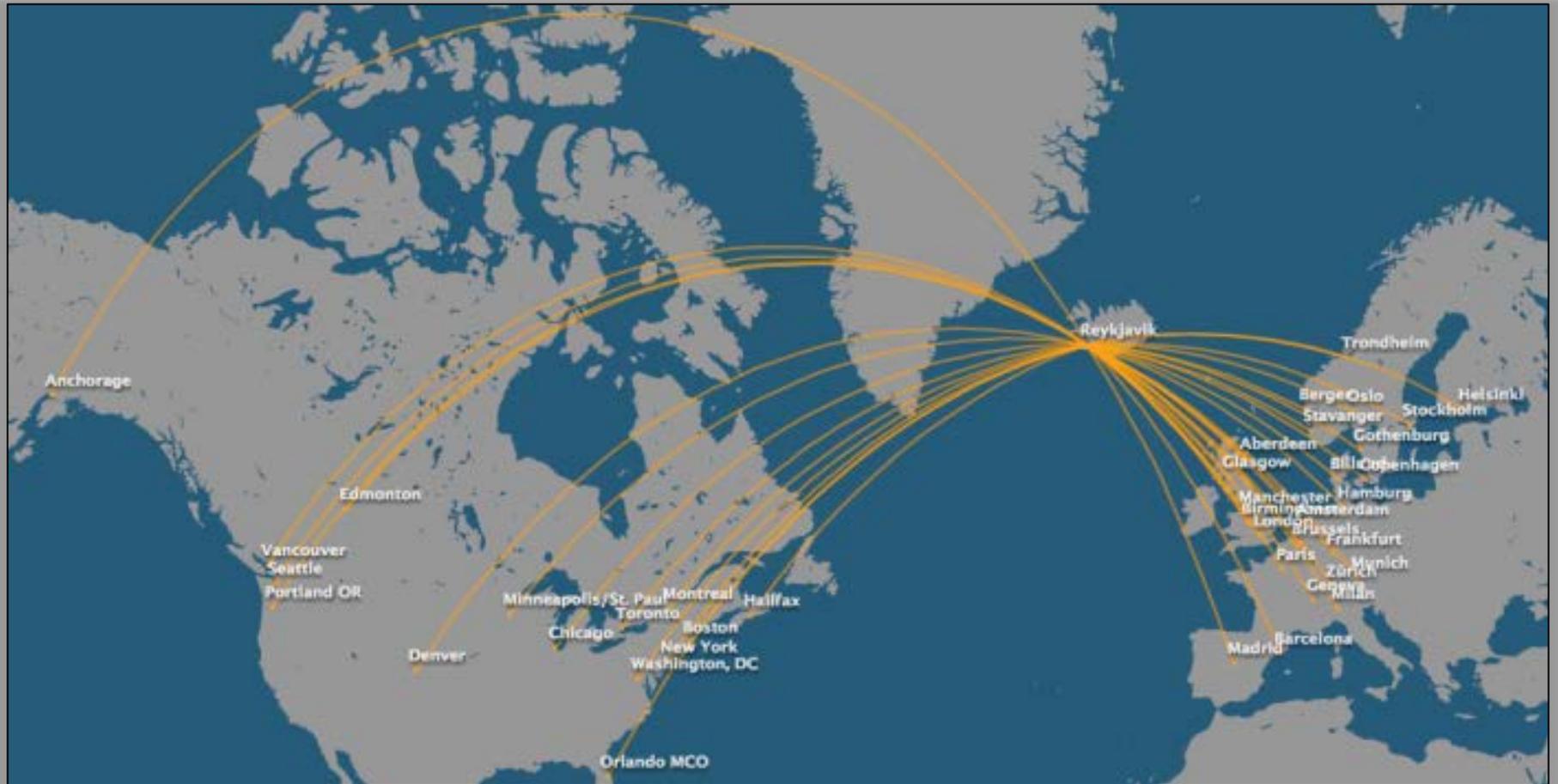
Delta Route Map



Delta Minneapolis Hub



Icelandair Reykjavic Hub



Icelandair Reykjavic Hub



Icelandair Fleet



26 Boeing 757-200
4 Boeing 767-300



Ultra Low Cost Carriers (ULCC)

NewLeaf has launched, 2 others are pursuing financing



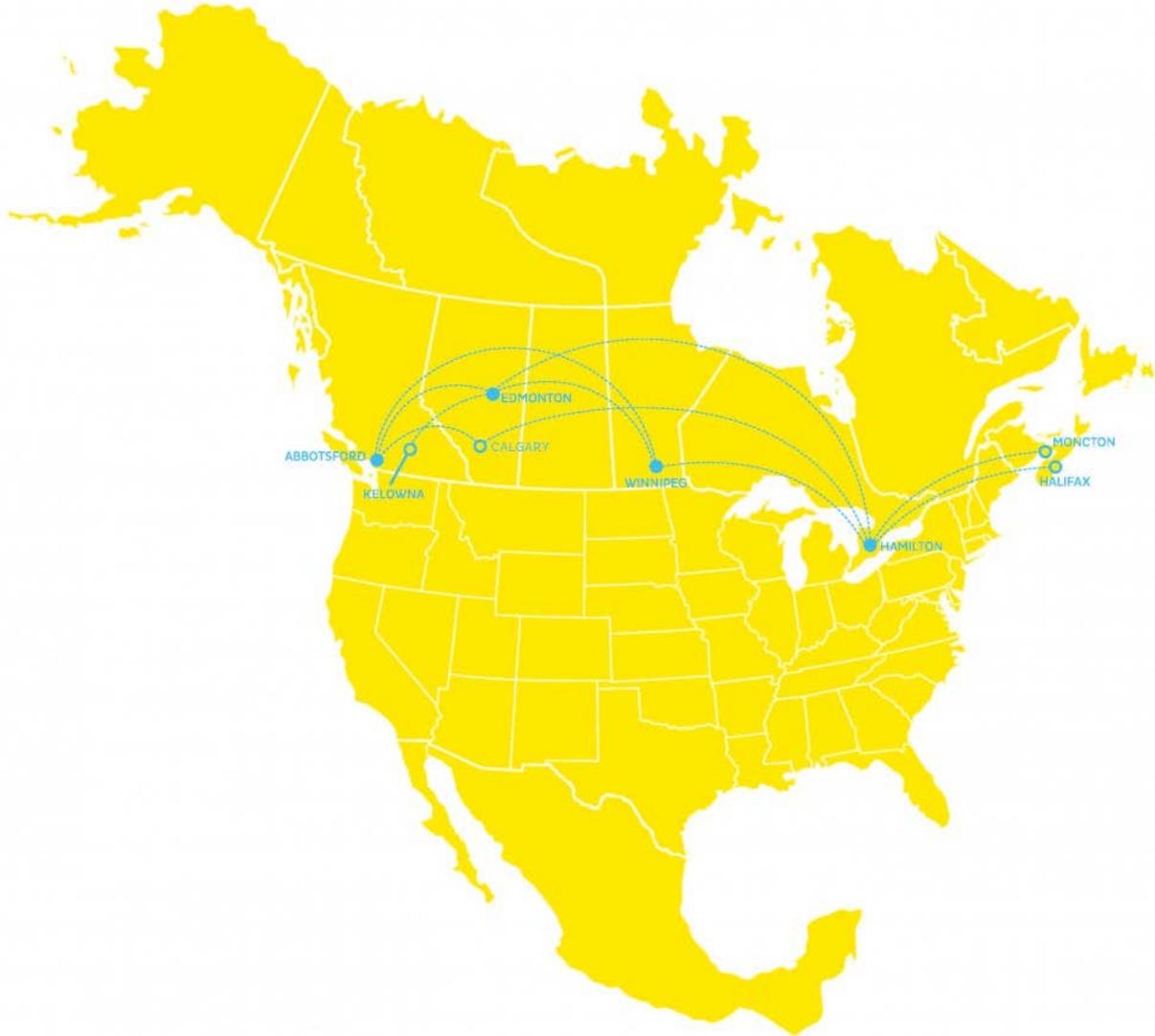
- Based in Winnipeg, NewLeaf is a ticket reseller with flights operated by partner Flair Airlines.
- Launched in July 2016, Flair currently operates 3 aircraft for NewLeaf serving domestic markets from bases at YXX, YEG, YWG and YHM.
- NewLeaf suspended 4 of its smaller stations in November 2016 (YYJ, YKA, YQR, & YXE).
- Transborder service announced to Orlando-Melbourne and Phoenix-Mesa, but has since been cancelled.
- NewLeaf has faced fierce competition from WestJet through fare and capacity matching.



- Based in Calgary, Enerjet is an existing airline established in 2008 operating workforce and contracted sun charters with one 737 aircraft.
- Originally envisioned as a ULCC prior to launch, Enerjet is now revisiting the model under the name FlyToo.
- Enerjet is currently working with Indigo Partners, experienced with financing ULCC startups elsewhere in the world, to secure the necessary funding to establish a nation-wide ULCC using their existing operating certificate.
- FlyToo would likely deploy a fleet of 737 NG aircraft as they have throughout their history as Enerjet.

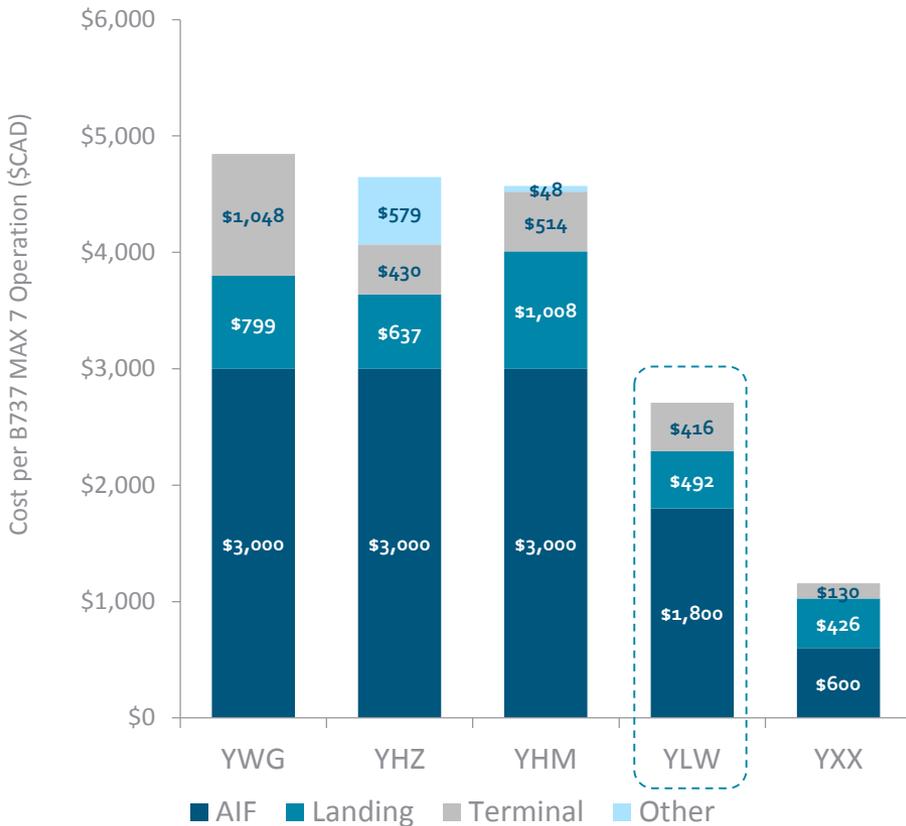


- A proposed ULCC, Jetlines was established in Vancouver in 2014 and continues to pursue financing to launch a ULCC carrier.
- Jetlines is not active and therefore does not currently possess an Air Operating Certificate, an additional regulatory and financial hurdle.
- Jetlines has a conditional order placed with Boeing for 5 737 MAX aircraft and has also expressed interest in operating the Bombardier C-Series aircraft.
- A proposed network plan released in 2015 indicates main bases at YVR, YWG and YHM.

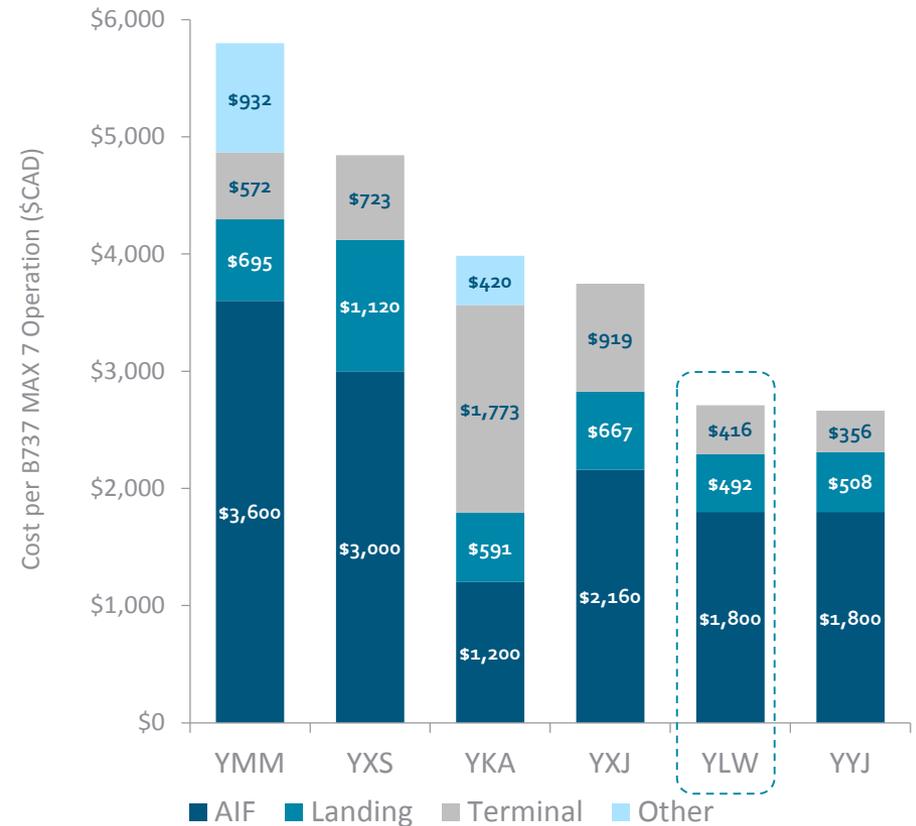


YLW has low fees relative to its peers

Fee Comparison: Core ULCC Target Airports



Fee Comparison: Comparable Airports in AB/BC



Note: Operation assumes 737 MAX 7 with seat capacity of 160, domestic flying, 75% load factor.
Source: Airport websites & Air Canada.

Expenses to operate per passenger

YVR	YYC	YEG	YWG	YYZ	YOW	YUL	YHZ
\$ 2.34	\$ 2.41	\$ 2.27	\$ 1.98	\$ 3.33	\$ 1.95	\$ 3.31	\$ 1.71
2.36	1.75	4.05	4.64	3.68	4.66	4.34	5.30
4.78	5.48	5.98	5.68	5.92	6.82	5.04	6.39
1.44	0.68	0.75	0.50	0.78	1.07	2.44	0.38
1.40	3.95	5.91	8.26	7.92	6.63	5.83	3.87
-	-	0.01	1.09	-	-	0.92	0.09
\$ 12.32	\$ 14.25	\$ 18.97	\$ 22.15	\$ 21.65	\$ 21.12	\$ 21.87	\$ 17.74

YYJ	YLW	YXE	YQR	YXU	YHM	YQB	YQM
\$ 0.80	\$ 0.00	\$ 0.88	\$ 0.80	\$ 0.24	\$ 0.00	\$ 2.03	\$ 0.53
2.66	2.29	2.79	4.84	6.13	11.74	8.59	5.05
3.94	3.73	4.86	4.75	5.80	13.22	8.02	8.75
0.50	-	0.63	0.96	1.51	0.66	2.47	1.60
0.04	0.47	0.00	0.63	1.12	2.44	3.69	1.79
-	0.14	0.20	0.91	-	(2.60)	-	-
\$ 7.95	\$ 6.63	\$ 9.35	\$ 12.88	\$ 14.80	\$ 25.46	\$ 24.80	\$ 17.72

YLW's operating costs are the lowest of all Tier I and Tier II airports (\$6.63 per passenger)

Airport Improvement Fee

YVR	YYC	YEG	YWG	YYZ	YOW	YUL	YHZ
\$ 18.71	\$ 29.10	\$ 28.43	\$ 23.44	\$ 25.27	\$ 21.48	\$ 24.14	\$ 23.42

YYJ	YLW	YXE	YQR	YXU	YHM	YQB	YQM
\$ 13.65	\$ 12.54	\$ 18.21	\$ 18.54	\$ 14.02	\$ 23.26	\$ 29.89	\$ 9.19

YLW's Airport Improvement Fee is second lowest of all Tier I and Tier II airports (\$15)



Other Initiatives

Pacific Coastal - Victoria

- Added new YYJ-YLW service 12 flights per week service.
- Over 38,000 additional annual round-trip seats.
- Continue to partner on marketing initiatives to get the message out and support the service.
- Vancouver Island (Nanaimo or Comox) also holds some potential.

Pacific Coastal
AIRLINES®

Pacific Coastal Airlines to launch daily non-stop flights between Victoria and Kelowna

The 65-minute flights can accommodate up to 34 passengers plus a flight attendant

Transportation

By Glen Korstrom

Aug. 27, 2015, 4:09 p.m.



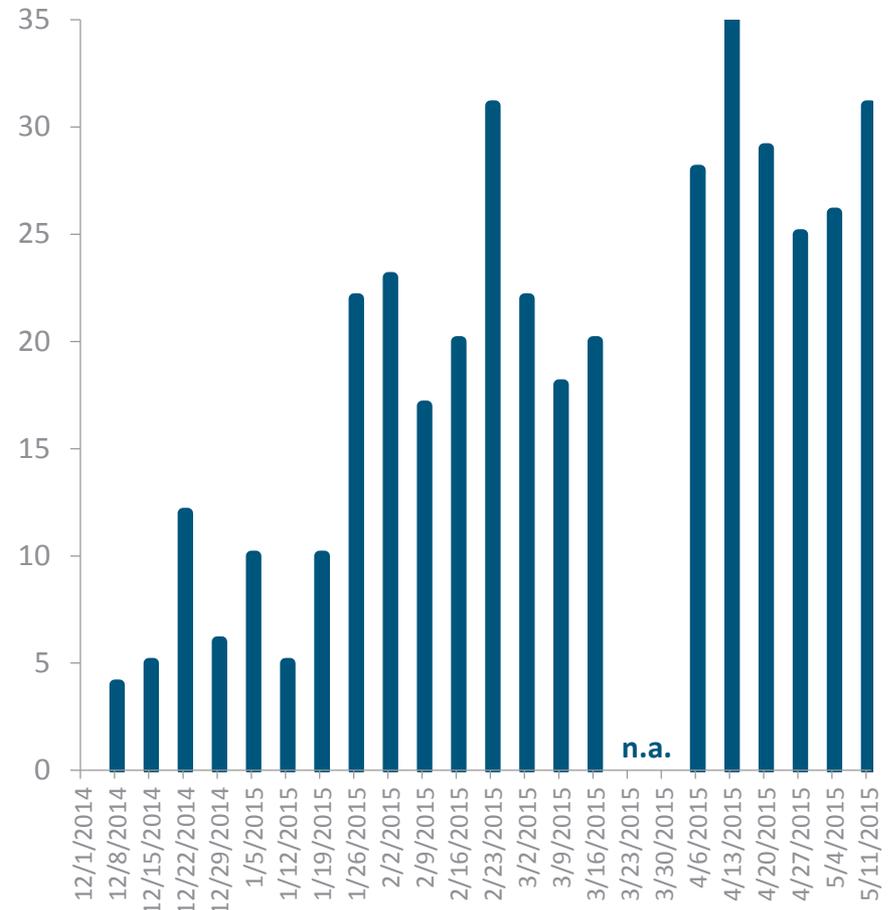
Pacific Coastal will use Saab 340 planes for the Victoria to Kelowna route | Pacific Coastal Airlines

Condor - Frankfurt

- Condor has confirmed that FRA-YLW is operationally feasible (no issues on the inbound FRA to YLW, minor pax restriction on the outbound).
- Condor is still interested and has been conducting further operational reviews.
- Face-to-Face meeting planned for June 2017.



Condor Interline Bookings to YLW (weekly)



Charter Carriers



- Cancun / Puerto Vallarta
- Strong Loads and Yields
- Currently using Flair Air aircraft
- Important to maintain relationship as they plan for 2017/18



- Varadero / Cancun (added for this season)
- Strong loads and yields to date
- Focus will be on making sure they stay committed to the same market
- Goal is to have YLW dedicated aircraft and increase frequency
- Important to maintain relationship

US Carriers



- Continue consistent contact – Canadian entry may occur in next 2 years
- Good opportunity for Las Vegas and Los Angeles



- Focusing on Minneapolis



- Focus on code-shares with WestJet and Alaska



- Excited about the acquisition of Virgin America
- Maintain relationship and market current service



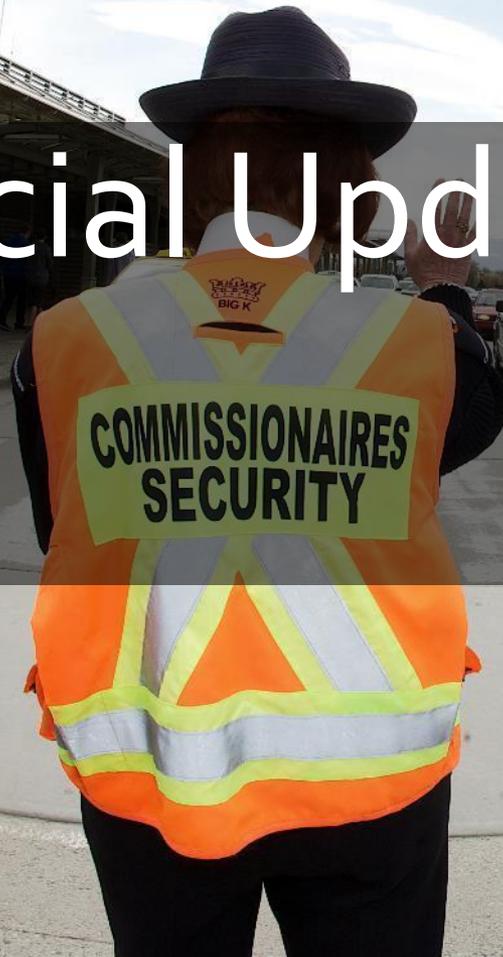
- Maintain relationship



Y.L.W.

Kelowna International Airport

Financial Update



2016 Year to Date

PROJECT Description	ANNUAL				2015	Variance	%
	Total	Budget (Full)	Variance	%			
REVENUE							
Airport Admin	36,783	60,000	23,217	61%	42,874	(6,091)	-14%
Airport Airside Operation	3,720,089	4,023,900	303,811	92%	3,374,935	345,154	10%
Airport Groundside Operation	4,953,336	5,883,130	929,794	84%	4,780,204	173,132	4%
Airport Terminal Operation	5,799,467	5,807,940	8,473	100%	5,291,817	507,650	10%
Total Revenue	14,509,725	15,774,970	1,265,245	92%	13,489,880	1,019,845	8%
SALARY, WAGE & EXPENDITURE							
Airport Admin	1,571,140	1,739,921	168,781	90%	1,294,764	276,376	21%
Airport City Services	1,021,745	1,114,631	92,886	92%	978,743	43,002	4%
Airport Policing	165,630	180,790	15,160	92%	160,350	5,280	3%
Airport Airside Operation	2,768,106	2,701,532	(66,574)	102%	2,760,367	7,739	0%
Airport Groundside Operation	1,891,543	2,214,814	323,271	85%	1,711,597	179,946	11%
Airport Terminal Operation	3,737,496	4,188,517	451,021	89%	3,633,546	103,950	3%
Total Salary, Wage & Expenditure	11,156,028	12,140,205	984,177	92%	10,539,417	616,293	6%
TOTAL OPERATIONS	3,353,697	3,634,765	281,068	92%	2,950,463	403,552	14%
AIRPORT IMPROVEMENT FEE							
Revenue	9,726,781	11,141,560	1,414,779	87%	9,097,542	629,239	7%
Expenditures	533,053	526,864	(6,189)	101%	495,937	37,116	7%
Debt Load	2,967,715	3,323,809	356,094	89%	2,076,655	891,060	43%
TOTAL AIRPORT IMPROVEMENT FEE	6,226,013	7,290,887	1,064,874	85%	6,524,950	(298,937)	-5%

2017 Budget - Operating

Description	Budget			
	2017	2016	Variance	%
REVENUE				
Airport Admin	(59,000)	(60,000)	(1,000)	-2%
Airport Airside Operation	(4,492,423)	(4,023,900)	468,523	12%
Airport Groundside Operation	(5,796,690)	(5,883,130)	(86,440)	-1%
Airport Terminal Operation	(6,672,014)	(5,807,940)	864,074	15%
Total Revenue	(17,018,160)	(15,772,954)	1,245,207	8%
SALARY, WAGE & EXPENDITURE				
Airport Admin	1,648,881	1,739,921	(91,040)	-5%
Airport City Services	1,151,394	1,114,631	36,763	3%
Airport Policing	181,846	180,790	1,056	1%
Airport Airside Operation	2,950,511	2,701,532	248,979	9%
Airport Groundside Operation	2,271,686	2,214,814	56,872	3%
Airport Terminal Operation	4,834,102	4,188,517	645,585	15%
Total Salary, Wage & Expenditure	13,038,470	12,140,205	898,265	7%
TOTAL OPERATIONS	(3,979,690)	(3,632,749)	346,942	-10%
AIRPORT IMPROVEMENT FEE				
Revenue	(11,743,330)	(11,141,560)	601,770	5%
Expenditures	647,477	526,864	120,613	23%
Debt Load	3,648,249	3,323,809	324,440	10%
TOTAL AIRPORT IMPROVEMENT FEE	(7,447,604)	(7,290,887)	156,717	2%

2017 Budget - Capital

Description	Budget
	2017
AIF	
New AIF Program	2,300,000
	2,300,000
Airside	
East Side Lands Development - Phase 1	475,000
Loader Mounted Snow Blower Attachment	280,000
Small Capital	33,333
	788,333
Terminal	
Bridge Upgrades	180,000
Roof Replacement Program	300,000
Threat Bag Removal Device	195,000
Air Terminal Complex Capital Replacements	335,800
Departures Washroom Renovation	125,000
Advertising Signs	50,000
Small Capital	33,333
	1,219,133
Groundside	
Hwy 97 and Airport Way Intersection	131,250
Additional Land Purchases	5,939,000
Small Capital	33,333
	6,103,583
Total 2017 Capital Budget	10,411,050

2017 Fees and Charges

- Landing Fees
 - Current - \$6.13 per 1000kg
 - Last increase – April 1, 2015
 - Approved Increases
 - January 1, 2017 – \$6.31 per 1,000 kg (3%)
 - January 1, 2018 - \$6.41 per 1,000 kg (1.5%)
 - January 1, 2019 - \$6.50 per 1,000 kg (1.5%)

- Terminal Fees
 - Last increase – April 1, 2015
 - Approved Increases
 - January 1, 2017 – 3% increase
 - January 1, 2018 – 1.5% increase
 - January 1, 2019 – 1.5% increase

Effective Date	% Increase	1-9 Seats	10-15 Seats	16-25 Seats	26-45 Seats	46-60 Seats	61-89 Seats	90-125 Seats	126-150 Seats	151-200 Seats	201-250 Seats	251-300 Seats	301-400 Seats	400+ Seats
1-Jan-16	3%	12.96	30.88	47.72	83.75	119.25	190.29	262.03	309.83	428.29	558.31	688.20	822.58	1,013.97
1-Jan-17	1.5%	13.15	31.34	48.44	85.01	121.04	193.15	265.96	314.48	434.72	566.69	698.53	834.92	1,029.18
1-Jan-18	1.5%	13.35	31.81	49.16	86.28	122.86	196.04	269.95	319.20	441.24	575.19	709.01	847.44	1,044.62

2017 Fees and Charges

- Aircraft Parking
 - Current (Apron 1) - \$40/night
 - Last increase – January 1, 2012
 - Approved increase
 - January 1, 2017 - \$45/night
 - Would remain at \$45/night for 2017-2019
- Terminal Building Lease Space
 - No increase in rates
 - Increases due to space changes to be communicated by the end of 2016
 - Last increase – February 5, 2001
- Outbound Baggage Belt Fee
 - Currently \$17,000 per year, allocated amongst the airlines
 - Approved reduction - \$17,000



YLW

Kelowna International Airport

AIF Program Reports

Airport Advisory Committee – January 20, 2017

AIF Program Reports

- ▶ Current AIF Program (Drive to 1.6 M Passengers/ Flight to 2020)
 - ▶ Progress Report
 - ▶ Financial Accounting

- ▶ New AIF Program
 - ▶ Delivery Approach
 - ▶ Review of New Proposed Program
 - ▶ Program Development

Current AIF Program

▶ Completed

- ▶ Common Use Self Serve (CUSS)
- ▶ Common Use Terminal Equipment (CUTE)
- ▶ Expanded Restricted Area
- ▶ Ground Services Equipment/Parking Relocation
- ▶ Glycol & Potassium Acetate Storage Facility
- ▶ Departures Lounge Concession
- ▶ Taxiway Foxtrot/Apron III
- ▶ GSE Building/Parking
- ▶ International Arrivals Hall



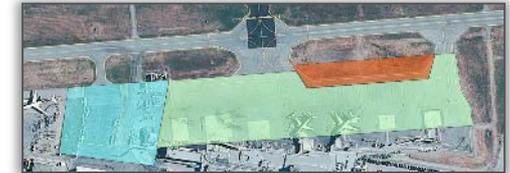
International Arrivals



Departures Lounge



Glycol Facility



Apron 1 Expansion

▶ In Progress

- ▶ New Baggage Hall
- ▶ Apron 1 Rehabilitation & Apron Lighting (gates 6-10)
- ▶ Departures Lounge Enhancements
- ▶ Combined Operations Building

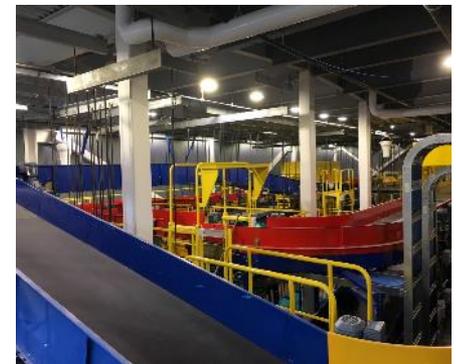
▶ Remaining

- ▶ New Nav Aids Runway 34 Approach
- ▶ New Airfield Lighting System

Current AIF Program

▶ New Baggage Hall

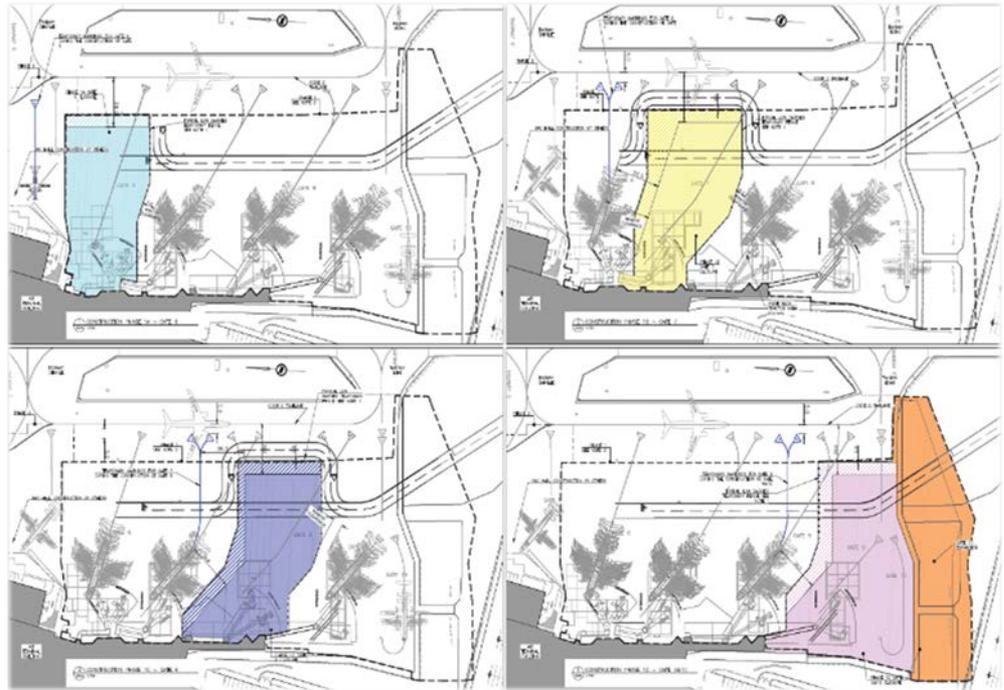
- ▶ Baggage system installation – 75%
- ▶ Baggage system go live May 2017
- ▶ New airline offices complete: June 2017
- ▶ Holdroom washrooms: June 2017
- ▶ Check in renovation: Completion July 2017
- ▶ Project Completion – Fall 2017 (6 months ahead of schedule)



Current AIF Program

▶ Apron 1 Rehabilitation

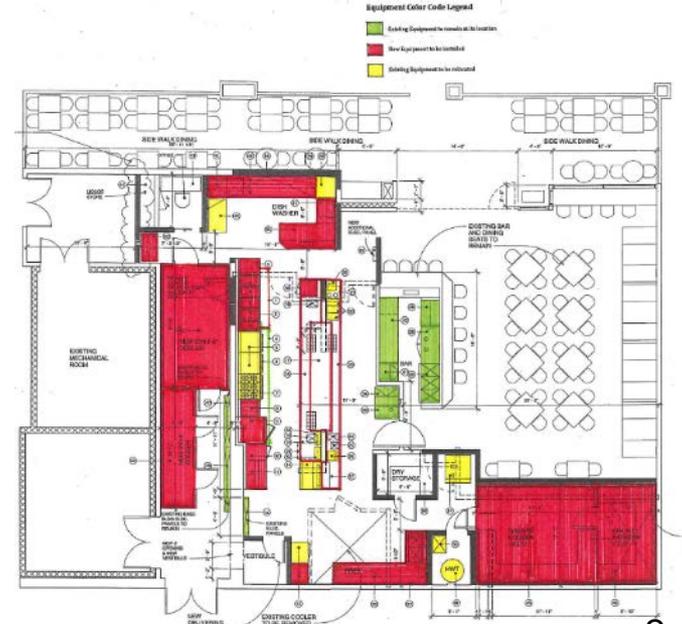
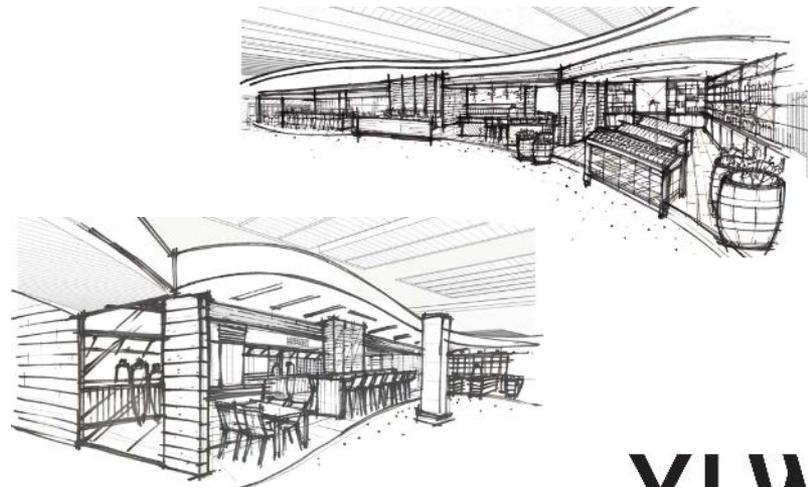
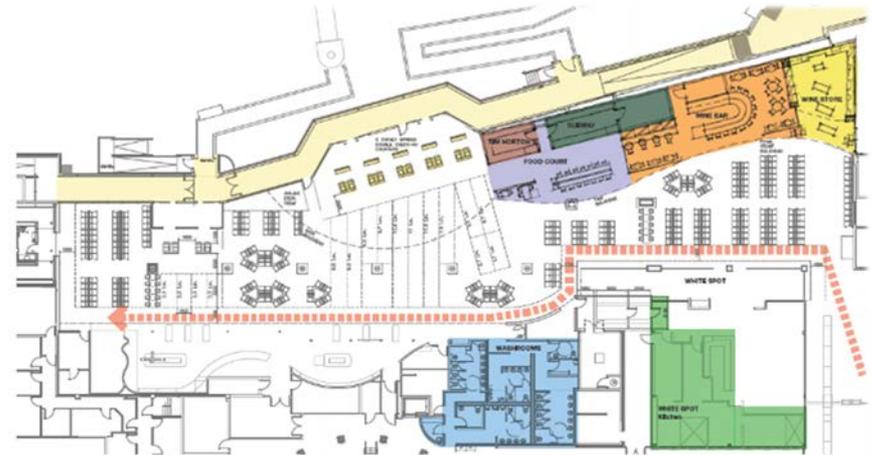
- ▶ Jan/17 – Tender
- ▶ Construction
 - ▶ 2017 – Gates 6-7
 - ▶ 2018 – Gates 8-10



Current AIF Program

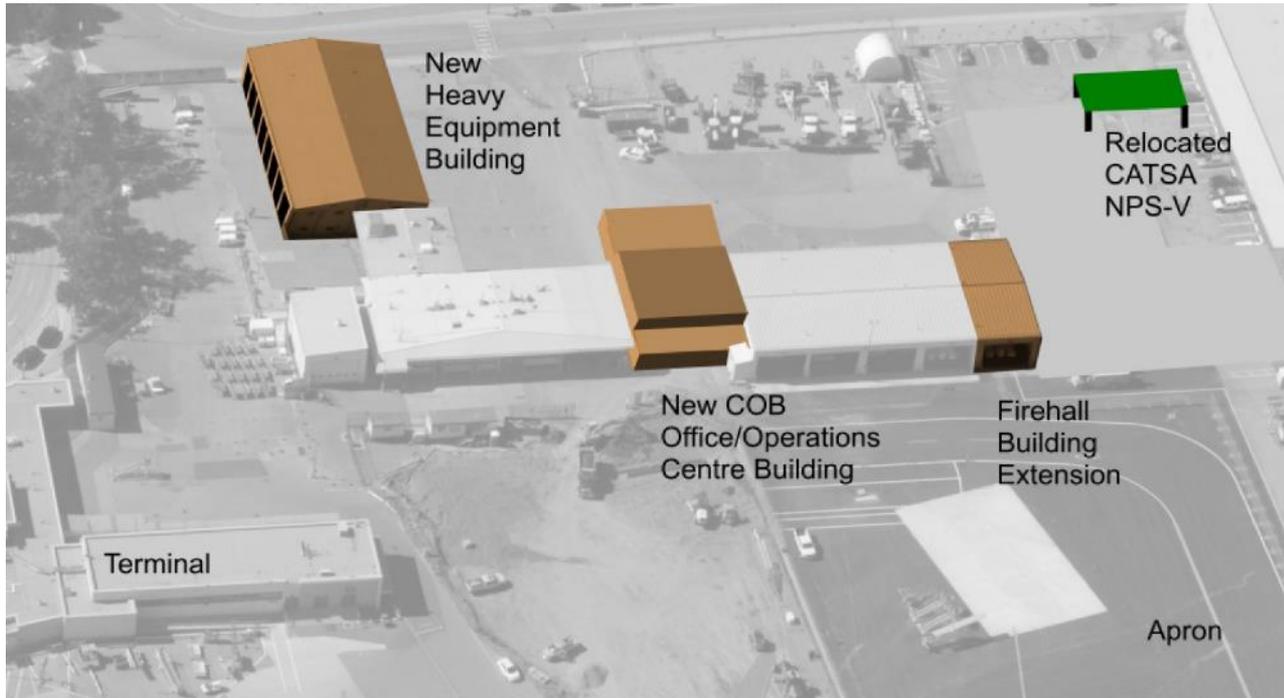
▶ Departures Lounge Enhancements

- ▶ 4 extra podiums
- ▶ Developing Design – Subway, Tim Hortons, Wine Bar, Wine Store, kitchen renovation
- ▶ Spring 2017 – Construction start



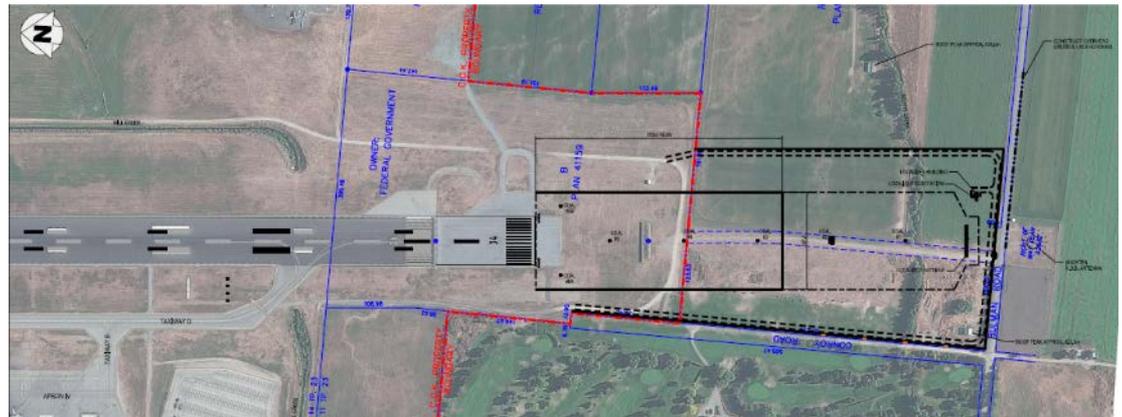
Current AIF Program

- ▶ Combined Operations Building
 - ▶ 2017 - Preliminary Design, Final Design



Current AIF Program

- ▶ New Nav Aids Runway 34 Approach
 - ▶ Localizer upgrade & relocation – NavCanada program to upgrade equipment at all airports across Canada
 - ▶ Rescheduling due to complexity of land acquisition & ALR
 - ▶ 2017 design
 - ▶ 2018 construction



Current AIF Program

- ▶ New Airfield Lighting System
- ▶ 2017-2018 - Conversion from incandescent to energy efficient LED lights
 - ▶ Taxiway
 - ▶ Apron
 - ▶ Guidance signs



Current AIF Program

- ▶ Financial Accounting

- ▶ \$92M budget

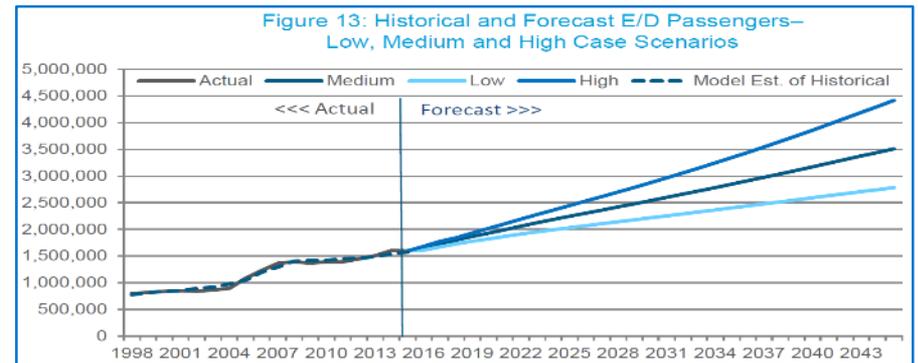
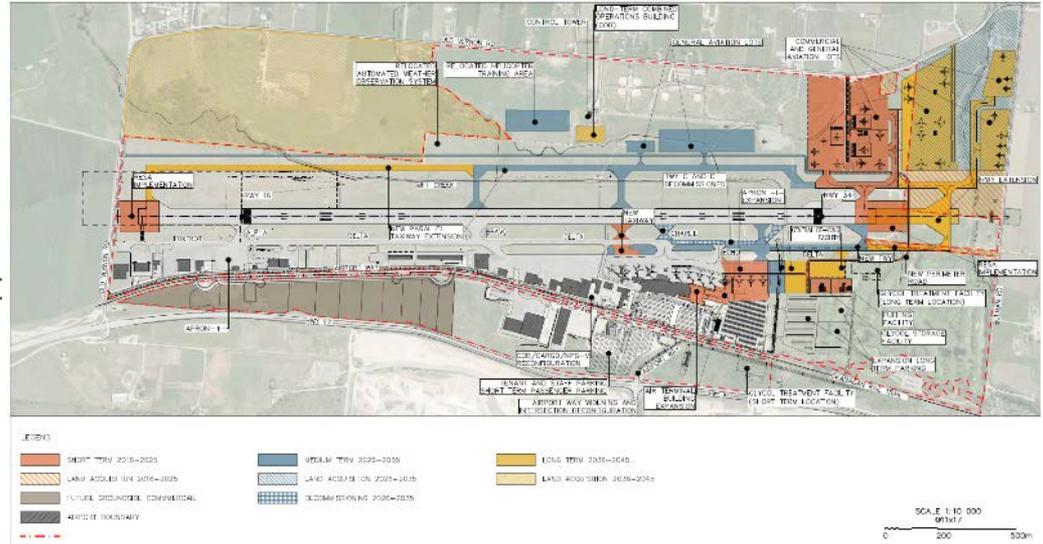
- ▶ Currently spent – \$62.2M

- ▶ Currently tracking on budget

- ▶ Monthly process to manage project costs

New AIF Program

- ▶ Airport Master Plan 2045
 - ▶ Framework for development program for the short, medium and long-term periods.
 - ▶ Air Traffic Projections
 - ▶ assumed medium growth projection at 3% annually
 - ▶ 2015-16 annual growth 8.69%



New AIF Program

▶ Delivery Approach

- ▶ 2016 – \$2.3M budget approval for 2017-2018 work only
- ▶ 2017-2018
 - ▶ Preliminary Design
 - ▶ Cost estimate – Final design & construction
 - ▶ Initial schedule
- ▶ 2019 +
 - ▶ Detailed Design
 - ▶ Construction

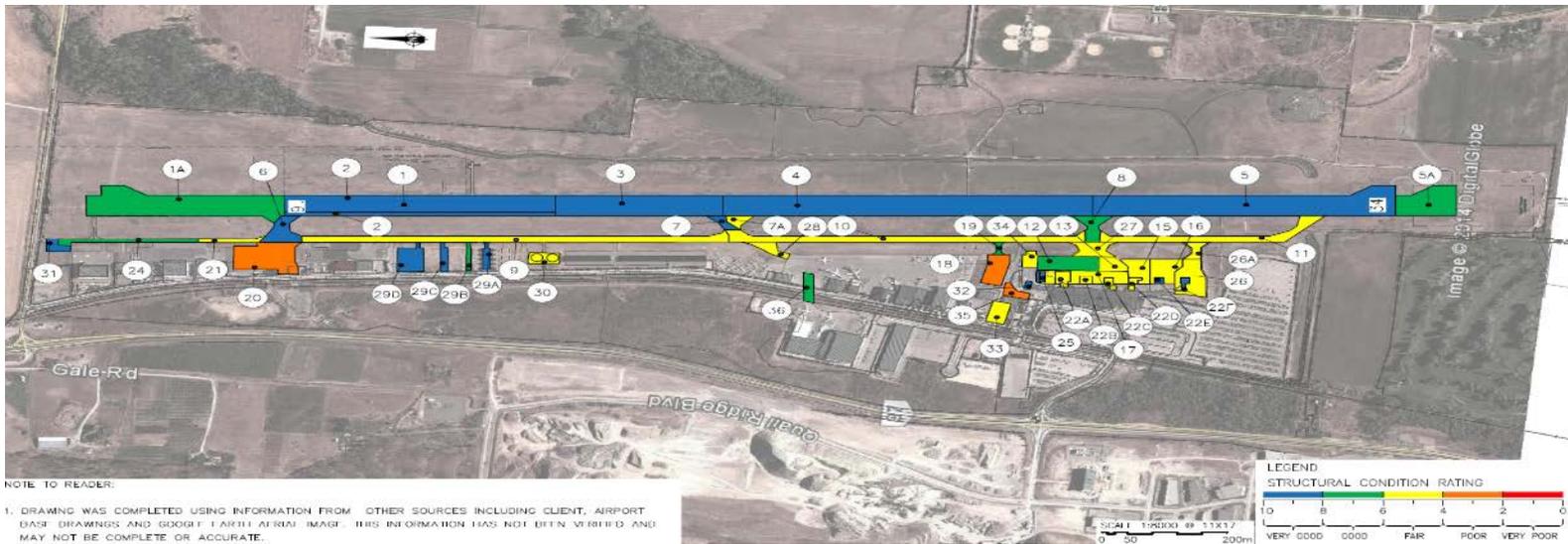
New AIF Program

- ▶ Review of the New Proposed Program – Long Term Build-Out
 - ▶ Apron 1 Rehabilitation, Phase II
 - ▶ Airside Pavement Rehabilitation
 - ▶ Apron 1 South Expansion
 - ▶ New East Taxiway
 - ▶ Runway End Safety Area
 - ▶ New Loading Bridge - Gate 3
 - ▶ New Loading Bridge Gate 2 or Covered Walkways, Ops Stands 1 & 2
 - ▶ Loading Bridge Refurbishing – Gates 4 – 9
 - ▶ Self Serve Baggage Drop
 - ▶ CUSS/CUTE Replacement
 - ▶ Terminal Expansion South
 - ▶ International Arrivals Repurposing
 - ▶ NPS-V, Phase II
 - ▶ Combined Operations Building
 - ▶ Hazardous Materials Secondary Capture
 - ▶ Aviation Support Services Area

New AIF Program

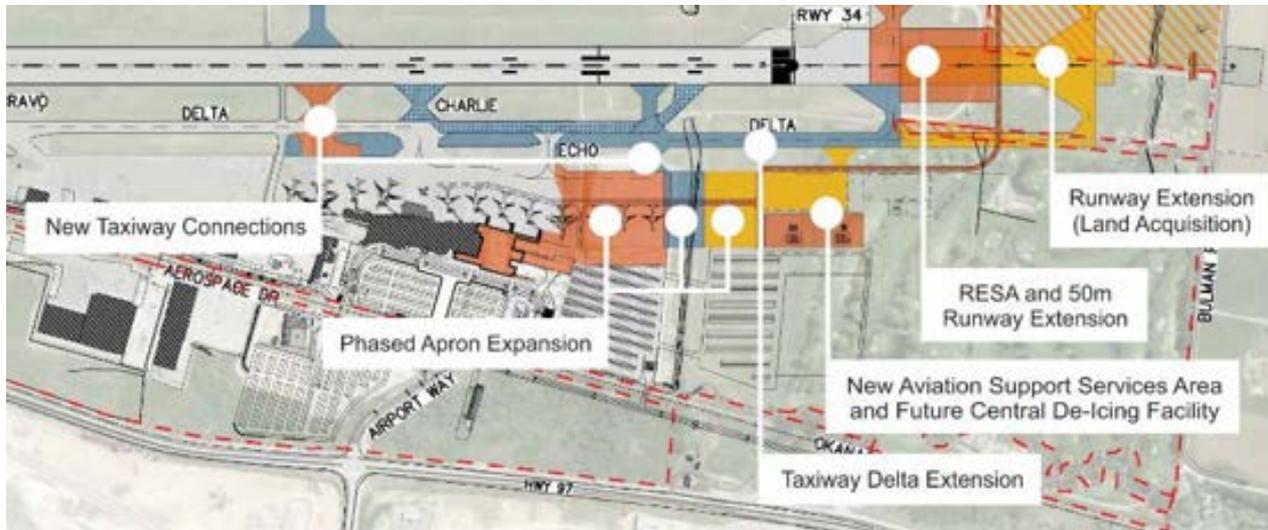
▶ Airside Pavement Rehabilitation

- ▶ 2014 survey results – new survey required
- ▶ Design for heavier aircraft and increased traffic
- ▶ Upgrade condition – poor (orange)/fair (yellow) to very good (blue)
- ▶ Multi-year program



New AIF Program

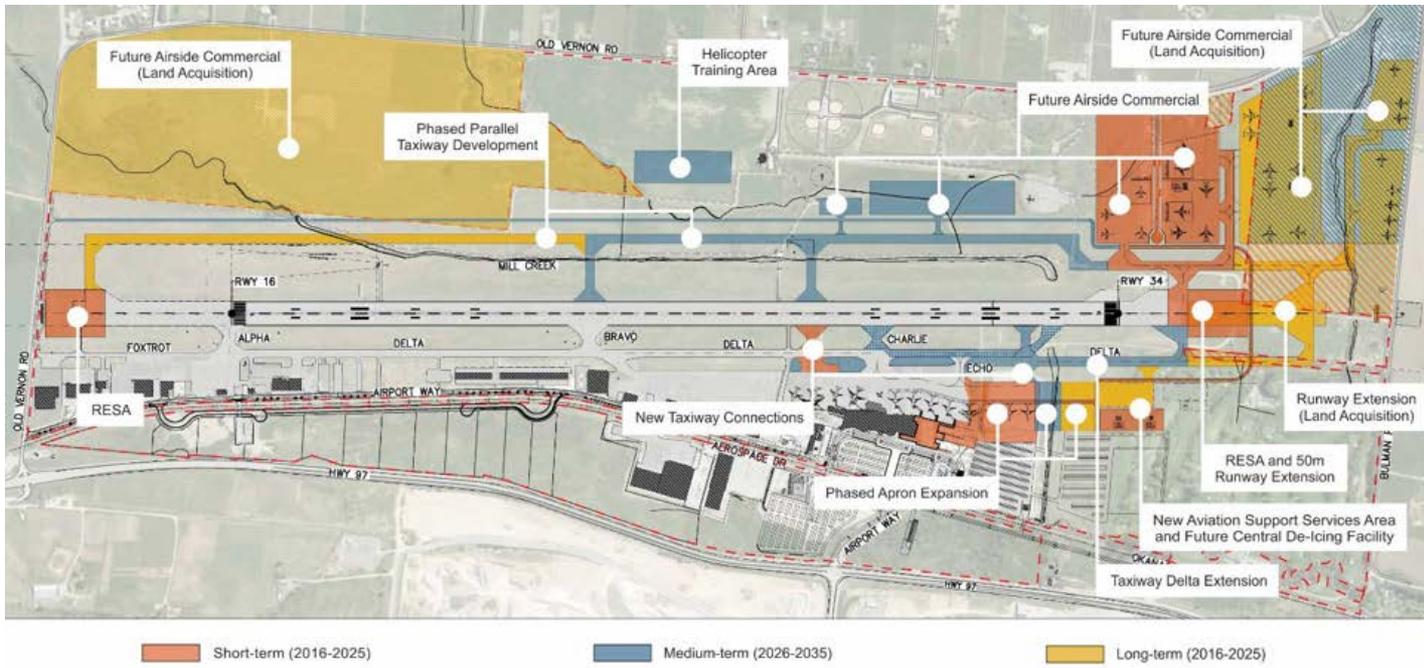
- ▶ Apron 1 Rehabilitation, Phase II
 - ▶ Gates 3-5
- ▶ Apron 1 South Expansion
 - ▶ Five remote aircraft parking stands and one additional Terminal gate



New AIF Program

▶ New East Taxiway

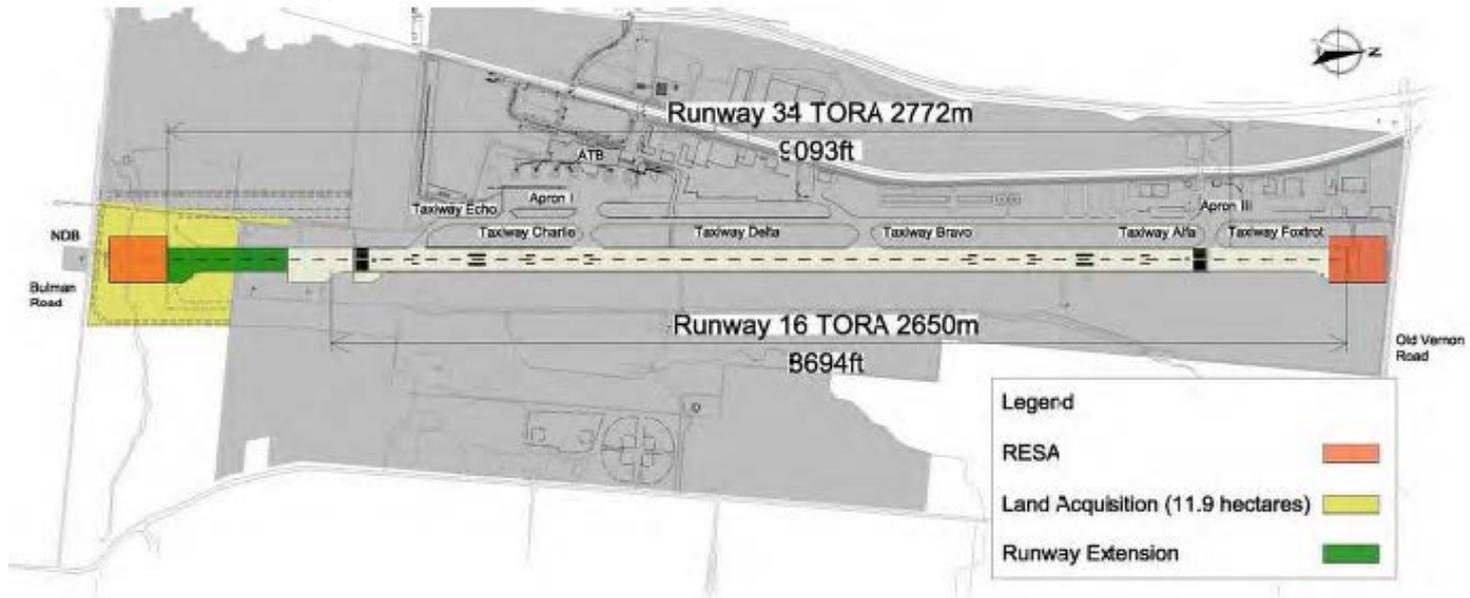
- ▶ Opportunity to increase revenue (land lease)
- ▶ Grow ground support services such as fueling and catering
- ▶ Increase runway capacity



New AIF Program

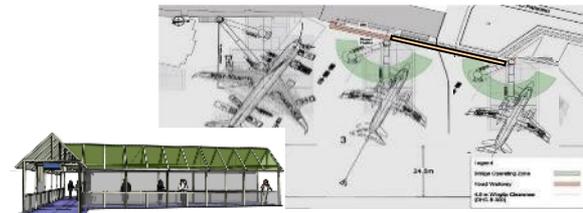
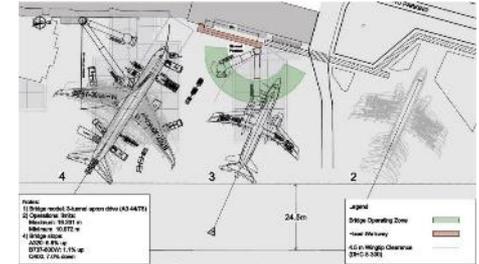
- ▶ Runway End Safety Area
 - ▶ Meet regulatory requirement
 - ▶ Increase runway length to the south

Figure 45: Option 2 for Implementation of Take-off Surface and Increase in TORA



New AIF Program

- ▶ **New Loading Bridge - Gate 3**
 - ▶ Improve passenger experience
 - ▶ Flexibility – International/Domestic flights
 - ▶ Bridge to accommodate Q400 – B737/A320 aircraft
- ▶ **New Bridge Gate 2 or Covered Walkway to OPS Stands 1 & 2**
 - ▶ Improve passenger experience
 - ▶ Protection from weather
- ▶ **Loading Bridge Refurbishing – Gates 4, 6 – 9**
 - ▶ Extend useful life – existing 2001-2007
 - ▶ Increased reliability
 - ▶ Electrical, PLC's, interior/exterior finishes



New AIF Program

- ▶ Self Serve Baggage Drop
 - ▶ To be decided in consultation with air carriers



- ▶ CUSS/CUTE Replacement
 - ▶ Life cycle replacement of existing units purchased in 2014
 - ▶ Review of secure wireless technology and rechargeable kiosks to maximize flexibility



New AIF Program

- ▶ Terminal Expansion – capacity vs demand

	Note	Existing, Incl. New Bag Make Up /HBS (m ²)	Updated ATB Functional Program Requirements (m ²)					
			2016	2020	2025	2030	2035	2045
Enplaning								
Departures Concourse Area (incl. check-in queue)		1,447	756	854	968	1,031	1,151	1,321
Check-in Counters (excl. queuing)		175	124	138	152	166	179	195
Preboard Screening Checkpoint		457	429	429	572	572	572	715
Departures Lounge (Usable)	1	793	969	1,105	1,274	1,375	1,544	1,770
Departures Lounge (Underutilized)	1	396						
Concessions, including storage		1,104	1,113	1,358	1,601	1,824	2,041	2,451
Bag Make-up/HBS		1,042	448	511	589	636	714	819
ATO Support/Airline Offices		648	612	712	819	928	1,346	1,553
Deplaning								
Domestic Bag Claim	2	595	691	1,012	1,012	1,012	1,012	1,012
International/Transborder Bag Claim	2	248	321	321	642	963	963	963
CBSA P/L, Secondary and Support		488	371	455	594	632	688	688
All								
Arrivals Lobby Landside		294	236	276	299	305	313	348
Car Rentals/Tour Operators		44	263	320	363	388	401	453
Total All Spaces		7,731	6,333	7,491	8,885	9,832	10,924	12,288

Demand less than 95% of Capacity
 Demand within 95% and 110% of Capacity
 Demand > 110% of Capacity

Notes

1. Existing Departures Lounge measures 1,189 m², of which 396 m² at the southern end is underutilized due to layout issues (and no access to boarding gates). This area is not included in the existing useable area but is considered recovered when the Departures Lounge is reconfigured/expanded in the future.

2. Assumes inbound bag operations will be located outside (not included in terminal space requirements).

New AIF Program

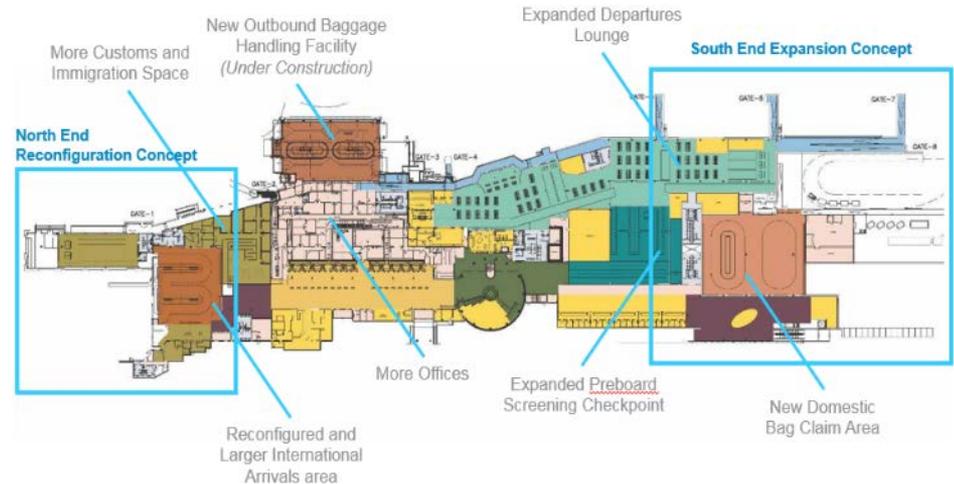
▶ Terminal Expansion South/International Arrivals

▶ Terminal Expansion South

- ▶ 85% - 90% YLW traffic is Domestic
- ▶ Satisfies demand-capacity requirements
- ▶ North expansion more expensive
- ▶ Expand Pre Board Screening
- ▶ Domestic Arrivals/Baggage Claim
- ▶ Expanded Integrated Domestic Arrivals/Departures Area
- ▶ Car rentals, tourism booth

▶ International Arrivals

- ▶ Expand CBSA
- ▶ Renovation



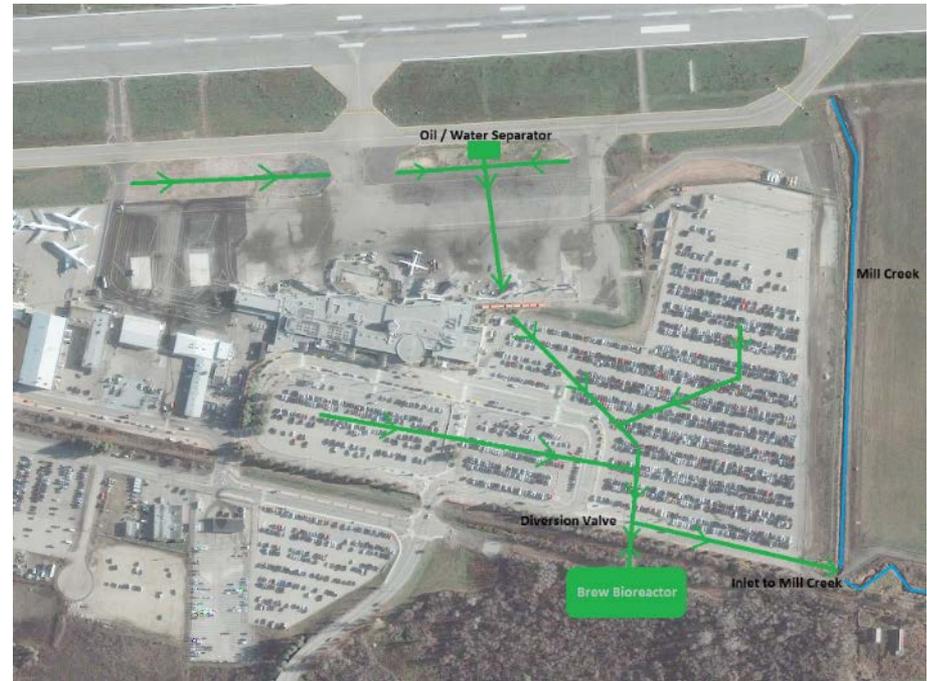
New AIF Program

- ▶ Combined Operations Building – Phase II / Non Passenger Screening Vehicle - Phase II
 - ▶ Realign Airport Way crossing Greenway
 - ▶ Direct access to apron
 - ▶ Minimizes traffic queuing on Airport Way
 - ▶ Expanded airside area
 - ▶ Expansion on existing site to increase equipment maintenance & storage capacity for future



New AIF Program

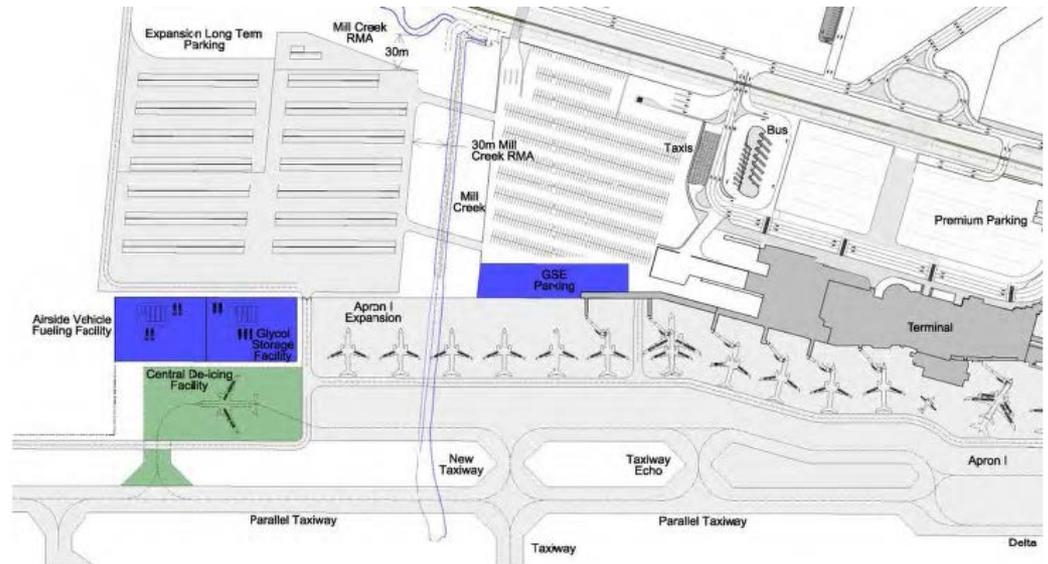
- ▶ Hazardous Materials Secondary Capture
 - ▶ Secondary capture – storm sewers
 - ▶ Glycol
 - ▶ Hydrocarbons
 - ▶ Treatment prior to release to Mill Creek



New AIF Program

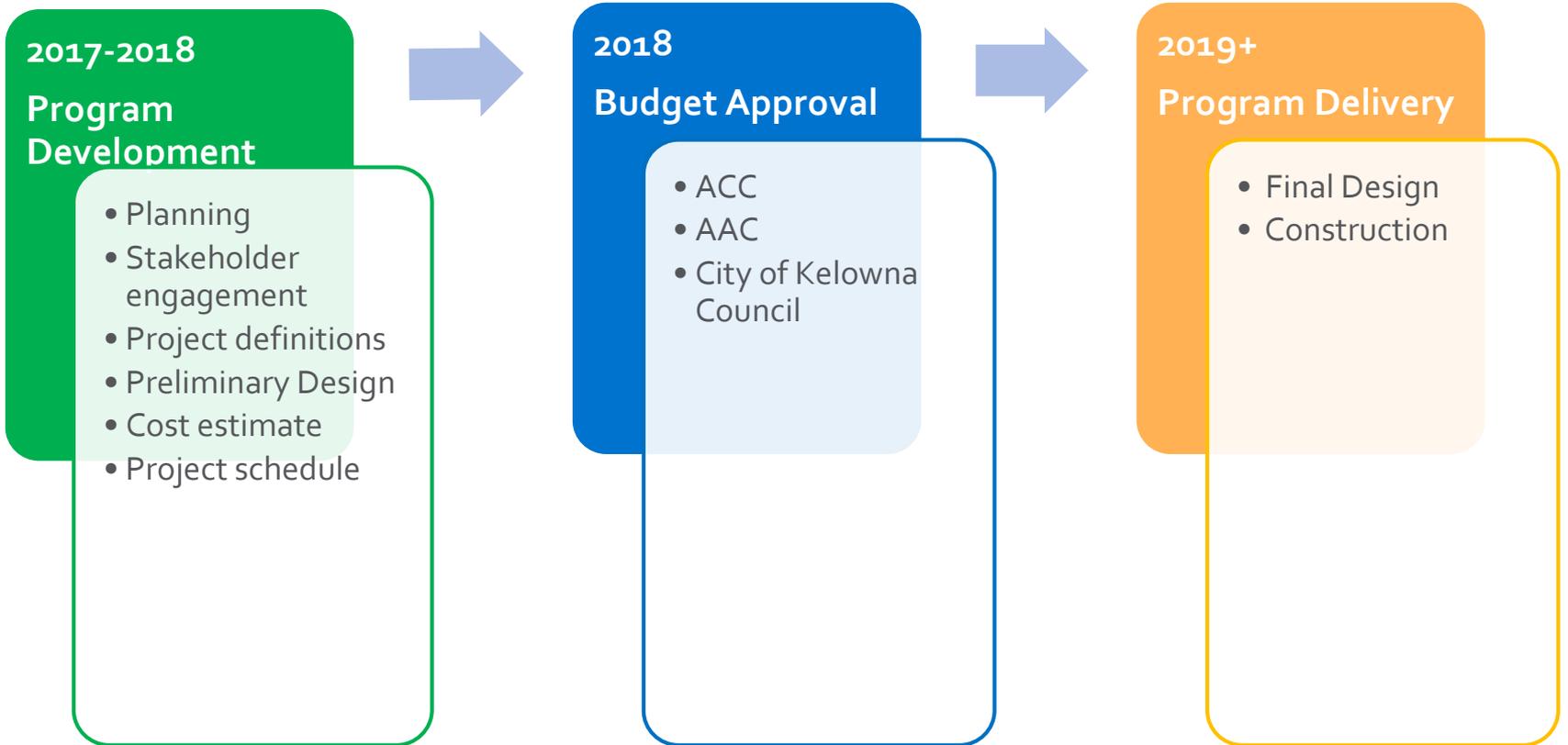
▶ Aviation Support Services Area

- ▶ Location to support airfield expansion to south
- ▶ Includes:
 - ▶ Relocated Glycol Storage Facility
 - ▶ Fueling facility
 - ▶ GSE storage
 - ▶ Hazardous materials treatment
 - ▶ Potential central de-icing facility



New AIF Program

▶ Program Phases





Questions?

For more information, visit ylw.kelowna.ca.



Y.L.W.

Kelowna International Airport

Arrivals/Arrivées

2045 Master Plan





Questions?