THE CITY OF Red Deer

CONFIDENTIAL

Council Meeting of February 23, 2009

ATTACHMENT 'A'

DOCUMENT STATUS: Confidential

REFERS TO: Responses to East Hill Town Centre Work Shop

Emily Damberger

From: [redacted]
Sent: October 29, 2008 10:12 PM
To: Emily Damberger
Subject: 转发: Response to East Hill Town Centre Work Shop

Hello Arminnie and Emily:

Thanks for inviting me to the workshop on October 15th. Unfortunately I couldn't stay for the rest of sessions that afternoon due to my working schedule.

Hopefully my response for the East Hill Town Centre Design Guidelines isn't too late.

I was absolutely amazed and overwhelmed by the information you presented in the workshop. Although I heard some different voices there, the action of promoting mixed-use communities was definitely positive.

High-density, mixed-use communities make more efficient use of resources for heating and electrical and water delivery systems than low-density suburbs. By compacting populations, they rescue dwindling rural and agricultural tracts of land from development. And, by allowing people to live, work, shop and play within walking distance, they enable their residents to wean themselves from their cars. Modern mixed-use development is an emerging art. I am so looking forward to seeing its coming to Red Deer.

What happened in the morning session that day, seems like we paid more attention to the Timberlands Town Centre Master Plan. Concerns and questions raised on drafted master plans overtook the positive features presented by the Town Center Design Guideline. After I finally got time to absorb all the information in your presentation later last week, I was totally impressed by the broad range of aspects covered by the guidelines which apply very well to principles for Mixed-use Communities.

Since you are still working on the concept and draft of Town Center Design Guideline, I might just highlight some issues brought by developed mixed-use communities in North America to your attention.

1. The lack of chain stores, to anchor the stand-alone businesses, may cause retail shops in those spanking-new storefronts to shutter their doors. The exclusion of chains had been a point of pride for those communities, but since, has been given over to shoppers' preference for known entities.
2. Their streets feel too wide. The lack of human scale eventually discourages people to hang around or take a walk.
3. Communities lack basic services that could make them a wholly viable mixed-use community. We should make sure there are grocery stores, postal service and pharmacies.
4. There is none, or not enough, accommodation for affordable housing. The high-end residential units that these places offer, are out of reach for the clerks who work in their stores, the wait staff at their restaurants, the gardener who keeps the greenery on the properties lush, etc. It compromises a basic tenet of mixed-use, when the people who make communities work, have to commute, to do so. However, more environmentally-sustainable mixed-use communities will be built, only if they can be made to be profitable for their developers. Instead, in exchange for having diversity in the neighborhood, we should allow a little bit of extra density, another story, leniency with the floor area ratio that will cover the loss the developer sustains in integrating lower value square footage.

I believe that mixed-use is the way the majority of us will be living in the generations ahead. We should not only apply mixed use principles to new communities but also include Downtown Development and

other communities in Red Deer into a unique urban plan. I would love to attend your future "Urban Design Guideline" workshops and will be better prepared for them.

Best Regards!

[redacted]

[redacted]

Emily Damberger

From: [redacted]
Sent: October 19, 2008 4:25 PM
To: Emily Damberger
Cc: [redacted]
Subject: East Hill Town Centre

I agree with Lorne's comments generally. The power point slide which showed the site's context in the all the cul-de-sac based residential subdivisions to the south was interesting. It shows how completely the east side is based on street and road design standards of decades ago

The arterial/collector system results in only a couple of entry points to a development area, which in order to carry all the resultant traffic are almost always nowadays wide, grand boulevard style gateway roads (Anders on the Lake, Johnstone Crossing are typical).

Looks like Town Centre will be the same. That's where the Open House plans show Mainstreet, which may in fact be too wide to comfortably encourage and support good retail and pedestrian movement- especially in our winters. Also, there are many references to wide sidewalks, and a couple of illustrations which show really wide sidewalks. Sidewalks in Banff and Canmore mainstreets are only 6 feet in most places. I personally think we don't need much more than that, (although I know some will disagree). I think there is a whole study there in what is the right sidewalk width. I would suggest narrower sidewalks, coupled with proper designated bike lanes, treed boulevards etc.

There are some nice features in the design guideline draft and the land use bylaw sections. I think it is has the potential to be an improvement over some developments we have in the City now. However, it also has the potential to be just a bit dressier version of what we have now- a vehicle-based retail centre.

Why doesn't the City hire a progressive transportation consulting firm to design the infrastructure of roads and streets, lanes, and pedestrian walkways to ensure we get proper widths, intersection design, boulevards, bike trails, and linkages to adjacent neighbourhoods?

Aren't we abandoning our control of the Public Sector to the Private developer/retail sector with all these big block developments? Are they building the city we want, or the one they want?

Is there a way to work earlier with developers like Melcor to explain the intent of the new districts, and figure out how to achieve what we want- before they have their plans drawn, just like they did them the last time? I have sat in on MPC sessions where way too much time was spent trying to figure our how someone in a wheelchair got around the site. Revisions to the design became mere patches. Key principles must be integrated into the design early in the game, before it comes to MPC, in my opinion.

With these new ideas, I would think you are really challenging the established developers. That's great! There is a long way to go.

Michael Geller who was here presenting in June, was the project manager for Univercity, a new sustainable community at Simon Fraser University. If you haven't seen their website, they were trying to do a lot of what East Hill Town Centre is trying to do.

Good luck.

[redacted]

[This message has been scanned for security content threats, including computer viruses.]

[Please consider the environment before printing this e-mail.]

Emily Damberger

From: [redacted]
Sent: October 17, 2008 3:37 PM
To: Arminnie Good; Emily Damberger
Cc: [redacted]
Subject: East Hill Town Centre

I attended the East Hill Town Centre open house last night. This email is a follow-up to my written and verbal comments, regarding establishing landscaped & natural buffer zones, recreating the wildlife corridors destroyed by development with soft trails, considering making it a design standard to reestablish wetlands where commercial development has disturbed them if they cannot preserve them, & the desire expressed by many people at every one of the previous meetings for no big box stores, no second Southpointe Common disaster. We do not wish to repeat that pedestrian unfriendly, boulder-strewn, concrete horror. These were the comparisons the presenter used to describe this vision of the Town Centre despite how nice the mock-ups looked. Most people I've spoken with want small shops, an old town feel, like Old Montreal or the Collicut outdoors.

I would like to emphasize that this productive farmscape, formerly home to song birds & migratory birds, as well as an important travel route for deer and moose to Gaetz Lakes, would be best re-landscaped naturally, in keeping with a Gaetz Lake/McKenzie Trails theme, especially on the west side of 30th Avenue. As well, the wetlands on the east side should be restored.

One follow up I wanted to provide was on best practices for storm water management, wastewater, and permeable drainage surfaces – I believe we'd given Tara Lodewyk of PCPS some of these sources on this issue at another regrettable development in this area – the Garden Terraces at the McKenzie Trails meeting we had last year but I didn't see any reference to these important issues in the development guidelines. The 2 people I spoke to last night (I believe they were from Stantec) weren't even sure where Gaetz Lakes were! That put a chill up my spine.

Thanks for the opportunity to take feedback at the Open House.

[redacted]

Here is the link to the AB Environment standards for stormwater management:
http://www.environment.gov.ab.ca/info/library/6979.pdf

It is actually part of a much larger document called STANDARDS AND GUIDELINES FOR MUNICIPAL WATERWORKS, WASTEWATER AND STORM DRAINAGE SYSTEMS.

Section 6.0 deals with Strormwater and and the part we're particularly interested in is **6.3**- Best Management Practices.

1.0 Waterworks Systems Standards 1-1

2.0 Waterworks Systems Guidelines.....2-1

3.0 Wastewater Systems - Performance Standards 3-1

4.0 Wastewater Systems - Design Standards.....4-1

5.0 Wastewater Systems - Design Guidelines 5-1

6.0 Stormwater Management Guidelines 6-1

6.1 General.....6-1

6.2 Stormwater Collection 6-1

6.2.1 Dual Drainage Concept.....6-1

6.2.1.1 Design Capacity 6-1

6.2.2 Storm Sewers.....6-1

6.2.2.1 Sewer Hydraulics 6-1

6.2.2.2 Flow Velocities and Minimum Slope.....6-1

6.2.2.3 Pipe Size 6-3

6.2.2.4 Pipe Material 6-3

6.2.2.5 Pipe Cover.....6-3

6.2.2.6 Curved Sewers.....6-3

6.2.2.7 Change in Flow Direction 6-3

6.2.2.8 Extraneous Flows.....6-3

6.2.2.9 Sewer Maintenance.....6-3

6.2.3 Storm Manholes 6-3

6.2.4 Catch Basins and Gutters 6-4

6.2.4.1 Collection of Surface Runoff.....6-4

6.2.4.2 Catch Basin Capacity 6-4

6.2.4.3 Catch Basin Construction.....6-4

Emily Damberger

From: [redacted]
Sent: October 16, 2008 9:35 AM
To: PCPSReception
Cc: Emily Damberger
Subject: East Hill Town Centre Concept feedback

In viewing the potential designs I don't see them as overly innovative.

The concept of returning to a work/live neighbourhood would, I believe, be better served by a design based on a traditional street grid. Dead-end cul-de-sac street designs still support a car-based mode of travel. Interconnected streets on a grid, in contrast, create an immediately walkable community where it is easy to get from place to place readily and no 'out of the way' misdirection is required to get from point A to point B.

The design also seems to reflect the late-20th century use of "collector" roads - essentially forcing everyone in a district to funnel out to a few key streets. This diminishes the choices available to drivers, cyclists, and pedestrians.

I also would be interested in whether the street designs take into account new design standards (such as those being drafted in Calgary, and in place in many US cities) with narrower roadways and smaller intersections. New standards recognize that streets don't need to be planned for peak usage and that drivers make accommodations on narrower streets (such as waiting for an oncoming vehicle to pass a narrow point) that actually contribute to safety while making the streets more friendly to families.

Finally, the devil is in the details with walkability - I don't see a plan here that is based on walkability first - it is essentially a car/ street plan with some variations. What routes would people walk / push strollers / cycle in moving between various points in the 'town centre' neighbourhood? That analysis of how people would like to move about the neighbourhood should be a starting point.

Thanks for the opportunity to provide input.

[redacted]

East Hill Town Centre Open House

THE CITY OF Red Deer

Wednesday, ~~October~~ Oct 15, 2008

Comment Sheet

Your Name: [redacted]

Mailing Address: [redacted] Postal Code: [redacted]

(Name and address must be included to be a valid response)

Comments & suggestions: I live in Rosedale Gardens - gated community We are excited about Timberlands with ~~the~~ there will be a connection between the south side of 55 St + the north side. People in Rosedale Meadows are hoping for a place to be able to walk to, shop, have a coffee. Rosedale Meadows has a lot of stay at home Moms with small children who would enjoy having easier access to a grocery store, coffee shop theatre, restaurant, parks

With no side walks on 55th St (Hwy 11) it is impossible to connect with the walking paths at Michener "joining" these communities would be huge boost to the east end of the city

The job factor also comes into play - with new communities comes new employment so someone like myself would really enjoy working where I could walk to work.

Thank you for providing this information. [redacted]

Please provide us with your written comments this evening or return your comments to Parkland Community Planning Services at #404, 4808 Ross Street (north across the street from City Hall), fax to: 346-1570 or E-mail to: emily.damberger@pcps.ab.ca by noon Friday, October 31, 2008. Comments received will be used in evaluating community response towards the concepts presented at the open house. Your comments will be provided confidentially to City Council when zoning amendment proceeds. A combined summary of all comments may be provided to the media and public; this summary will not include any names or addresses.

PARKLAND COMMUNITY PLANNING SERVICES

Suite 404, 4808 Ross Street
Red Deer, Alberta, T4N 1X5
Phone: (403) 343-3394
FAX: (403) 346-1570
E-mail: pcps@pcps.ab.ca

East Hill Town Centre Open House

THE CITY OF Red Deer

Wednesday, ~~Oct 16~~ Oct. 15, 2008

Comment Sheet

Your Name: [redacted]

Mailing Address: [redacted] Postal Code: [redacted]

(Name and address must be included to be a valid response)

Comments & suggestions: NO BIG BOX STORES PLEASE!
PEDESTRIAN MALL AREA NOT LARGE ENOUGH → TRIPLE ITS SIZE!
SOUTH PT. COMMON IS NOT A MODEL AT ALL FOR PEDESTRIAN FRIENDLY!
" " " " LANDSCAPING
RESPECT THAT THIS AREA IS/WAS WETLAND - HOME TO DEER, MOOSE, FOX, MIGRATORY BIRDS, SONGBIRDS. PROVIDE HABITAT - LANDSCAPING - PERMEABLE DRAINAGE WHEREVER POSSIBLE. MINIMIZE LARGE [redacted] PARKING LOTS. ESPECIALLY IMPORTANT TO BUFFER COLLEGE PARK & GAETZ LAKES & PROVIDE WILDLIFE CORRIDORS & SOFT SURFACE TRAILS. YOU HAVE DESTROYED A WILDLIFE CORRIDOR & NEED TO RESTORE SOME MEASURE OF WHAT HAS BEEN LOST. ANOTHER WETLAND PROJECT RESTORATION WOULD BE A GOOD STANDARD TO CONSIDER REQUIRING OF COMMERCIAL DEVELOPERS.
Thanks!

Please provide us with your written comments this evening or return your comments to Parkland Community Planning Services at #404, 4808 Ross Street (north across the street from City Hall), fax to: 346-1570 or E-mail to: emily.damberger@pcps.ab.ca by noon Friday, October 31, 2008. Comments received will be used in evaluating community response towards the concepts presented at the open house. Your comments will be provided confidentially to City Council when zoning amendment proceeds. A combined summary of all comments may be provided to the media and public; this summary will not include any names or addresses.

PARKLAND COMMUNITY PLANNING SERVICES

Suite 404, 4808 Ross Street
Red Deer, Alberta, T4N 1X5
Phone: (403) 343-3394
FAX: (403) 346-1570
E-mail: pcps@pcps.ab.ca

East Hill Town Centre Open House

THE CITY OF Red Deer

Wednesday, ~~October 29~~ Oct. 15 2008

Comment Sheet

Your Name: [redacted]

Mailing Address: [redacted] Postal Code: [redacted]

(Name and address must be included to be a valid response)

Comments & suggestions:

Excellent "break out plan"
- like the idea to help balance retail development to eliviate pressure on the South end.
- with the proposed road development off 30th to 11a Highway this is a natural progression.
- if we can stay away from the "South Point" common look this will be widely accepted by the public
- The full migration of retail to the north is causing an unbalanced scenario.
With down town redevelopment we will have a great corridor linking all of Red Deer.

Please provide us with your written comments this evening or return your comments to Parkland Community Planning Services at #404, 4808 Ross Street (north across the street from City Hall), fax to: 346-1570 or E-mail to: emily.damberger@pcps.ab.ca by noon Friday, October 31, 2008. Comments received will be used in evaluating community response towards the concepts presented at the open house. Your comments will be provided confidentially to City Council when zoning amendment proceeds. A combined summary of all comments may be provided to the media and public; this summary will not include any names or addresses.

PARKLAND COMMUNITY PLANNING SERVICES

Suite 404, 4808 Ross Street
Red Deer, Alberta, T4N 1X5
Phone: (403) 343-3394
FAX: (403) 346-1570
E-mail: pcps@pcps.ab.ca

THE CITY OF Red Deer

Council Meeting of February 23, 2009

ATTACHMENT 'A'

DOCUMENT STATUS: Public

REFERS TO: Comprehensive Improvement, Development and Business Plan for the Red Deer Regional Airport (RDRA)

Comprehensive Improvement, Development and Business Plan for the Red Deer Regional Airport (RDRA)

February 17, 2009

Deloitte.

JACOBS Consultancy

Table of Contents

Glossary of Terms 4

Business Case Preamble 5

Executive Summary 6
- Introduction 6
- Study Objectives & Scope 6
- The Airport 7
- Stakeholder Consultations 7
- Key Study Findings & Recommendations 8

Red Deer Regional Airport 11
- History 11
- Location 11
- Regional Economy 12
- Facilities Inventory 12
- Landing Aides 14
- Ownership/Governance/Airport Management Structure 17
- Staffing Levels 17
- Current Tenant Base 17
- New Tenants 17

Aviation Activity Forecast 19
- Aircraft Movement Comparison with Forecasts in 2001 Master Plan 19
- Forecasted Aircraft Movements and Passenger Traffic 2009-2013 21
- Peak Hour Passengers 24
- Air Service Development for RDRA 24

Environmental Scan 25

Financial Assessment 30
- Revenues 30
- Operating Expenses 30
- Profitability & Cash Flow 31
- Alternative Funding Sources 33

SWOT Analysis 35
- Environmental Review 35
- Threats & Opportunities 36
- Weaknesses & Strengths 36
- Challenges 37

Strategic Direction 38
- Vision 38
- Mission Statement 38
- Core Values 39
- Goals & Objectives 39
- Key Success Factors 39
- Strategies 39

Financial Forecast 40

Regional Scheduled Service 41

Revenue Assumptions 41
Capital Program Requirements 42
Financial Forecast 45

Status Quo 48
Revenue Assumptions 48
Capital Program Requirements 48
Financial Forecast 50

Conclusion 52
Economic Impact of the RDRA 52

Glossary of Terms

ACAP	Airports Capital Assistance Program
ACFA	Alberta Capital Finance Authority
AIF	Airport Improvement Fee
ATB	Airport Terminal Building
BDC	Business Development Bank of Canada
CATSA	Canadian Air Transport Security Authority
DME	Distance Measuring Equipment
ECCA	Edmonton City Centre Airport
E/D	Enplaned/Deplaned
ERS	Emergency Response Services
FBO	Fixed Base Operator
GA	General Aviation
MRIF	Municipal Rural Infrastructure Fund
MRO	Maintenance, Repair, and Operations
NDB	Non-Directional Beacon
RDRA	Red Deer Regional Airport
RDRAA	Red Deer Regional Airport Authority
SWOT	Strengths, Weaknesses, Opportunities, Threats
TC	Transport Canada
TCCA	Toronto City Centre Airport
YCD	Nanaimo Airport
YEG	Edmonton International Airport
YHM	Hamilton International Airport
YYC	Calgary International Airport
YYZ	Toronto Pearson International Airport

Business Case Preamble

Most successful businesses have a formalized strategic business plan, which has helped to guide the organization to its highest point of achievement. This plan, whether it is internally- or externally-focused, outlines a set of business goals, the reasons why they are believed to be attainable, and the plan for reaching those goals. The development of a comprehensive and strong business strategy is a direct result of undertaking a strategic planning process. This process was followed by Red Deer Regional Airport (RDRA) in order to develop this business plan.

The RDRA Business Plan helps to provide direction, focus and specific initiatives to help achieve their Vision. It identifies priorities that are to be achieved and establishes a course of action for achieving them. Most importantly, the strategic business planning process provides the Airport Authority with the framework for developing sound business strategy and defining how the airport will grow and prosper over the next five years and beyond.

Strategic business planning does not end once the plan is prepared. The key is a commitment to implementing the plan and providing adequate resources to make it happen. This strategic business plan provides an action plan that outlines the steps to be taken in order to implement the strategies defined in this planning document.

This Business Plan is a rolling five-year plan that is to be updated annually to maintain momentum toward achieving the Vision and to reflect new and changing influences on the airport environment. The Plan provides a foundation to expand airport activity, grow revenue and manage costs.

The following plan represents a bold step forward by the Airport Authority towards ensuring financial sustainability and the future success of the RDRA.

Executive Summary

Introduction

This document constitutes the Business Plan for the Red Deer Regional Airport (RDRA). It begins with a chronological background to the airport's development and ownership and discusses the economic and geographic setting for the airport.

Red Deer County is located directly between Alberta's two largest centres, Calgary and Edmonton. Population in the Red Deer Region has been increasing steadily over the past ten years and this steady growth has encouraged large national and international businesses to relocate to the Red Deer area. At the heart of the county is the City of Red Deer. Red Deer is a thriving centre and the development of several new manufacturing projects and the announcement of hundreds of new jobs are positive indicators of the continuing economic prosperity in the region.

The RDRA is located 8 km south of the City of Red Deer and immediately adjacent to the Hamlet of Springbrook. In 1970, the federal government leased the airport to the province that then in turn leased it to the City of Red Deer.[1] In 1981, the airport was deeded to the Province of Alberta by an order-in-council. The City operated the airport as the Red Deer Industrial Airport until September 1, 1999 at which time the airport was transferred to the Red Deer Regional Airport Authority (RDRAA). In addition, the land that the airport is on is fully owned by the RDRA and its Board. The RDRAA is comprised of appointees from the City of Red Deer, Red Deer County and the Red Deer Chamber of Commerce. The Authority has been created under the Airport Authority Act. The airport is now referred to as the Red Deer Regional Airport (RDRA).

The RDRAA now faces the daunting task of becoming self-sufficient in an era of government cutbacks and lack of funding for the aviation community, which is heightened due to the current economic recession worldwide and substantial need for capital to maintain the current facility. The survival of the airport is important to the continued economic growth of this region. As such, the Province (Ministry of Transportation), City, County and Chamber have authorized the preparation of a five-year Business Plan.

Study Objectives & Scope

The purpose of the Study was to prepare a Five Year Airport Business Plan which would provide the funders with a framework for the future development of the Airport and to identify business growth opportunities. The overall objective of this assignment was to prepare a comprehensive improvement, development, and business plan for the Red Deer Regional Airport (RDRA). The report will:

- Perform an analysis of achievement towards the RDRA master plan and the impediments to its realization;
- Identify the capital needs to operate the RDRA in order to realize the vision and future role of the airport;
- Develop a business and operational plan;
- Evaluate the six principles from the vision of the Red Deer Regional Airport;
- Establish the economic impact and feasibility of viable scheduled passenger services;
- Prioritize implementation of recommendations and phasing of investments; and
- Identify benefits of investments to stakeholders.

[1] The transfer of the Red Deer Regional Airport was a complex series of transfers from government group to government group unlike many of the airport transfers in the Province.

The scope of the project included:

- Review of existing studies and documentation;
- Collection of field data through various means (interviews, surveys, databases, etc.);
- A SWOT analysis;
- Consultation with key stakeholders;
- A focus session with the Airport Authority Board members and other key stakeholders;
- Assessment of air service demand, potential services, case studies, and preparation of an air service development presentation;
- Calculation of the forecast economic impact of viable scheduled service;
- Preparation of a Capital Development Plan for the Red Deer Regional Airport (RDRA);
- Preparation of a 5-year Business Plan; and
- Preparation and submission of a draft and final report.

The Airport

The airport currently serves a number of charter operators and is the fourth busiest regional airport in Western Canada, based on aircraft movement. Currently, only a single Tier 3 operator (Northwestern Air) provides scheduled passenger service at the airport to Fort McMurray. In addition, there are several weekly charters, including Air Canada that provides air transport to oil and gas project sites in northern Alberta. Approximately, 80% of passenger traffic from the Red Deer region uses Calgary International Airport (YYC) for scheduled and charter services and 20% use Edmonton International Airport (YEG). Currently, ground transportation to YYC/YEG on Highway 2 takes approximately 1.5 hours travel time and is susceptible to poor driving conditions during winter months. Furthermore, through stakeholder interviews, it was revealed that parking charges are excessive and an overnight stay at a hotel is often required when using Calgary based air services.

The Airport currently has 48 tenants and serves the following general aviation sectors:

- Charter operations (e.g. Charter Solutions, Coast to Coast Helicopters Inc., Mustang Helicopters, Northwestern Air);
- Flight training (e.g. Sky Wings Aviation Academy); and
- Aircraft maintenance and overhaul (e.g. Hillman Air).

Based on a study performed by Inside Canadian Airports in November of 2005[2], the estimated economic impact of the RDRA (including tenants) was forecasted at $39.4 million. At that time, a projected 55,000 E/D passengers in 2020 saw a projected growth in the total economic impact to approximately, $88.1 million. Under the scenario of increased scheduled service (to Vancouver and Kelowna), we are projecting 110,837 E/D passengers by 2013, leading to a substantial increase in the economic impact of the current general aviation airport operations.

Stakeholder Consultations

Extensive survey information of the community was recently gathered; therefore, only supplementary information was required that was gathered through targeted interviews with key stakeholders, including airport and airline tenants, as well as the prominent businesses in Red Deer. These discussions were used to assist in identifying opportunities and challenges facing the airport, and to obtain their perspective on what is required to enhance the ongoing viability of the airport and contribution to the community, including the potential for new air services.

[2] "Red Deer Regional Airport – Business Case Study with Socio-Economic Impact and Benefits." November 2005. Gibbings Consulting Ltd.

Consultations were held with key stakeholders, including but not limited to:

- Red Deer Airport Authority members;
- Provincial and regional tourism officials;
- City of Red Deer and County of Red Deer mayors;
- Red Deer Chamber of Commerce representatives; and,
- Representatives from key industries that use the airport extensively.

Key Study Findings & Recommendations

Business Development Strategies and Implementation

During the preparation of this business plan, it became evident that the current operation of the RDRA is not sustainable in its current state. The need for an extensive amount of capital over the next five-years requires the airport to aggressively pursue development opportunities to allow the facility to become financially self-sufficient. To this end, there is a need to attract and retain scheduled air service from a major carrier, as well as optimize land that is not required for core airport operating purposes, and to increase the Airport Improvement Fee, tenant lease payments and other sources of revenue to fund day-to-day operations and future capital programs. Furthermore, there is a need to build a closer link with the regional economy and stakeholders, as the Airport Authority cannot grow the business at the airport in isolation.

Scheduled air service is a key priority for the RDRA, as discussed in the "Air Service Development" section. The following are other business opportunities that are suggested to be pursued by the RDRA Airport Authority:

- Increase airport fees and charges, including the land lease rate;
- Seek the development of additional general aviation hangars by private owners/operators or third party developers;
- Seek the development of additional industries at the airport;
- Assist Airspray (the major on-site tenant providing fire suppression services) in expanding their facilities and operations at the airport;
- Encourage general aviation tenants currently based at Edmonton City Centre Airport (ECCA) to relocate their operations to the Red Deer Airport through an incentive program;
- Pursue other flight training opportunities or operators, as well as work with the existing operator to develop links with Red Deer College in foreign flight training programs; and,
- Explore opportunities for creating additional revenues that would become feasible with the growth of scheduled passenger activity within the terminal building, including: the provision of air carrier lease space (counters, offices, etc.); additional food and beverage opportunities; retail concessions, car rental, pay telephones, internet advertising, public parking, etc.

Marketing

The study identified three primary goals that the RDRA marketing plan would need to address:

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

The study proposes five implementable actions, identified as those best suited for responding to the identified goals, which will form the nucleus of the RDRA's marketing plan.

1. Market to retain existing users and attract new general aviation users;
2. Retain and promote scheduled, itinerant, and local aviation traffic;
3. Create community awareness;
4. Attract compatible non-aviation development; and,
5. Develop airport support services.

Initially, it is suggested that the CEO and Authority members will assume all marketing functions. Consequently, there are no operating costs associated with the initiatives contained in this study; however, there may be associated capital costs. A review of the marketing function of the RDRA's Authority members should be reviewed in two- to three-years when operating surpluses are forecast. At that time, consideration may be given to retaining a dedicated, full-time Marketing Director.

Air Service Development

For the Airport to achieve long-term financial sustainability, it is critical for new scheduled passenger service to be obtained, as it generates the most significant portion of future Airport revenues. To this end, the implementation of the following strategies/tasks is recommended over the next five-years.

- Pursue ongoing opportunities for scheduled service.
- Take advantage of industry affiliations and remain current with industry trends with respect to air service.
- Work with the air carriers on a regular basis in an effort to improve scheduling and pricing levels.
- Pursue opportunities for new or enhanced passenger air routes, including upgrades to regional jet service, development of new routes to other regional airports, and additional non-stop passenger services.
- Pursue opportunities to add affordable customs clearance capabilities.
- Work closely with the stakeholders, local travel agents and associations, and operators of various tourist attractions and Travel Alberta to develop a tourism marketing strategy, which would promote the use of air transportation as the primary means for inbound travel. This could include joint marketing packages, creation 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 sun spot destinations.

Financial Plan

The study's financial plan provides an analysis of the financial implications of the business plan based on estimates surrounding present and future operations at the RDRA. The analysis provides a realistic overview of possible financial outcomes.

Despite planned capital expenditures of about $8.845 million over the next five-years, that includes runway, terminal and parking upgrade projects, the RDRA will attempt, through the implementation of this business plan, to initiate efforts that will create a break-even financial position within this period. The capital funds associated with the terminal improvements would be expended only if there was certainty with respect to the sustainability of scheduled air service by a major carrier. The "target" growth scenario represents approximately 62,038 annual aircraft movements by 2013 or an 13.5% increase and passenger growth to 200,381, representing an increase of 264% over the next five-years, which will generate sufficient revenues to allow for a self-sustaining state beginning in the year 2014. The financial performance of the Airport has not improved (and has remained in a deficit situation) since 2003. Clearly, if the airport continues down this path, the revenue generated will be insufficient and federal and provincial grants would be required in the future to meet basic operating costs and maintenance capital, along with other capital requirements associated with turning the airport into a modern aviation facility.

Outlook

The most prudent choice for the RDRA to pursue consists of incremental scheduled services (i.e. to Vancouver and Kelowna). However, if scheduled service is not expanded upon and the airport role remains solely as a general aviation airport, primary stakeholders may potentially be forced into a situation in which they would have to fund any capital and operating shortfalls. Therefore, the airport needs sustained scheduled service by a major carrier to provide incremental revenue and access to federal grant funding for capital projects necessary to sustain the airport. Given the Airport's strategic location, capacity for future development, and assortment of diverse business opportunities, the Airport believes it can capture these new revenues, which will ensure the long-term viability of the airport serving the community and the region. In order to capitalize on these opportunities, the RDRA

will need to establish strategic partnerships with the Province, City, County, Airport tenants, and the local business community, and embark on a proactive marketing and business development program.

Red Deer Regional Airport

History

The RDRAA assumed ownership from the Province of Alberta and operation of the airport from the City of Red Deer on September 1, 1999. The Airport Authority is actively pursuing different marketing strategies to achieve their ultimate goal of self sufficiency. Where it was previously considered an industrial airport, today the Airport Authority has taken initiatives to attract scheduled airline services and to create a 'centre of excellence' for general aviation-related business in the region.

The Red Deer Regional Airport was built during World War II to train Allied forces. The airport was a former Canadian Air Force pilot training base for NATO pilots until 1965 and was originally named CFB Penhold. The Military built the training airfield at this site because of the good flying weather and the uncongested airspace. These conditions exist today, as the Red Deer area boasts good flying weather over 95% of the year and remains user friendly.

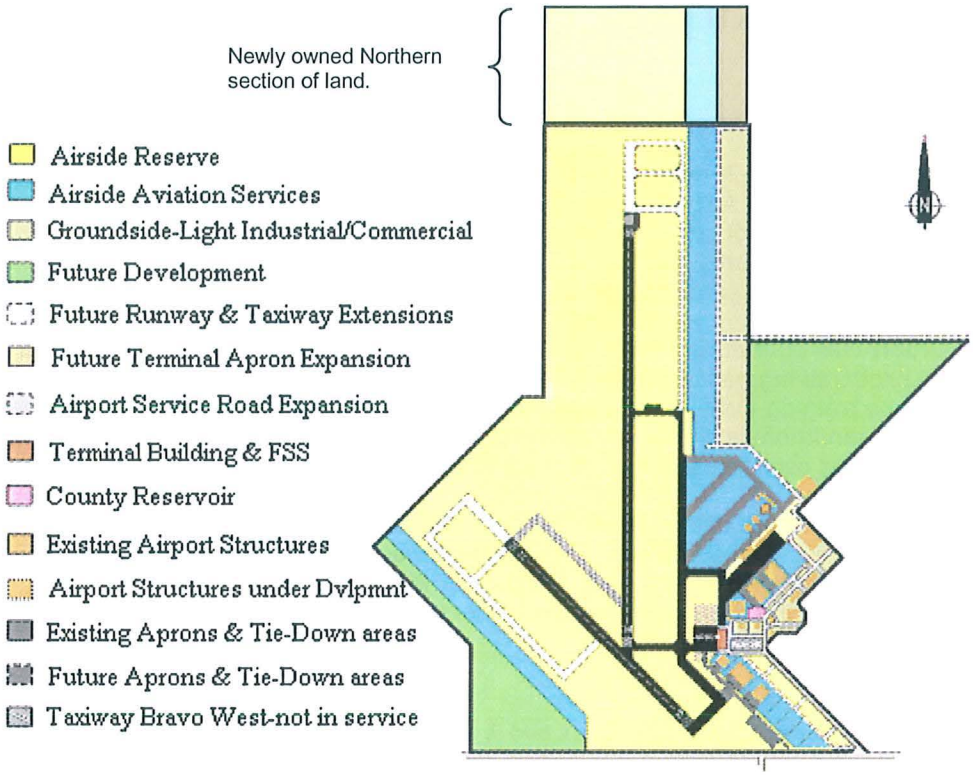
The City of Red Deer took over operation of the airport in 1965 and the Province extended the main runway 16/34 to 5,528 feet in 1980. The ownership of the airport was taken over on September 1, 1999 by the Red Deer Regional Airport Authority, which includes the City of Red Deer, Red Deer County, and the Red Deer Chamber of Commerce as stakeholders.

Location

The RDRA is located 8 km south of the City of Red Deer and 1 km west of Hwy 2A, (LAT N52 10' 43" LONG. W113 53' 35" Sections 13 & 14, Township 37, Range 28, W4M) and situated within Red Deer County. It is also approximately 120 km north of Calgary International Airport and 135 km south of the Edmonton International Airport.

The RDRA is already home to a number of aviation related businesses that includes pilot training, charter services, and aircraft maintenance and overhaul. In addition, the airport is home to two aerial fire suppression operators. As well, the airport is also a key base for oil and gas charter activity. It is the intention of the RDRA to build on the already significant infrastructure and existing business base and develop the RDRA into a centre for commercial aviation. The exhibit, below, illustrates the various facilities and/or land within the RDRA.

Exhibit 1: RDRA Facilities



Regional Economy

The median Red Deer Household income is $92,086 and growing, with 50% of the Region's 2006 farm income over $250,000. The significant investment in the Red Deer region is conducive to strong economic growth into the future. There is a very healthy agricultural industry in the Red Deer area providing the airport with an opportunity to transport specialty crops and/or highly perishable goods (i.e., meats, produce and other agricultural products). Key players, such as Olymel S.E.C. and Sunterra Meats Ltd. are part of the Agri-food industry, which is currently one of the leading economic drivers in Red Deer. Other key players in major industries include, Metal Manufacturing/Products, such as GenTex and Westeel Ltd., and Petrochemicals, such as Dow, Nova, BP Canada, and Red Flame Hot Tap.

Emerging industry sectors include major players, such as Biotechnology (i.e. Bayer Crop Science Canada, DNA Gardens, etc.), High Tech Manufacturing (i.e. DataCan), and Information Communications Technology (i.e. Telus, Tigertel, Lee Specialties, Haliburton, 3rdivision Designs, etc.).

In addition, the tourism industry thrives in the Red Deer Region due to the multitude of lakes and campgrounds. With its central location within the province, the City of Red Deer provides excellent opportunities for conferences and conventions.

Facilities Inventory

Runways

In the spring of 2001, the main runway received a pavement overlay. Additional minor upgrades in apron development were also scheduled.

The RDRA has two runways. The main Runway 16/34 has an asphalt surface and runs in a north-south direction. The runway is 1,685 m (5,528 ft) long and 30 m (98 ft) in width. Taxiway A runs parallel to 16/34 and is approximately 853 m (2,800 ft) in length. The crosswind Runway 11/29 has a

southeast–northwest orientation. The runway is paved and is 1,051 m (3,449 ft) long and is 30 m (100 ft) in width. Taxiway B west which runs parallel to Runway 11/29 is in poor condition.

This section deals with the phasing of airport restoration and expansion projects. Short-term projects are those required in a one- to five-year timeframe, medium-term are those projects in a five- to ten-year timeframe and long-term are those projects required in greater than a ten-year timeframe.

Approach and departure paths for each of the runways appear to be free of any man-made or natural obstructions. A slope drawing was prepared to identify the clearances necessary around the airport, and Red Deer County has included this in their latest Land use Bylaw to restrict development in these areas.

Runway 16/34

The original runway layout was designed and upgraded after the Second World War and functioned as a major NATO air force training base. It served in that capacity until 1965 when air force flight training operations were relocated to Moose Jaw, Saskatchewan.

Runway 16/34 was lengthened in the early 1980s (an overlay of the entire surface took place in 2001) and an Airport Terminal Building (ATB) was constructed to meet anticipated demand for charter and scheduled service. Time Air provided limited scheduled service during the 1980s, however, demand was low and service was suspended. Part of the objective of this plan is to evaluate the potential for a scheduled air service operation at the RDRA and as such, to determine the requirement for airfield modifications to accommodate this type of service. Discussions with different airlines suggest a scheduled air service is possible, however challenging, given the RDRA's close proximity to the Calgary and Edmonton International Airports.

The existing Runway 16/34 length 1,685 m (5,528 ft) will be adequate for the type of aircraft that is projected to use the RDRA for the short term. Aircraft similar to the Beech 1900 (19 seats), Dornier 328 (33 seats), Dash 8-100/300 (37-50 seats) will be able to use this runway for charter and/or scheduled air service. The requirement for a longer runway [minimum 2,134 m (6,300 ft)] would only be necessary if regional jet service were introduced to provide scheduled service in the future. However, in order to accommodate such service in the near future, the runway would have to be extended to a minimum of 7,000 ft. for a 737-600 series aircraft.

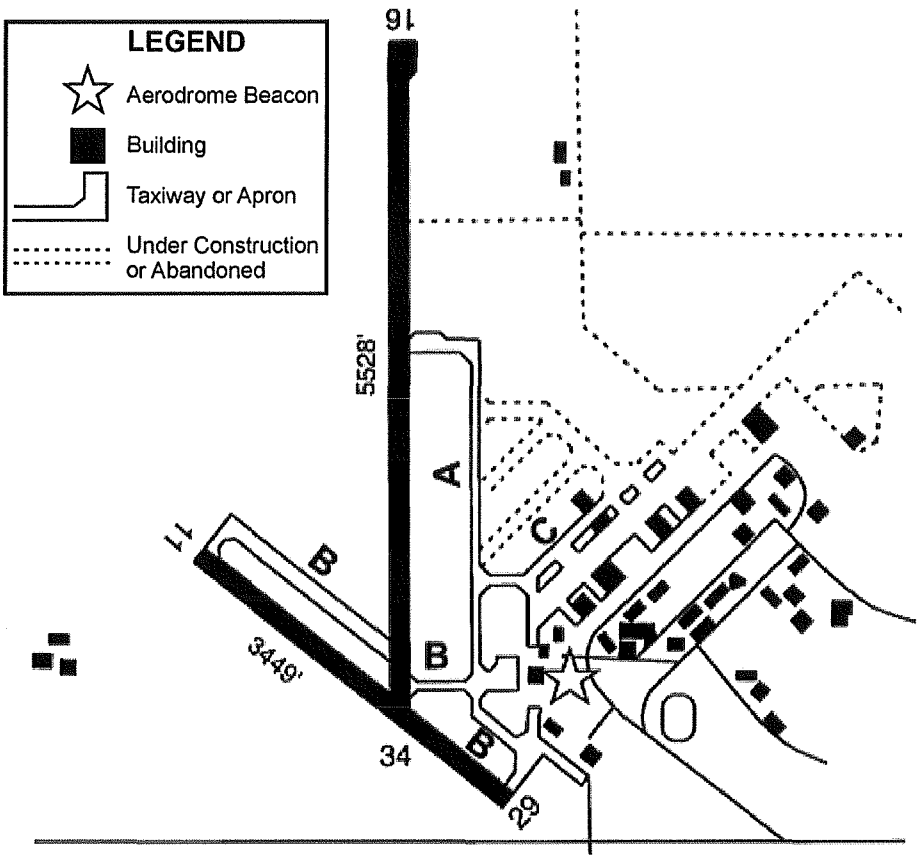
In 2001, Runway 16/34 received an asphalt pavement overlay which is currently in excellent condition. It is anticipated that no further pavement rehabilitation will be required until approximately 2012. In addition, ¼ section of land to the north of the runway has recently been purchased for future runway expansion.

Runway 11/29

Runway 11/29 is in an operable condition. At 1,051 m (3,449 ft), this runway would require a major extension if it was to be used as a crosswind runway to serve larger aircraft used for scheduled service. The crosswind runway is considered to be in fair condition; however, the use of the runway is severely limited by its length and a low PLR (Pavement Load Rating) of four. As a result, this runway is mainly used for flight training.

Runway 11/29 is in an operable condition, as per an assessment completed in November of 2005. However, the pavement is showing signs of distress in the form of surface and joint raveling. The exhibit below illustrates the runway configuration at the airport.

Exhibit 2: Red Deer Regional Airport Runway Configuration



Source: Canada Flight Supplement, March 1999 Natural Resources Canada

Both runways are equipped with medium intensity edge lighting systems that are controlled from the Flight Service Station. The airfield electrical systems are presently fed from the Constant Current Regulators (CCRs), which are located in the electrical room of the ATB.

Landing Aides

Red Deer is served by a Non-Directional Beacon (NDB) located 5 km (3 miles) south of the airport. The beacon provides for an NDB approach to the airport that allows instrument rated pilots to land when cloud ceilings are low and visibility is restricted in precipitation or fog. The IFR Landing Limits for the airport are as follows:

Global Positioning System (GPS)16...308/1;A/B512/1.5, C, 512/2D, 692/2
GPS 34...381/1.25; A/B 512/1.5, C, 512/2; D, 692/2
NDB 34...421/1.25; A/B, 512/1.5, C, 512/2; D, 692/2

Distance Measuring Equipment (DME) has been installed at the airport. This provides pilots with a distance from the airport when approaching to land. It also enhances the NDB approach providing for accurate "distance to go" information during an instrument approach.

At present, the NDB and DME provide the RDRA with a non-precision instrument approach capability. NAV CANADA has recently completed the installation of a GPS Approach for Red Deer.

In addition, lighting upgrades are currently being provided at the airport, which have added RiLS to 34 and PAPI's versus the existing VASIS'. Transport Canada also recommends that the NDB remain in service as a backup to the existing GPS procedure.

Emergency Response Service

"Red Deer County Volunteer Fire Department provides Emergency Response Services (ERS) to the airport. The City of Red Deer has a Mutual Aid Agreement with Red Deer County and would respond, to the best of their ability and subject to the availability of resources, to a request for assistance from The County in the case of an emergency."

If a scheduled airline service were operating from the airport, the emergency response requirements would need to be re-evaluated. Presently, the emergency response requirements have been evaluated by Red Deer County; a report is in the process of being developed.

Emergency vehicles currently access the airport by Highway 2A. If this road were restricted i.e., an accident on the railway, the airport and adjacent communities could be accessed by ERS vehicles from either the south, Penhold, or from the west via the C&E Trail, or from the north from Mackenzie Road. Red Deer County recently built a new firehall near the existing terminal with a bay to store an airport fire truck.

In addition, the County Fire Chief was recently asked to provide feedback around the requirements for a response, which is pending at this time.

Terminal Building

The current ATB is designed to accommodate approximately 50 passengers. In addition to the passenger lounge, there are airline check-in counters, security screening, and baggage handling facilities. The ATB also includes airport administration offices and a NAV CANADA flight service station.

The ATB is currently meeting the needs of the airport users. The introduction of additional scheduled service will require the Authority to evaluate the suitability of the ATB based on the number of peak hour passengers enplaning and deplaning at the ATB and the capability of the ATB to handle passengers during these peak hour periods. This review would evaluate the costs and benefits of expanding the existing terminal building versus constructing a new modern facility. However, even if a new facility is desirable and feasible, it will be necessary to expand the current facilities in an interim manner when traffic increases.

The terminal precinct provides for a wide variety of support services and commercial activities that relate to the movement of passengers, vehicles, baggage, cargo and aircraft. Permitted uses include:

- agricultural and open space uses;
- air cargo and baggage handling facilities;
- air traffic control facilities;
- airline facilities;
- airport and airline maintenance facilities;
- essential airport services;
- navigational and meteorological installations;
- passenger terminal buildings;
- public, staff and car rental parking;
- refuelling and aircraft ground handling operations;
- retail, food and beverage, personal services and related commercial;
- roads and utilities; and
- taxiways and aprons.

The area identified in the Air Terminal Building (ATB) precinct includes lands surrounding the terminal building including the public car parking lot, the terminal apron and adjacent lands designated for future expansion relating to terminal uses. At present, the public car parking lot is of sufficient size to accommodate current passenger levels.

The ATB is currently adequate for the immediate needs of the airport. However, should an airline begin to operate regularly scheduled passenger flights out of Red Deer, the need for the expansion of the terminal building and parking lot may be realized. Sufficient area must be protected from other forms of development to ensure the ATB can accommodate future expansion.

Hangars
Since 2005, there have been over ten hangars constructed at RDRA, with more hangars proposed in the near future, as there is considerable pent-up demand. The Airport Authority wishes to stimulate the development of additional hangars; however, there is a lack of serviced land at this time.

Fuel
Aviation fuel is available from two operators: Skywings and ESSO (Airspray). AV Gas LL100 and Jet A is available for commercial sale. Presently, there is desire to seek a classic Fixed Base Operator (FBO) to develop a new facility.

Ground Handling/Power
Currently, there is no ground handling equipment provided by RDRA. Airspray and Buffalo, as well as others provide this service for itinerant aircraft operators.

Mobile Equipment
There are a number of pieces of equipment, which are used to maintain the airport. Exhibit 3, below, provides an inventory list of the current mobile equipment fleet. Most of the equipment is in need of replacement, except for a mower, truck, and front end loader.

Exhibit 3: Mobile Equipment Inventory (as of February 18, 2008)

Item #	Description	Serial Number
4	1992 Ford Model 350	2FDK37H3NCA57275
5	1992 Chevrolet ½ Ton Truck	1GCDC1426NE141978
6	1992 Blanchet B95 Snowblower	MBPB7-410H
13	Sicard Snow Master Snowblower – Model B1	10569
15	1967 Sweeper Sicard Runway	5495W
17	1998 Case Loader Model 721B	JEE0056000
71	Kubota M6800DTC Cab MFD Tractor & Bucket	64597
79	Frink 19" Plow Reversible	17393
81	Allis Chambers 215H	0.00043
83	2004 Dodge W1500	1D7HU18N54J118936
84	1979 International 5000 Paystar	D3055JGB22458
88	2005 Exmark Lazer Z Mower	541274
89	2006 Case ID Skid Steer & Attachments	N6M432423
91	2006 Plainsman RCR 3515 15FT Batwing Mower with Ac	2D9FSF2B96R108022

Airport Inspection
The airport has the necessary equipment to perform runway surface checks, but all other inspections are performed by Transport Canada (TC). The most recent inspection identified lighting and signage as issues, both of which have been rectified by the recent airfield lighting upgrade project.

Airport Security
Security at the airport is limited and reflects the nature of the businesses and operations at the airport. The secure area of the airport terminal can handle 35-40 passengers and it can potentially be expanded to accommodate up to 50 passengers, although this may create some congestion issues. Currently, there is no system in place to remove CATSA, however in late June/July of 2008, the RDRA was contacted by Transport Canada to undertake a five-year Security Review, after which time it was informed that CATSA may be lost if passenger traffic at the airport is not increased.

Airport Utilities
The airport provides gas and power utility services for the airside hangars. For the developments on groundside, there is three phase power, sewer, and water. Currently, there are no completely serviced sites available for development. However, the Airport Authority has been looking at potentially servicing more land, as there is demand from potential tenants for that land, which would justify additional capital to be expended. As a condition attached to the transfer of the airport, the

federal government was required to complete an environmental survey of the airport. This survey was completed in 1998, with a letter committing them to clean up anything that they may find in the future. Remedial actions were undertaken; no action is currently required.

Ownership/Governance/Airport Management Structure

The Airport Authority owns all of its land and leases it out to tenants. The Board provides governance. The members of the Board are responsible for developing the strategic direction and future vision of the airport, as well as the use of all of the land owned by the authority around the air field. The Board of the RDRA consists of appointees of the City of Red Deer, Red Deer County, and Red Deer Chamber of Commerce.

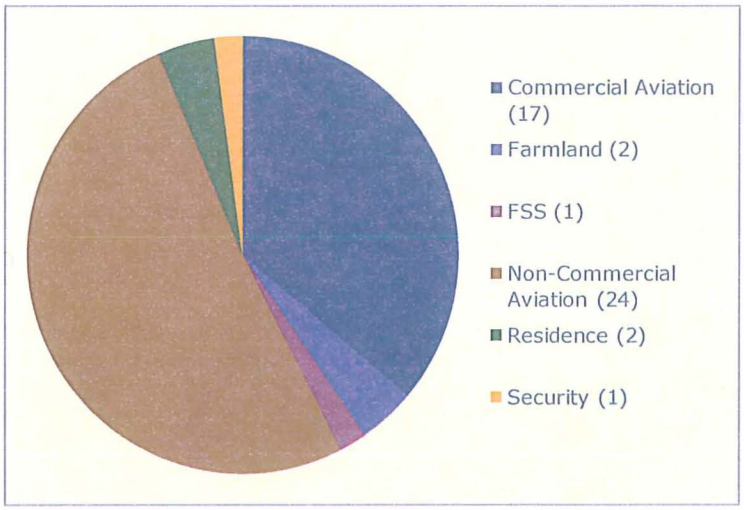
Staffing Levels

Small airports generally operate at minimal staffing levels, and staff are typically required to multi-task. Examples of airport operations jobs include airport manager, airfield maintenance technician/equipment operator (snowplow, lawn tractor), mechanic/handyman, office manager/ bookkeeper. Currently at RDRA, staff consists of an Operations Manager and two Equipment Operators, one of which is responsible for Equipment Maintenance. In addition, the CEO and an Office Administrator (temporary position) are also part of the staff base. The number of staff may increase by five or more employees resulting from the introduction of scheduled service.

Current Tenant Base

The current tenant base is very limited with a small range of operators. There are 47 airport tenants of whom 17 are associated with commercial aviation activity, 24 with non-commercial aviation activity, and six with miscellaneous activities (i.e. residential, farmland, security, and FSS). Exhibit 4, below depicts the distribution of businesses at the airport by their primary business activity.

Exhibit 4: Numbers of Tenants by Primary Activity Category



New Tenants

The Airport Authority and Red Deer County have an agreement for the County Community and Planning Services staff to provide planning review services for the airport. This eliminates any duplication of roles, provides the Airport Authority and the prospective tenant with professional planning expertise and "stream lines" the process for approving leases and development on the airport.

Any prospective tenant or a tenant, who wants to expand operations, must first meet with the CEO for the Airport to determine the suitability of the use on the airport property and that a site is available.

It is the intent of the airport to survey all available lots for lease prior to any applications for development. However, should the total survey be incomplete, the individual lot will be surveyed

prior to any lease agreement being signed. The survey should include posting the corners of the lot, establishing the positions and distances from existing structures and edge of runway, taxis and aprons. The cost of the survey is borne by the prospective tenant.

Once a lot has been confirmed and the General Manager has established that the use is appropriate, the prospective tenant submits their lease proposal and a signed application from the airport CEO to the Planning and Building Department at Red Deer County. The prospective tenant will use the County's standard forms and will pay the County fees for an application. The County staff will review the application and make a recommendation to the General Manager. The County staff will review the application and determine compliance with the Red Deer Regional Airport Master Plan. Once the completed application has been submitted to the County, the staff will endeavour to have a recommendation to the airport CEO within 10 to 15 working days.

If the application complies with the Master Plan, the County will make a recommendation to the General Manager for approval conditional to the successful negotiation of a lease agreement. If the application does not comply with the Master Plan, the prospective tenant may meet with the General Manager and revise their application or select a new site on the airport and re-submit the application.

Once the lease/development application has been approved, one of the conditions placed on the development of the prospective airport tenant will be the completion of a servicing agreement between the tenant and the County for connections to municipal services and the payment of any off site levies owing.

Aviation Activity Forecast

Air Service Demand

A Red Deer-funded KPMG Competitive Alternatives Study was performed in 2008, which identified Red Deer's leading economic drivers in the form of major industry sector key players, such as:

- Agri-food: Olymel S.E.C. Red Deer, Sunterra Meats Ltd.
- Metal Manufacturing/Products: GenTex, Westeel Ltd.
- Petrochemicals: Dow, Nova, BP Canada, Red Flame Hot Tap

Furthermore, emerging industry sectors included major players, such as:

- Biotechnology: Bayer Crop Science Canada, DNA Gardens (tissue cultured plants (foliage))
- High Tech Manufacturing: DataCan (high tech tools for oilfield)
- Information Communications Technology: TELUS, Tigertel, Lee Specialties, Haliburton, 3rdivision Designs

Other findings by KPMG included information around the labour force and unemployment rate in the Region. As per the study, it was found that the active labour force number increased 6.4 percent from 2006 and the unemployment rate in the Region for April 2008 was 3.9%. Furthermore, the study found that Red Deer College, Central Alberta Economic Partnership, and Red Deer Regional Economic Development all support lean manufacturing and office processing technologies. These efforts will eventually translate into a more efficient and productive workforce for the Region.

The key factors, which support the demand for scheduled air services, are the disposable incomes and the propensity to travel amongst the residents of Red Deer. Noteworthy are the following statistics:

- Size of labour force is 110,000 and growing;
- The median Red Deer household income is $92,086 and growing;
- 50% of the Region's 2006 farm incomes were over $250,000;
- 15% of the Region's workforce have a university degree; 61.4% have a college diploma or trade certification;
- 32% of demand for air travel is for business;
- 77% labour participation rate; and,
- Unemployment rate is approximately 4.3%.

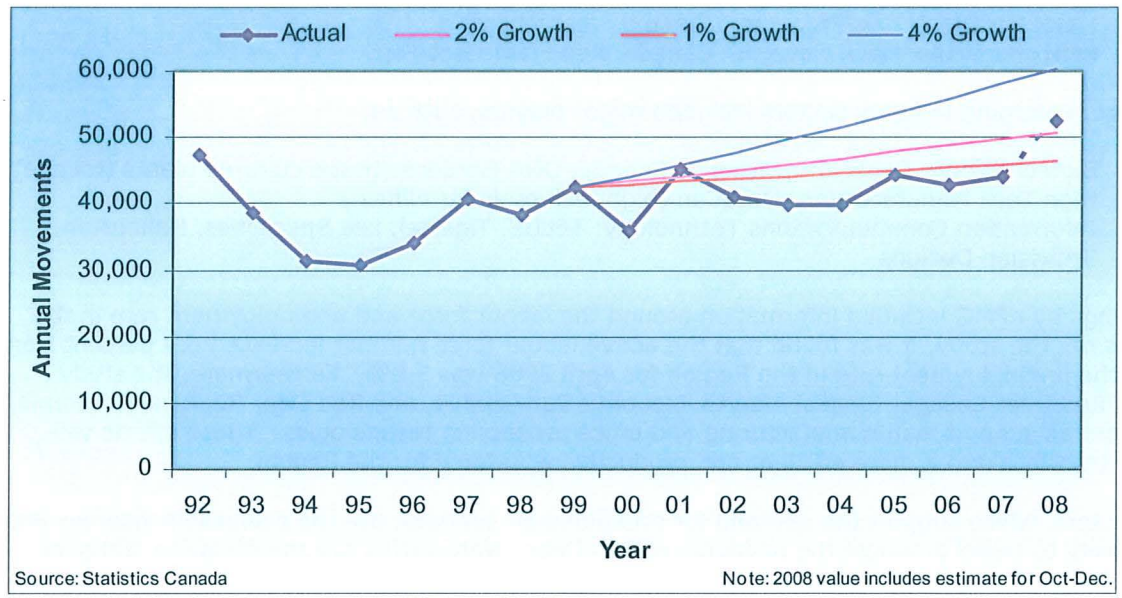
Essentially the Red Deer events market is an origin market – it is estimated that 70% of air service demand will be generated by local residents and businesses. However, Red Deer does feature a number of major attractions and conventions to which visitors from outside the region will travel. There is over 200,000 square feet of convention space at the Westerner Park facility, as well as 23 hotels with over 1,800 hotel rooms in the City of Red Deer. In 2007, there were a substantial number of visitors to the city, with tourism being the fourth largest in the area and major attractions, such as the annual Agri-Trade Show taking place at the second largest exhibition facility in Canada. In addition, the Agri-Trade sector sponsors an international event that has consistently brought in attendees from across North America and abroad with an annual attendance of over 75,000 participants. Based on a review of a number of air service demand factors, surveys and other data sources, the following aviation activity forecast was prepared by Jacobs Consultancy.

Aircraft Movement Comparison with Forecasts in 2001 Master Plan

The 2001 Master Plan forecast aircraft movements at the RDRA to grow by 2% per year between 2000 and 2012, with a possible range of average growth rates of 1% to 4% growth per year. Exhibit 5 compares the forecast numbers of total movements with actual annual movements to 2008. The actual movements were below the mid-forecast (2% growth) in all but one of the eight years 2000-2007, however with the strong growth during the first nine months of 2008, the total movements in

2008 is likely to be higher than the forecast value. Some of the reasons for the high growth rate in 2008 may include the increase in oil sands charters and the movement of training (i.e. flight schools) from Edmonton and Calgary International Airports to the RDRA. Total movements grew by 21% over the 9-months compared to the same months in 2007. In anticipation that this growth rate during the last three months will decline due to the deteriorating economic conditions, growth in 2008 will likely be near 19%. The average annual growth rate in actual movements between 2000 and 2007 was only 0.5%, but this increases to 2.4% for the period due to the robust growth rate in 2008.

Exhibit 5: Actual Movements and Forecast Movements from the 2001 Master Plan for the RDRA



The actual movements in 2007 and the estimated movements in 2008 are compared with the forecast movements in those years below.

	2007	2008
Actual/Est.	44,053	52,340
Forecast	49,731	50,726
Range	(46,000, 58,100)	(46,400, 60,400)

The 2001 traffic forecasts did not differentiate between itinerant and local movements. The two types of aircraft movements impact the airport in different ways, both operationally and financially. Growth in itinerant movements averaged 2.0% per year between 1999 and 2007, the same as the medium forecast growth rate, and should average 2.5% per year over the 9 years to the end of 2008. Local movements, which are predominantly flight training and do not pay landing fees, have been much more volatile - they declined significantly between 1999 and 2007, but will grow by approximately 35% in 2008 giving an average annual growth rate over the nine years of 2.2%.

Thus, growth in aircraft movements up to the end of 2008 is on track with the forecasts in the 2001 Master Plan. The numbers of movements in 2008 will likely be a somewhat greater than forecasted; however, with the economic downturn expected during late 2008 and into 2009, traffic will likely be very close to the forecasts for 2009.

Forecasted Aircraft Movements and Passenger Traffic 2009-2013

Short-term forecasts of aircraft movements and E/D passengers on scheduled passenger services for the period 2009 to 2013 were developed for three different scheduled air service scenarios:

1. No new scheduled service, current limited Northwestern Air service only (which is the only scheduled service).
2. New scheduled service (as per the Red Deer air service study) to Vancouver starting May 1, 2009 and Kelowna starting July 1, 2009. Service is assumed to be three times daily on weekdays, twice daily on weekends, using a 37-seat DHC-8-100 in the first year and upgraded to a 50-seat DHC-8-300 in the second year of operation. The Kelowna service has the same daily frequencies, but is operated using an 18-seat Beech 1900D aircraft.
3. New scheduled service to Vancouver/Kelowna (as above) plus scheduled service to Toronto starting May 1, 2011 (as per the Red Deer Air Service Study). The Toronto service operates twice daily using a 75-seat CRJ-705. In addition, the Toronto service would require lengthening of the runway from 5,500 feet to 7,000 feet.

General Aviation (GA) is forecast to follow historical growth trends as, based on discussion with major stakeholders, no significant changes in tenants and aircraft based at the airport are presently expected over the next five years. Over the past 15 years GA movements have grown on average by 2.0% per year. This is the same growth rate used in the 2001 Master Plan forecasts. The average annual growth rates in itinerant and local movements over that period were similar, 2.1% for itinerant and 2.0% for local movements. GA traffic is expected to grow by almost 20% in 2008, but with the current economical slowdown, growth will likely be minimal in 2009, particularly given the strong growth that was experienced recently. For the period 2010 to 2013 GA is forecast to increase at 2% per year.

The forecast numbers of movements under the three scheduled air service scenarios are provided in exhibit 6. Numbers of movements are provided for each scheduled service and the aircraft type used on those services. Assumptions regarding the scheduled services are also provided. The forecasts under the three scenarios are shown with historical movements in exhibit 7.

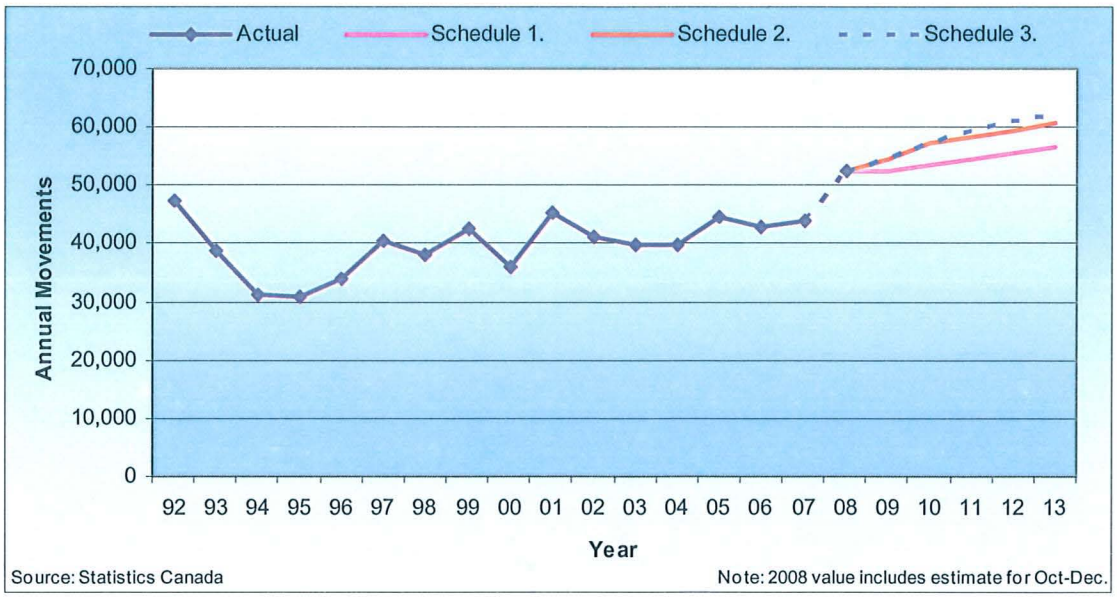
Exhibit 6: Forecast Aircraft Movements at the RDRA 2008-2013 under Three Scheduled Air Service Scenarios

Segment/ Scenario	Scheduled Service	2008	2009	2010	2011	2012	2013
Itinerant GA		27,140	27,140	27,680	28,230	28,790	29,370
Local		25,200	25,200	25,700	26,210	26,730	27,260
Scheduled 1.	None	0	0	0	0	0	0
Scheduled 2.	YVR (1)	0	1,325	651	0	0	0
	YVR (2)	0	0	1,325	1,976	1,976	1,976
	YLW	0	993	1,976	1,976	1,976	1,976
Scheduled 3.	YVR/YLW same as Sched.2.	0	2,318	4,569	3,952	3,952	3,952
	YYZ	0	0	0	976	1,456	1,456
Total	Schedule 1.	52,340	52,340	53,380	54,440	55,520	56,630
	Schedule 2.	52,340	54,658	57,332	58,392	59,472	60,582
	Schedule 3.	52,340	54,658	57,332	59,368	60,928	62,038

Air Service Assumptions

Service Option	Aircraft	MTOW (t)	Flights/wk	Seats	Commencement
YVR (1)	DHC-8-100	15.65	19	37	1-May-2009
YVR (2)	DHC-8-300	18.64	19	50	1-May-2010
YLW	BE1900D	7.69	19	18	1-Jul-2009
YYZ	CRJ 705	37.4	14	75	1-May-2011

Exhibit 7: Historical and Forecast Movements under Three Scheduled Service Scenarios at the RDRA 1992-2013



Source: Statistics Canada

Note: 2008 value includes estimate for Oct-Dec.

Enplaned/deplaned (E/D) passengers were forecast considering the growth in current passenger traffic and passengers that would use the new services. Northwestern Air is the only carrier operating scheduled service from the RDRA, twice-weekly to Fort McMurray using a 19-seat Jetstream 31 aircraft. In 2008 1,520 E/D passengers are expected to use this service, a 33% increased from 2007. Growth on this route this forecast to be 5% per year over the next 5 years. The numbers of passengers on the new services were determined based on the forecast numbers of movements for scheduled services, the aircraft size (number of seats) and a forecast load factor. Load factors were forecast based on the predicted demands given in the Red Deer Air Service Study, but assuming average annual load factors do not exceed 83%[3], and that the load factor during the first year is 2% lower and grows to the expected level after one year as customer's knowledge, confidence and experience with the services increases. The forecast E/D passengers under the three air service scenarios are presented in exhibit 8.

Exhibit 8: Forecast E/D Passengers at the RDRA 2008-2013 under Three Scheduled Air Service Scenarios

Scenario	Service	2008	2009	2010	2011	2012	2013
Scheduled 1.	Existing YMM service	1,520	1,600	1,680	1,760	1,850	1,940
Scheduled 2.	YVR (1)	0	40,187	19,764	0	0	0
	YVR (2)	0	0	52,983	80,028	81,016	81,510
	YLW	0	13,232	26,605	26,889	27,138	27,387
	Total (incl. YMM service)	1,520	55,020	101,032	108,677	110,004	110,837
Scheduled 3.	YVR/YLW (Sched.2.)	0	53,420	99,352	106,917	108,154	108,897
	YYZ	0	0	0	58,560	88,452	89,544
	Total (incl. YMM service)	1,520	55,020	101,032	167,237	198,456	200,381

Assumptions: Load factors: YVR (1): 82%; YVR (2): 80% to 82%; YLW: 74% to 77%; YYZ: 80% to 82%

By 2011, demand for a daily non-stop service to Toronto would be approximately 98 enplanements per day[4], giving a load factor of 82% using a 119-seat 737-600. Similarly, demand for a daily non-stop service to Vancouver would be approximately 94 enplanements per day, giving a load factor of 79%.[5] With these services, no other new scheduled services, and assuming the two services commence May 1, 2011, the forecast numbers of movements and E/D passengers at the RDRA are given in Exhibit 9. It should be noted that there is insufficient passenger traffic demand to Vancouver and Toronto for two major carriers in the forecast period.

Exhibit 9: Forecast Movements and E/D Passengers at the RDRA 2008-2013 under an Alternate Carrier Air Service Scenario*

	2008	2009	2010	2011	2012	2013
Movements - Total	52,340	52,340	53,380	55,412	56,976	58,086
GA	52,340	52,340	53,380	54,440	55,520	56,630
Scheduled	0	0	0	972	1,456	1,456
E/D Passengers	1,520	1,600	1,680	93,138	140,461	142,284

* Daily 737-600 service to both YYZ and YVR commencing May 1, 2012, no other scheduled services at the RDRA

[3] Due to variation in demands over the day and times of the year, average load factors over the year are rarely over 82% for 37-seat aircraft, or over 78% for 18-seat aircraft. A slightly higher maximum average load factor could be used for 50 and 75-seat aircraft.

[4] Assuming flight captures 70% of O/D passengers, stimulates O/D passengers by 15% and captures 20% of potential connecting passengers at YYZ to cities in Ontario, Quebec Atlantic Canada and eastern US.

[5] Assuming flight captures 70% of O/D passengers, stimulates O/D passengers by 15% and captures 15% of potential connecting passengers at YVR to cities in BC, Hawaii and the US west coast.

With the runway extension, there is potential for weekly charter flights to sunspot destinations such as Cancun, Puerto Vallarta or Las Vegas. In addition, there would be an opportunity to develop customs clearance capability. Many communities of a similar size as Red Deer has weekly winter charter flights, but almost all are more than three hours drive from a major airport. Such a service should be considered as an opportunity, but at this point is not considered to be highly likely. Thus, the short-term forecasts do not include any sunspot winter charter flights. If such a service commenced prior to 2013, it would likely increase E/D passengers at the RDRA by approximately 3,500 per year[6].

Peak Hour Passengers

Forecasts of peak hour passengers were developed under the two scenarios of scheduled service outlined previously. The departure and arrival times are unknown at this time, but some will likely be in the same hour as all three services have multiple flights per day. The alternate carrier scenario is considered separately. Currently, a Northwestern Air 19-seat Jetstream aircraft departs the RDRA to Fort McMurray at 16:00 Monday and Thursday, and arrives in at 19:50 on those days. At typical load factors during the busy period of 85%, the peak passengers would be 16. The planning peak hour passenger (PPHP) numbers used for terminal planning are not based on the maximum number of passengers in an hour during the week, but on an average of the maximum values on each day so as not to overbuild the terminal for infrequent occurrences. Thus the twice weekly service with a 19-seat aircraft would only add an additional four to five passengers to the PPHP if it occurred in the peak hour. Given the small impact of the Northwestern Air flights and the small chance of them occurring in the peak hour, they are assumed to not occur in the peak hour of the new flights.

With scheduled service to Vancouver thrice daily and Kelowna twice daily, the peak hour passengers would occur if departures occurred within an hour of each other, or arrivals occurred within an hour of each other. The peak hour passengers based on busy period load factors of 85% would then be 58.

Peak hour passengers would increase under the scenario where twice daily CRJ705 service to Toronto commences in 2011. While it is possible flights to all three destinations could occur within the same hour, it is very unlikely. Peak hour forecasts are based on the DHC-8-300 to Vancouver overlapping with the Toronto flight. With busy period load factors of 85%, the peak hour passengers would be 106. In the unlikely event all three flights overlapped, the peak would be 122, while if none over lapped, the peak would be 64.

Under the scenario where an alternate carrier serves the RDRA, the peak hour passengers would be 101. Again it is very unlikely that the once daily alternate carrier flights to Toronto and Vancouver would overlap. The peak hour estimate is based on use of the 119 seat B737-600 with 85% load factor. The peak hour passenger value under this scenario is very close to that of the major carrier scenario. Service by two carriers is possible, most likely to different destinations, and would give a higher peak hour passengers if their flights overlapped. However, this is not considered likely at the present time and terminal planning should not be based on this scenario.
In conclusion, the forecast PHPP values are as follows:

	Departing	Arriving
2009-2010	58	58
2011-2013	106	106

Air Service Development for RDRA

A comprehensive air service presentation was prepared and submitted to a major carrier for their consideration. This presentation was generated as a separate deliverable from the business plan to allow for the timely delivery of the findings to the route development staff of candidate carriers.

Environmental Scan

An environmental scan that was conducted of four airports that have successfully overcame similar air service issues as RDRA. These four case studies are previous air service projects of Jacobs Consultancy:

- Waterloo service to Calgary International Airport (YYC)
- Abbotsford service to Calgary International Airport (YYC) and Edmonton International Airport (YEG)
- Nanaimo (YCD) extending runway to attract service to Calgary International Airport (YYC)
- Toronto City Centre Airport (TCCA) service by Porter

The factors that were examined in each case included:

- Situation before new service
- Advantages of using the airport
- Hurdles
- Strategy
- Air service obtained
- Relevance to Red Deer

Waterloo Service to Calgary International Airport (YYC)

Waterloo is approximately, a 70-minute drive from the Toronto Pearson International Airport (YYZ) and the Hamilton Airport (YHM). The population of the Waterloo/Kitchener/Guelph area is 600,000, with an O/D passenger demand of approximately 1.6 million. In the past, the only scheduled service available was to Detroit on Northwest Airlines. The analysis indicated that most air passengers used YYZ, whereas 5% used the Hamilton Airport. However, there is a strong travel demand from the business community, as the average household income is quite high.

The advantages of using Waterloo service include, travel time savings of 90 or more minutes on the road and in the terminal and much lower taxi and vehicle (i.e. operating and parking) costs, as well as lower airport costs to the airline. However, some of the hurdles that Waterloo faces include, drawing the power of YYZ, due to the large number of destinations served and high frequencies, as well as the fact that the same services are also provided by major carriers at the Hamilton Airport. In addition, these same carriers would be reluctant to start services from a third Toronto area airport, and the airlines already operating hubs at YYZ would be quite reluctant to split from the Toronto area demand any further.

The strategy that the airport undertook included air service development studies and surveys of businesses and residents in order to understand the demand and build a case for new air services. The Airport activity pursued carriers to serve the airport and presented cases for new services to major airlines, charters, and small carriers. Apart from the WestJet service, new services to Ottawa on Bearskin and winter "Sun" charters were obtained. In addition, WestJet's service to Calgary commenced on May 14, 2007, initially aiming for summer services, but later extending to year-round. Daily services operated using a 136 seat B737-700 aircraft. To date, service has been quite successful and WestJet has been able to stimulate the market and attract passengers who previously used Air Canada from YYZ.

---

[6] One weekly charter flight for 12 weeks using a 165 seat aircraft at 90% load factor

The exhibit, below, illustrates the important properties of the Waterloo airport and its relevance to the Red Deer airport. Essentially, the Waterloo case study indicates that services at an airport serving a large community, while on the outskirts of a major metropolitan area, can succeed.

Exhibit 10: Relevance to Red Deer

Important properties	Comparison with Red Deer
Significant local population and air travel demand	2.5 times that of Red Deer
Driving distance to major airport 1.2 hours and sometimes much longer	Red Deer 1.4 hour drive to YYC
No competition on route at Waterloo airport	No airline competition at Red Deer
Strong demand from area businesses & high local incomes	Quite strong local demand at Red Deer
Ability of carrier to significantly increase market share and stimulate demand	Very true for AC service at Red Deer
Services to major cities successful	Fits services to Vancouver & Toronto
WestJet has not established YYZ as a strong hub airport	AC Jazz operates only a regional hub at YYC

Abbotsford Service to Calgary International Airport (YYC) and Edmonton International Airport (YEG)

The population of Abbotsford's catchment areas are 400,000 and 600,000 for the Primary area (i.e. Abbotsford & Lower Fraser Valley) and the Secondary area (i.e. Surrey, Burnaby, North Vancouver), respectively. The approximate O/D passenger demand is 1.2 million for the Primary area and 1.8 million for the Secondary catchment areas. Because Abbotsford is over one hour's drive from Vancouver Airport (YVR), the congestion in peak times is quite high, as is the length of driving time. Before the Calgary service commenced, there were no scheduled services available, as all air passengers used YVR for their travel needs.

The advantages of using Abbotsford service include, travel time savings of 80 or more minutes on the road and in the terminal, much lower variability in travel times to the airport, much lower taxi and vehicle (i.e. operating and parking) costs, as well as lower airport costs to the airline. However, some of the hurdles that Abbotsford faces include, attempting to draw the power of YVR due to the large number of destinations served and high frequencies. As well, Air Canada operated a hub at YVR and was quite reluctant to split the Vancouver area demand. Lastly, the quality of the terminal facilities was not initially up-to-par.

The strategy that the airport undertook was commencing WestJet services to Calgary using B737s in 1997, eventually increasing the service to three times daily by 2000. In 2000, service commenced to Edmonton, as did summer service to YYZ in 2004-2006 and 2008. Furthermore, Air Canada used to serve Calgary by using RJs and Toronto by using E190s, but those services were discontinued. Lastly, WestJet services to Prince George were also discontinued after a period of one month.

The exhibit, below, illustrates the important properties of the Abbotsford airport and its relevance to the Red Deer airport. Essentially, the Abbotsford case study indicates that services at an airport serving a large community, while on the outskirts of a major metropolitan area, can succeed.

Exhibit 11: Relevance to Red Deer

Important properties	Comparison with Red Deer
Significant local population and air travel demand	2.5 times that of Red Deer
Driving distance to major airport over 1 hour and sometimes much longer	Closer than Red Deer to YYC
Little competition on route at Abbotsford airport	Same would apply for Red Deer
Ability of carrier to significantly increase market share and stimulate demand	Very true for AC service at Red Deer
Services to major cities successful	Fits services to Vancouver & Toronto
WestJet does not use YVR as a hub airport	AC Jazz operates only a regional hub at YYC

Nanaimo Extending Runway to Attract Service to Calgary International Airport (YYC)

The population of Nanaimo/Cowichan area is 226,000, with Air Canada providing the only scheduled service to Vancouver. Nanaimo Airport (YCD) competes with three nearby airports:

- Victoria: 1.7 to 2 hours drive, services to Western Canadian airports, Toronto, and Seattle;
- Comox: 1.3 to 1.7 hours drive, services to Calgary and Edmonton by WestJet; and
- Vancouver: 3 to 4 hours drive/ferry, major international hub airport.

Currently 150,000 E/D passengers use the Nanaimo airport, while the air travel demand for the catchment area is approximately 360,000 O/D passengers. Almost 60% of the catchment area passengers use Victoria, Comox, or Vancouver airport.

The advantages of using Nanaimo service include, travel time savings of 90 or more minutes on the road and in the terminal, much lower taxi and vehicle (i.e. operating and parking) costs, as well as lower airport costs to the airline than YVR. However, some of the hurdles that Nanaimo faces include, drawing the power of YVR despite the three to four-hour access time, WestJet not considering serving Nanaimo from Comox and Victoria, Air Canada's preference to feed its hub in Vancouver, and the short runway not being suitable for reliable service using RJs or narrow-body jets.

The strategy that the airport undertook was a series of air service development studies and surveys in order to understand the demand and build a case for new air services. The runway was also lengthened to make it suitable for larger RJs and small narrow-body jets, the airport activity pursued carriers to serve the airport, and the airport presented cases for new services to major airlines and US carriers. Furthermore, Nanaimo hopes to attract Air Canada RJ service to Calgary once the runway lengthening is complete. As well, Air Canada has expressed an interest in the Calgary route.

The exhibit, below, illustrates the important properties of the Nanaimo airport and its relevance to the Red Deer airport. Essentially, the Nanaimo case study indicates that services at an airport serving a large community, while on the outskirts of a major metropolitan area, can succeed.

Exhibit 12: Relevance to Red Deer

Important properties	Comparison with Red Deer
Relatively small population based is able to sustain viable air service with strong competition from nearby airports	Similar population to Red Deer
Driving distances to competing airports 1.5 to 4 hours	Distance to Comox and Victoria similar to Red Deer to YYC
No competition on new route at Nanaimo airport	Same would apply at Red Deer
Ability of carrier to significantly increase market share and stimulate demand	Very true for AC service at Red Deer
Runway extended to accommodate jet aircraft	Similar situation at Red Deer

Toronto City Centre Airport (TCCA) Service by Porter

The Toronto City Centre Airport (TCCA) is about 15 minutes from downtown Toronto, with a huge air travel demand (although almost all passengers use YYZ). In the recent past, a campaign by a small vocal group was undertaken in order to initiate the closing of the passenger services at the airport. In addition, limited services were operated by Air Canada and prior to 2000, by Canadian. Services were only available to Montreal and Ottawa, after which time Ottawa services were reduced to three to five times daily in 2004. Eventually, all services ceased in March of 2006.

The advantages of using TCCA service include, travel time savings of 30-60 minutes on the road and in the terminal, little variability in travel times unlike traveling to YYZ due to road congestion, much lower taxi fares plus shuttle bus to downtown Toronto and main train station, as well as lower airport costs to the airline than YYZ. However, some of the hurdles that TCCA faces include, drawing the power of YYZ due to the large number of destinations served and high frequencies, restrictions on the airport to the operation of turboprops with nighttime curfew, limited parking facilities, and the discouraged use of the airport due to the ferry link.

The strategy that the airport undertook was an arrangement by a private developer to upgrade the airport and access link, while establishing a new airline (Porter) to serve the airport. In addition, the Port Authority would not lease space to Air Canada on the airport, which consequently provided Porter with a significant advantage of operating at TCCA. The airline concentrated on serving a large business market, which included Montreal, Ottawa, and New York; services to other underserved markets would take place during business slow periods. Lastly, the provision of high quality service became an attractive feature to business passengers. Service by Porter commenced in May of 2007 to Ottawa and Montreal, with eleven flights per day on a 70-seater Dehavilland DHC-8-Q400 aircraft. In March of 2008, services were expanded to New York, with eight to nine daily flights. In June of 2007, there was limited service to Halifax through Ottawa International Airport (YOW) and Quebec in June 2008.

The exhibit, below, illustrates the important properties of the TCCA airport and its relevance to the Red Deer airport. Essentially, the TCCA case study indicates that services at an airport serving a large community, while on the outskirts of a major metropolitan area, can succeed.

Exhibit 13: Relevance to Red Deer

Important properties	Comparison with Red Deer
No competition on new routes at TCCA	Would apply at Red Deer
Ability of carrier to significantly increase market share and stimulate demand	Very true for AC service at Red Deer
Strong demand from business passengers	Quite strong at Red Deer, but market much smaller
Services to major cities successful	Fits services to Vancouver and Toronto

Financial Assessment

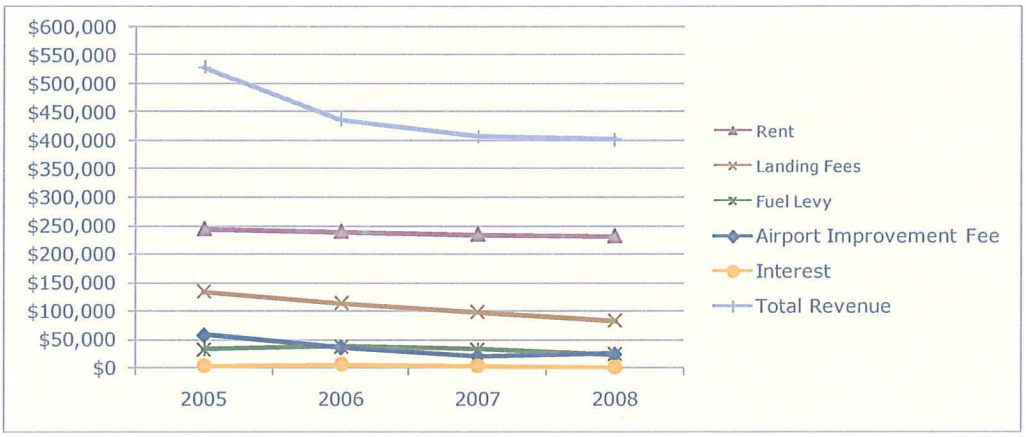
This section provides an assessment of the financial performance of RDRA. The key components (revenue, operating expenses and capital expenditures) are reviewed and the overall impact in terms of profitability and cash flow are examined.

Revenues

Total operating revenues have decreased by 24% from $530,066 to $403,427 (not including the City of Red Deer and the Red Deer County grants) over the period from 2005 to 2008. The exhibit, below, shows the trend with respect to annual revenues over the four-year period.

"Rental," which includes land rental (i.e. hangars and lease areas), building rental (i.e. NAV Canada, two residential houses, and CATSA), NAV Canada occupancy costs, parking fees (i.e. aircraft), and property tax reimbursement, is the largest revenue component for the airport at approximately 58% of total revenues. Rental revenue decreased by 5% from $245,166 in 2005 to $232,125 in 2008.

Exhibit 14: Trend in Revenues 2005-2008



In 2008 YTD, the second largest revenue generator was a cash Grant received from the City of Red Deer in the amount of $145,000, to which a Capital Grant of $40,000 was added. Furthermore, the Red Deer County provided the RDRA with a tax rebate of 65% of all taxes collected, which amounted to $92,440 in 2008. These grants brought the total revenue in 2008 to $680,867.

Landing fees are one of the largest revenue generators, at 21% of total revenues. This revenue category has declined from 25% of total revenue in 2005 to 21% in 2008. Fuel levy, at 6% of total revenues, decreased by 27% from $32,935 in 2005 to $24,041 in 2008.

Operating Expenses

Total operating expenses have increased by 27% between 2005 and 2008. This is primarily based on increases in spending on wages & benefits, contracted services, utilities, insurance, travel & promotion, office & administration, and fuel/automotive. The three expenses that decreased over this period were repairs and maintenance (dropping by 5.3%), property taxes (dropping by 13.1%), and interest on callable debt (dropping by 58.7%) from 2005 to 2008.

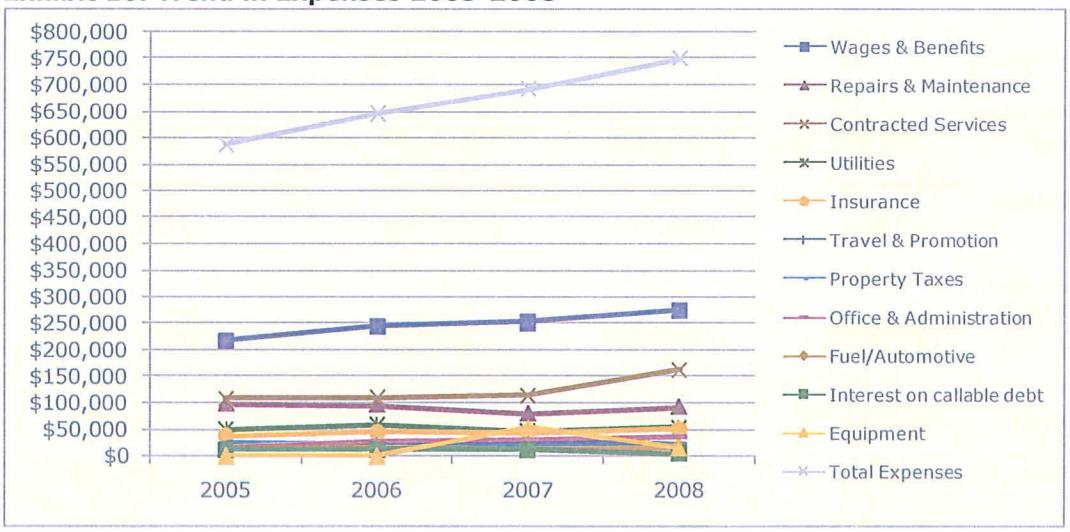
Exhibit 15: Trend in Operating Expenses 2005-2008

Expenses	2005	2006	2007	2008	2005-2008 % Change
Wages & Benefits	$218,141	$244,294	$253,336	$275,621	26.3%
Repairs & Maintenance	$98,690	$96,942	$79,963	$93,465	-5.3%
Contracted Services	$107,888	$108,872	$114,356	$162,582	50.7%
Utilities	$49,961	$58,608	$45,228	$53,826	7.7%
Insurance	$37,751	$45,383	$43,306	$51,121	35.4%
Travel & Promotion	$11,525	$19,621	$31,420	$21,299	84.8%
Property Taxes	$24,914	$20,483	$20,746	$21,662	-13.1%
Office & Administration	$15,334	$26,469	$28,995	$35,352	130.5%
Fuel/Automotive	$14,458	$14,617	$12,062	$15,864	9.7%
Interest on callable debt	$9,924	$10,949	$10,179	$4,100	-58.7%
Equipment	$0	$0	$53,328	$15,250	0%
Total Expenses	**$588,586**	**$646,238**	**$692,919**	**$750,142**	**27%**

Wages and benefits is the largest expenditure category, comprising approximately 37% of total expenditures. The second and third largest expenditure categories are contracted services, and repairs and maintenance, at 22% and 12%, respectively.

Utilities and insurance each comprise approximately 7% of total costs. Utilities have increased by 7.7% in the last four-years and insurance has increased by 35.4% over the last four-years. Office and administration costs comprise approximately 5% of the total expenditure bill. These costs have increased by 130.5% over the past four-years.

Exhibit 16: Trend in Expenses 2005-2008



Profitability & Cash Flow

Exhibit 17 summarizes the operating position of the airport during the period 2005-2008. The airport has been in an operating deficit position over the last five years.

Exhibit 17: Operating Position of the RDRA 2005-2008

Red Deer Regional Airport
Statement of Revenue and Surplus

Revenues	**2005**		**2006**		**2007**		**2008 - for the 10 months ended October**	
Rent	$171,467	32%	$181,992	42%	$235,169	58%	$232,125	58%
Landing Fees	$134,672	25%	$114,669	26%	$97,971	24%	$83,458	21%
Fuel Levy	$32,935	6%	$37,887	9%	$33,139	8%	$24,041	6%
Airport Improvement Fee	$58,243	11%	$37,020	8%	$20,920	5%	$24,829	6%
Interest	$3,222	1%	$5,989	1%	$4,129	1%	$816	0%
Water/Sewer Reimbursement	N/A		N/A		$5,972	1%	$4,803	1%
Argo Energy	N/A		N/A		$3,500	1%	$3,500	1%
Other	$30,838	6%	$2,435	1%	$6,682	2%	$29,855	7%
Total Revenues	**$530,066**	100%	**$438,192**	100%	**$407,482**	100%	**$403,427**	100%
Expenditures								
Wages & Benefits	$218,141	37%	$244,294	38%	$253,336	37%	$275,621	37%
Repairs & Maintenance	$98,690	17%	$96,942	15%	$79,963	12%	$93,465	12%
Contracted Services	$107,888	18%	$108,872	17%	$114,356	17%	$162,582	22%
Utilities	$49,961	8%	$58,608	9%	$45,228	7%	$53,826	7%
Insurance	$37,751	6%	$45,383	7%	$43,306	6%	$51,121	7%
Travel & Promotion	$11,525	2%	$19,621	3%	$31,420	5%	$21,299	3%
Property Taxes	$24,914	4%	$20,483	3%	$20,746	3%	$21,662	3%
Office & Administration	$15,334	3%	$26,469	4%	$28,995	4%	$35,352	5%
Fuel	$14,458	2%	$14,617	2%	$12,062	2%	$15,864	2%
Equipment	N/A	0%	N/A	0%	$32,828	5%	$15,250	2%
Interest on Callable Debt	$9,924	2%	$10,949	2%	$10,179	1%	$4,100	1%
Skid Steer	N/A		N/A		$20,500	3%	N/A	
Staff 23 purchased 2004	N/A		N/A		N/A		N/A	
Land purchased yearly cost	N/A		N/A		N/A		N/A	
Total Expenditures	**$588,586**	100%	**$646,238**	100%	**$692,919**	100%	**$750,142**	100%
Net Operating Surplus (Deficit)	**($58,520)**		**($208,046)**		**($285,437)**		**($346,715)**	
Net Operating Surplus before Extraordinary Items	**($58,520)**		**($208,046)**		**($285,437)**		**($346,715)**	
City of Red Deer Contribution - Operating	$145,000		$145,000		$145,000		$145,000	
City of Red Deer Contribution - Capital	$40,000		$40,000		$40,000		$40,000	
Red Deer County Contribution	$77,172.55		$81,846.62		$82,000		$92,440	
Net Operating Surplus (Deficit)	**$203,653**		**$58,801**		**($18,437)**		**($69,275)**	

Alternative Funding Sources

Currently, the federal government, along with many provincial governments offers programs to assist airports. There is much variation in levels of support between provinces. The following information was gathered from a number of sources, including a summary of provincial programs.

Federal Government

Airports Capital Assistance Program (ACAP)

Regional and Local airports with regularly scheduled passenger service are eligible for limited capital funding for safety related infrastructure upgrades, but not expansion, under the Airports Capital Assistance Program (ACAP).

To be eligible for ACAP funding, these airports must have year-round regularly scheduled passenger service, with a minimum of 1,000 annual passengers, and must meet the requirements of TP312 with respect to certification. Projects must be: (i) essential to maintain or improve safety, protect the asset or significantly reduce operating costs; (ii) meet accepted engineering practices; and (iii) be justified on the basis of current demand. First priority is given to safety-related projects such as rehabilitation of runways, taxiways, aprons etc., which are necessary to maintain the airport's level of protection as required by regulation. Other projects in order of priority include heavy airside mobile equipment, air terminal building/groundside safety related projects, and asset protection/refurbishing/re-lifting or operation cost reduction projects.
Since 1992, the Government's reinvestment in "small" airports has totaled $229 million, which amounts to less than one year's rent payments. In 2006, CAC reported [7] that the fund was over-subscribed and the list of approved but not funded projects totaled $10 million.

Assuming each of the 200 qualifying airports in Canada has at least one runway that required major maintenance every 15 years, the average annual cost just to maintain runways would be in the order of $30 million, or almost all of the currently available annual funding on an ongoing basis. This leaves only $5 million annually to support essential safety needs such as lighting, visual aids, runway sweepers, snowploughs, friction testing equipment, sand storage shed and utilities.

Over the last few years, RDRA has received $2.1 million in 2006 and $2.135 million in 2008 of ACAP funding to help maintain its current operations. In 2009, $1,070,000 of funding has been applied towards the purchase of a sweeper/plow truck and to the replacement of a snow blower. However, at the end of 2009, ACAP funding for the last five-years would have been exhausted. Additionally, over the next five years (2010–2014), RDRA is relying on approximately, $5,971,000 of ACAP to continue to provide the capital needed to maintain an operating airport.

Municipal Rural Infrastructure Fund (MRIF)

The purpose of the $1 billion Municipal Rural Infrastructure Fund (MRIF) is to improve and increase the stock of core public infrastructure and to provide a balanced response to local infrastructure needs in urban and rural Canada. On February 12, 2004, the Government of Canada announced negotiations with each province and territory. Each province, territory, and First Nations community will receive a base allocation of $15 million with the remaining funds allocated on a per capita basis. At least 80% of the MRIF funding will be dedicated to municipalities with a population of less than 250,000. The MRIF is cost-shared with the Government of Canada contributing on average, one-third of total project eligible costs. Provinces and municipalities will contribute the remainder. Government of Canada objectives on the environment, sustainable development, climate change, water quality, urban life, and innovation will guide project eligibility.

Canada Strategic Infrastructure Fund

The $4 billion Canada Strategic Infrastructure Fund complements Canada's other infrastructure programs but differs in its orientation. It emphasizes partnerships with any combination of municipal, provincial, territorial governments as well as the private sector, and each partnership will be governed by specifically tailored arrangements. Investments will be directed to large-scale projects of national and regional significance. Regional equity considerations are taken into account and costs are generally shared between the three levels of government. Investments are made in areas that are

---

[7] CAC Small Airports Committee Priorities 2006 (December 2005).

vital to sustaining economic growth and supporting an enhanced quality of life for Canadians. The Government of Canada will contribute to a maximum of 50% of total eligible costs and is embracing a broader range of partnerships.

Business Development Bank of Canada
The Business Development Bank of Canada (BDC) is a financial institution wholly owned by the Government of Canada. BDC plays a leadership role in delivering financial, investment, and consulting services to Canadian small businesses, with a particular focus on the technology and export sectors of the economy.

Alberta Capital Finance Authority
The Alberta Capital Finance Authority (ACFA) is a provincial authority and acts only as an agent of the Alberta Crown. Its business is to provide local entities with financing for capital projects. ACFA is able to borrow in capital markets at interest rates, which would not be available to local authorities acting independently. ACFA makes loans to Alberta municipalities, school boards, and other local entities at interest rates based on the cost of its borrowings.

SWOT Analysis

An Environmental Review or SWOT Analysis was facilitated by Jacobs Consultancy to focus efforts and assist in the preparation of the Five Year Airport Business Plan. A strategic focus session or 'visioning' workshop was held with representatives from the City of Red Deer, the Red Deer Chamber of Commerce, and Red Deer County. This information was compiled along with the views of the tenants and other key business and community stakeholders.

The following Strengths, Weaknesses, Opportunities, Threats, and Challenges (S.W.O.T) analysis is based on the results of a strategic planning workshop, as mentioned above, held on October 15, 2008, 2008, stakeholder feedback, and a review of the current aviation environment by Jacobs Consultancy and Deloitte.

Environmental Review

The SWOT Analysis was used to analyze the environment that the RDRA faces, and lead to the development of strategies to take advantage of the internal environment (strengths and opportunities) and to mitigate risks and challenges of the external environment (weaknesses and threats). An analysis of the external macro level factors was considered including: political, economic, socio-cultural, technological, institutional and environmental. Specific areas assessed in the external analysis were as follows:

- Strength and future potential of the local and the provincial economy and initiatives that may have an impact on the airport;
- Airport passenger, cargo and aircraft movement traffic/activity characteristics;
- Financial and market strength of the businesses at the airport;
- Assessment of nearby and/or competing airports including strengths and weaknesses;
- Alternative airport revenue and funding sources; and
- Assessment of the airport strategy around marketing, land use, and partnerships.

Subsequently, an internal review of weaknesses and strengths was undertaken. Weaknesses that were examined included a lack of resources or capabilities that hinder the ability to compete effectively. Strengths examined included resources and capabilities that existed internally, which could be used to provide a competitive advantage. The following internal areas were reviewed when considering the strengths and weaknesses: financial performance, marketing, organization, services and facilities and operations. Specific areas that were also assessed in the internal analysis are as follows:

- Strategic Partnerships;
- Finance;
- Business development and marketing;
- Market size;
- Management; and
- Communications.

The following are examples of questions that were reviewed upon examining each area:

Threats

- What external roadblocks hinder progress?
- Are the competitors or quasi-competitors doing anything different?
- Is there significant change occurring in the aviation sector?
- Is technology dramatically changing the aviation sector?
- Are local and/or provincial economic conditions affecting the current situation?

Opportunities

- What opportunities exist that have not been addressed to date?
- Are there emerging trends that can be capitalized?
- What potential partnerships may be pursued?

Weaknesses

- What could be done better?
- What criticism or complaints have been received?
- Where is the airport most vulnerable?

Strengths

- What do you do exceptionally well?
- What advantages do you have?
- What valuable assets and resources do you have?
- What do members of the community/customers identify as your strengths?
- What do your competitors lack that you have?

Threats & Opportunities

When determining the strategic direction to take the Airport over the next five years and beyond there was a need to examine the external environment – threats and opportunities - that can influence the achievement of strategies.

The five greatest THREATS to the RDRA over the next five years that were identified are as follows:

- Close proximity to YYC and YEG;
- Lack of government infrastructure funding support;
- Losing the only scheduled airline;
- Residential encroachment; and
- Emerging economic recession that Canada is entering.

The five greatest OPPORTUNITIES that the RDRA can take advantage of over the next five years were identified as follows:

- Passenger service – scheduled flights to Vancouver and Toronto, leisure charters to sunspot destinations;
- Air cargo centre – central location;
- Training facility – flight training;
- Strategic partnerships – with local regional municipalities, oil and gas companies, travel industry; and
- General aviation – MRO, FBO, Corporate hangars.

Weaknesses & Strengths

When determining the strategic direction to take the Airport over the next five years and beyond, there was a need to examine the internal environment – weaknesses and strengths – that can influence the achievement of the strategies.

To this end the five greatest WEAKNESSES of the RDRA that were identified that needed to be overcome are as follows:

- Lack of strategic business plan, marketing plan, land use plan, strategic partnerships, and common vision;
- Airport infrastructure/services – limited runway length, small and aging terminal, taxiway/apron, poor general condition, lack of customs, fuel services, ground transportation, signage, equipment replacement, unserviced land, ERS, access road;
- Weak political, public and tenant support – poor stakeholder communications and little recognition of the value of airport;

- Lack of capital funds and insufficient operating revenues – dependence on subsidization; and
- Organization – board composition.

The five greatest STRENGTHS of the RDRA that were identified that could be used to improve the competitive advantage included the following:

- Location – convenient, parking;
- Abundance of developable land;
- Community attributes – strong economy, growing catchment area population;
- Market size to sustain scheduled service; and
- Airport management is strong.

Challenges

Issues are items that hare having an impact on the operations of the Airport. The key challenges that were identified at the workshop included the following:

- Capital and operating funding/sustainability;
- Stakeholder support, communication strategy;
- Plan implementation/resources;
- Industrial airport vs. passenger airport; and
- Restructure board.

Strategic Direction

Vision

During the strategic planning workshop in October 2008, the members of the City of Red Deer, Red Deer County, and the Red Deer Chamber of Commerce adopted new Vision and Mission Statements, Core Values, Goals and Objectives, and Key Success Factors.

The following Vision Statement was articulated in 2001 when a Master Plan was created for the RDRA:

"The Red Deer Regional Airport is the centre for commercial aviation"

This following is the revised Vision Statement that was adopted by the stakeholders:

Recommended Vision Statement

Red Deer Regional Airport: The Aviation Gateway to Central Alberta

Mission Statement

The following principles have been developed to provide philosophical direction for the Airport Authority and potential developers and will guide preparation of the Master Plan. In addition to the vision, the stakeholders developed six strategic directions to guide the airport development:

- To develop airport lands to encourage aviation-related and ancillary business to locate at the airport;
- To promote economic growth by targeting appropriate commercial and light industrial business;
- To promote the airport potential as a cargo/courier centre;
- To promote the airport for scheduled airline service;
- To become financially self sustaining; and
- To promote community involvement in airport activities.

This following revised Mission Statement was adopted to reflect today's direction for the Airport which was to collaborate with community stakeholders in promoting the growth of the Airport:

Recommended Mission Statement:

To Serve our Region by Building our Airport

Core Values

- Innovation: strive to be better everyday and make it happen;
- Excellence in safety, security, and operational performance;
- Commitment to quality and convenient service;
- Treat every customer as you would like to be treated; and
- Fiscally responsible.

Goals & Objectives

New goals and objectives for the RDRA are identified below:

- Exemplary facilities - improve the infrastructure and services, including lengthening the runway, terminal improvements, access road, customs, etc.
- Source of local pride – enhance stakeholder relations/airport awareness, particularly with the local residents, the region, and the provincial government.
- Leader in the community - establish key strategic partnerships with the business and travel industry.
- Key economic and employment generator for the region and province by attracting new aviation business, encourage the growth of existing tenants, and to be self-sufficient.

Key Success Factors

To evaluate the performance of the organization the following key success factors were approved:

- Ensure passenger safety and security;
- Develop airport facilities (runway, ATB, access) and services (customs);
- Grow passenger, cargo, and aircraft traffic;
- Achieve operating efficiencies;
- Increase airport's revenue base (market plan);
- Attract new development (land use plan); and
- Nurture strong relationships with the community.

Strategies

The strategies outlined in this plan have been developed within the context of the Vision and Mission statements stated in the previous sections and the broad SWOT analysis. The strategic directions in this plan provide a range of opportunities over a 5-year horizon. A number of strategies were examined; however, only those that were deemed to be viable and reasonable opportunities that could be attained in the next 5-year period were selected. Other Business Development Initiatives that were examined but not recommended at this time have also been identified and analyzed.

Financial Forecast

The goal of this detailed business plan is to identify the portfolio of businesses that will generate an optimal amount of revenue based on best and highest uses of the land assets and the local marketplace demand. In developing the five-year forecast, three scenarios were evaluated, as follows:

1. Maintaining a General Aviation (GA) airport, with no new scheduled passenger service. The current limited Northwestern Air service will remain as the only scheduled service.
2. New scheduled service to Vancouver starting May 1, 2009 and a tier-three carrier service to Kelowna starting July 1, 2009. Service is assumed to be three times daily on weekdays, twice daily on weekends, using a 37-seat DHC-8-100 in the first year and upgraded to a 50-seat DHC-8-300 in the second year of operation. The Kelowna service has the same daily frequencies, but is operated using an 18-seat Beech 1900D aircraft.
3. New scheduled service to Vancouver/Kelowna (as above) plus scheduled service to Toronto starting May 1, 2011. The Toronto service operates twice daily using a 75-seat CRJ-705. In addition, the Toronto service would require lengthening of the runway from 5,500 feet to 7,000 feet.

The scenarios that have been modeled above are for purposes of business planning for the RDRA. Given the current recessionary environment and a tightening of the credit markets, scenario 2 is the preferred scenario, as it adds significant additional revenues with minimal additional capital over scenario 1.

Regional Scheduled Service

Revenue Assumptions

AIF Revenues

Airport Improvement Fees (AIF) is assumed to increase from $10 to $15 per passenger, commencing in 2009 and continuing into 2013 and beyond.

Landing Fees

Landing fees for scheduled services are assumed to increase on an annual basis, assuming a 2.5% inflationary increase from 2009-2013.

Lease Rate

The RDRA leases land to approximately 47 tenants. Currently, fourteen of the 47 tenants are on serviced lots, including: Buffalo, Avtech, Coast to Coast, Skywings, Oakwood Ventures, Edwards, Orbital Energy, Allen Abel, Central Truss, Dave From, and Airspray. For determining lease rates, the airport uses $100,000 - $150,000 per acre and an 8% rate of return (i.e. for unserviced land, $100,000 per acre is used at an 8% rate of return, which produces a lease rate of $0.18/sq. ft.). Upon expiry of a tenant's lease, an increase to a rate of $0.18/sq. ft for unserviced lots and $0.22/sq. ft. for serviced lot will commence. In 2009, tenants whose lease rates expire will pay either $0.18/sq. ft. or $0.22/sq. ft. upon renewal, depending on the relevant lease space. A 20% revenue increase will result from proposed lease rate increases from 2009 to 2013, as per the exhibit, below.

In addition to the revenue generated from an increase to the lease rates of current tenants at the RDRA, there is an opportunity to pursue General Aviation tenants, who are currently based at other airports, such as the Edmonton City Centre Airport (ECCA). An incentive program should be established to encourage the relocation of the tenants' operations to the RDRA. Given the short-term need for capital, the RDRA will need to be creative in developing these incentives to avoid using up its cash flow needed for capital.

Exhibit 18: Annual Rent Revenue (2009-2013)

Annual Lease 2009	Annual Lease 2010	Annual Lease 2011	Annual Lease 2012	Annual Lease 2013
$421,971.80	$426,896.04	$455,783.12	$477,562.68	$505,908.52
	1.17%	6.77%	4.78%	5.94%
Change from 2009-2013: 20%				

Car Park Fees

The RDRA does not currently charge car parking fees. It is assumed that commencing in 2010, $5/day and $20/week parking be charged to customers who leave their vehicles at the airport for a period of time. The revenue from car parking should generate sufficient revenue to cover the cost of the "pay and display" equipment (approximate cost of $15,000) that will be necessary upon the establishment of paid car parking at the airport.

Car Rental

Although contracts with various Rent-a-Car businesses (e.g. Budget, Avis, etc.) are currently being negotiated (i.e. obtaining 12.56% of their gross revenues), the RDRA aims to commence this business in January of 2009. Given the lack of history at this particular location, there has been no attempt in estimating or quantifying the revenue that would be generated from the rental car business.

Scheduled Service Assumptions

On May 1, 2009, a 37-seat DHC-8-100 aircraft service to Vancouver is assumed to operate three times daily on weekdays and twice daily on weekends. If the airport is successful in obtaining scheduled air service to Vancouver, passenger traffic at the airport will increase significantly. With service four times daily on weekdays, three times daily on weekends, using a DHC-8-100 aircraft, the additional traffic will be as follows:

- Annual movements - increase in Total and Itinerant
  2,711 additional movements per year
  5.2% increase in total movements over 2008

- Annual E/D passengers (assuming average of 80% load factor)
  80,258 additional passengers per year

The total revenue generated from the Vancouver flight, with an AIF of $15, would be $378,900 for 2009.

Starting July 1, 2009, it is assumed that an 18-seat Beech 1900 aircraft would provide non-stop service to Kelowna three times daily on weekdays and twice daily on weekends. This new route would stimulate the Red Deer-Kelowna O/D traffic by 15%. The total revenue generated from the Kelowna flight, with an AIF of $15, would be $135,686 for 2009.

In 2010, it is assumed that the DHC-8-100 scheduled service to Vancouver continue from January 1 to April 30, with an AIF of $15 per passenger. The total revenue generated from this service would be $185,177. Furthermore, the scheduled Kelowna service on the B1900D would continue for the full year, generating revenue of $269,196 at an AIF of $15. Starting May 1, 2010, it is recommended that an upgrade to the 50-seat DHC-8-300 service to Vancouver take place with a $15 AIF, generating revenue of $492,260.

In 2011, both the Vancouver scheduled service on the DHC-8-300 and the Kelowna scheduled service on the B1900D would continue for the full year at an AIF of $15, generating a total combined revenue of $1,002,033.

The same scheduled services (i.e. Vancouver and Kelowna) would continue operations in 2012 and 2013, generating combined revenue of $1,002,033 (with an AIF of $15) in each of the two years.

Gift Shop/Restaurant

Although there is a lack of sufficient space at the current terminal building for additional retail (e.g. coffee shop, restaurant, etc.), the RDRA aims to build additional retail space on both the secure and non-secure areas of the airport terminal in the near future.

Capital Program Requirements

Infrastructure and equipment needs for this scenario have been identified for the period of this business plan (2009-2013). All areas requiring capital investment and the total estimated expenditures are provided below. At this time, there is no requirement for capital associated with introducing new technology for the five-year period.

Exhibit 19: The RDRA Five-Year Capital Plan[8]

Red Deer Regional Airport 5-Year Plan Potential ACAP Funding		
YR	**Project (Infrastructure Need)**	**Expenditure**
1	Purchase Sweeper/Plowtruck	$650,000
	Snowblower replacement	$420,000
	YR 1Total	**$1,070,000**
2	RYW 11-29 rehab/repair intersection with RWY 16/34	$1,200,000
	Taxiway A, B, D rehab/overlay	$900,000
	Parking bay addition to present Maintenance Shop	$175,000
	YR2 Total	**$2,275,000**

Red Deer Regional Airport 5-Year Plan Funding by Others		
YR	**Project (Infrastructure Need)**	**Expenditure**
1	Main apron add aircraft de-icing station/collection area	$500,000
	Public parking surface repairs	$100,000
	Public parking "pay & display" equipment	$15,000
	Terminal building upgrade/minimal expansion - planning cost	$150,000
	YR 1Total	**$765,000**
2	SMS - PAL equipment (truck $40K + PAL $35K)	$75,000
	Taxiway C rehab/overlay	$300,000
	Storm water management of airside drainage and repair	$100,000
	Terminal building upgrade/minimal expansion - construction cost	$1,000,000
	YR2 Total	**$1,475,000**

Scheduled Service Forecast
May 1/09: Vancouver via DHC-8-100 **July 1/09:** Kelowna via B1900D
Jan 1-April 30/10: Vancouver via DHC-8-100 **Jan 1-Dec 31/10:** Kelowna via B1900D **May 1/10:** Vancouver via DHC-8-300

[8] Estimates are provided for Business Planning, forecasting, and estimation purposes only; not for construction purposes.

3	Main apron rehabilitation	$1,000,000
	Main parking lot repair/rehab	$500,000
	Electric gate and new security fencing by ATB	$70,000
	YR3 Total	**$1,570,000**

	Rehab ramp connecting hangars to main ramp	$1,600,000
3	Replace RWY sander unit with a prewet unit	$80,000
	Approach lighting 16 & 34	$300,000
	Replace 1/2 pickup (staff 20)	$40,000
	YR3 Total	**$2,020,000**

Jan 1-Dec 31/11: Vancouver via DHC-8-300

Jan 1-Dec 31/11: Kelowna via B1900D

4		
	Sand shed replacement	$120,000
	Overlay of RWY 16/34	$1,500,000
	YR4 Total	**$1,620,000**

	Replace utility service truck (#85)	$75,000
4	Repair and pave Echo taxiway	$450,000
	Replace tar pot unit	$60,000
	Widening of 16/34 (98' to 100' wide)	$300,000
	YR4 Total	**$885,000**

Jan 1-Dec 31/12: Vancouver via DHC-8-300

Jan 1-Dec 31/12: Kelowna via B1900D

5		
	Perimeter fencing of airport	$150,000
	YR5 Total	**$150,000**

	Replace Batwing mower	$20,000
5	Pavement repairs - Apron 2 Air Spray apron	$800,000
	Replace tractor	$80,000
	YR5 Total	**$900,000**

Jan 1-Dec 31/13: Vancouver via DHC-8-300

Jan 1-Dec 31/13: Kelowna via B1900D

Total for 5 Years	**$6,685,000**

Total for 5 Years	**$6,045,000**

***Note:** Airport fire truck ($500,000) will receive federal funding

In the exhibit above, the left-hand column consists of the capital requirements, for which ACAP will potentially fund. The right-hand column consists of capital requirements that currently have no source of funding. It is important to note, however, that a fire truck (at a cost of $500,000) will have federal funding; for this reason, it is not included in the capital requirements table. With respect to the terminal building upgrade/minimal expansion, given projected growth and passenger volumes, the existing terminal building (with some expansion and upgrading) could potentially handle the passenger volume, while the Airport Authority continues to plan for a new terminal as additional scheduled services commence in the future. For this reason, a $150,000 planning cost (in 2009) and a construction cost of $1,000,000 (in 2010) are forecasted, above.

It is forecasted that no additional stalls would be added at this time; however, approximately $100,000 would be required to undertake surface repairs to the current public parking area in 2009, as well as the erection of "pay and display" parking equipment for $15,000 in 2009.

Financial Forecast

Based on the above information, which covered the potential sources of revenue, as well as capital needs, the following statement of revenue and surplus forecasts the financial situation of the RDRA from Year 1 (2009) to Year 5 (2013):

Exhibit 20: Forecasted financial situation from 2009-2013[9]

Red Deer Regional Airport
Statement of Revenue and Surplus

		Year 1	Year 2	Year 3	Year 4	Year 5
Operating Revenues	**2008 YTD**	**2009**	**2010**	**2011**	**2012**	**2013**
Rent	$232,125	$421,972	$426,896	$455,783	$477,563	$505,909
AIF	$24,829	$430,815	$780,726	$830,303	$831,158	$832,041
Landing & Terminal Fees	$83,458	$196,090	$281,165	$290,009	$292,255	$421,992
Fuel	$24,041	$56,486	$80,993	$83,540	$84,187	$121,559
Interest & Sundry	$38,974	$39,948	$40,947	$41,971	$43,020	$44,096
Total Revenues	**$403,427**	**$1,145,312**	**$1,610,727**	**$1,701,605**	**$1,728,183**	**$1,925,596**
Operating Costs						
Wages & Benefits	$275,621	$450,000	$600,000	$615,000	$630,375	$646,134
Repairs & Maintenance	$93,465	$95,802	$98,197	$100,652	$103,168	$105,747
Contracted Services	$162,582	$166,647	$170,813	$175,083	$179,460	$183,947
Utilities & Property Taxes	$75,488	$77,375	$79,310	$81,292	$83,325	$85,408
Insurance & Administration	$107,772	$145,466	$173,228	$177,559	$181,998	$186,548
Interest on Callable Debt	$4,100	$4,203	$4,308	$4,415	$4,526	$4,639
Equipment Operations & Sundry	$31,114	$31,892	$32,689	$33,506	$34,344	$35,203
Total Expenditures	**$750,142**	**$971,384**	**$1,158,544**	**$1,187,507**	**$1,217,195**	**$1,247,625**
Net Operating Surplus (Deficit) before Stakeholder Revenue	**($346,715)**	**$173,928**	**$452,183**	**$514,098**	**$510,988**	**$677,971**
City of Red Deer Contribution - Operating	$145,000	$145,000	$145,000	$145,000	$145,000	$145,000
City of Red Deer Contribution - Capital	$40,000	$40,000	$40,000	$40,000	$40,000	$40,000
Red Deer County Contribution	$92,440	$112,000	$112,000	$112,000	$112,000	$112,000
Net Operating Surplus (Deficit)	**($69,275)**	**$470,928**	**$749,183**	**$811,098**	**$807,988**	**$974,971**
Cumulative Operating Cash position	$80,000	$550,928	$1,300,111	$2,111,209	$2,919,197	$3,894,169
Capital Needs Not covered by ACAP or other Federal Funding	**$200,000**	**$765,000**	**$1,475,000**	**$2,020,000**	**$885,000**	**$900,000**
Cumulative Financing Position	$200,000	$965,000	$2,440,000	$4,460,000	$5,345,000	$6,245,000

NOTES TO DRAFT

Assume all baseline revenues and costs escolate 2.5% per annum unless otherwise specified in the lease or scheduled service calculations or are noted below
Assume Fuel Revenue increases with Scheduled Service in the same percentage as Landing & Terminal Fees
Assume City and County contributions remain consistent for the five-year forecasted period

[9] Note: the source of the numbers from "Capital Needs Not Covered by ACAP or Other Federal Funding" comes from RDRA's six-year Capital Plan table.

Key Assumptions

- Rent will increase based on increased lease rates and tenants;,
- AIF will increase to $15 per passenger on May 1, 2009 and beyond;
- Landing and terminal fees will increase based on increased traffic movements and escalating 2008 fees (at 2.5% per annum to cover inflation);
- Fuel will increase based on aircraft movement and 2.5% inflation;
- Wages and benefits will increased due to an increase in head-count in 2009 and 2010, followed by a 2.5% inflationary rate each year thereafter;
- Repairs and maintenance, as well as contracted services, will increase based on a 2.5% inflation per annum;
- Forfeit future direct airline revenues for a twelve-month period, associated with an incentive program to stimulate new air service;
- Utilities and property taxes will increase based on a 2.5% inflation per annum; and
- Insurance and administration will increase due to an increase in the cost of overhead in 2009 and 2010, followed by a 2.5% inflationary rate each year thereafter.

Status Quo

Revenue Assumptions

AIF

Airport Improvement Fees (AIF) is assumed to increase from $10 to $15 per passenger, commencing in 2009 and continuing into 2013 and beyond.

Landing Fees

Landing fees for scheduled services are assumed to increase on an annual basis, assuming a 2.5% inflationary increase from 2009-2013.

Lease Rate

Similar revenue to scenario 2, as discussed in the previous section. In addition to the revenue generated from an increase to the lease rates of current tenants at the RDRA, there is an opportunity to pursue General Aviation tenants, who are currently based at other airports, such as the Edmonton City Centre Airport (ECCA). An incentive program should be established to encourage the relocation of the tenants' operations to the RDRA. Given the short-term need for capital, the RDRA will need to be creative in developing these incentives to avoid using up its cash flow needed for capital.

Exhibit 21: Annual Rent Revenue (2009-2013)

Annual Lease 2009	Annual Lease 2010	Annual Lease 2011	Annual Lease 2012	Annual Lease 2013
$421,971.80	$426,896.04	$455,783.12	$477,562.68	$505,908.52
	1.17%	6.77%	4.78%	5.94%
Change from 2009-2013: 20%				

Scheduled Service

No new scheduled service. Sustain service with Northwestern Air from Red Deer to Fort McMurray.

Capital Program Requirements

Infrastructure and equipment needs for this scenario have been identified for the period of this business plan (2009-2013). All areas requiring capital investment are outlined below, along with the total estimated capital expenditures. At this time, there is no requirement for capital associated with introducing new technology for the five-year period.

Exhibit 22: The RDRA Five-Year Capital Plan

Red Deer Regional Airport 5-Year Plan Potential ACAP Funding		
YR	**Project (Infrastructure Need)**	**Expenditure**
1	Purchase Sweeper/Plowtruck	$650,000
	Snowblower replacement	$420,000
	YR 1Total	**$1,070,000**
2	RYW 11-29 rehab/repair intersection with RWY 16/34	$1,200,000
	Taxiway A, B, D rehab/overlay	$900,000
	Parking bay addition to present Maintenance Shop	$175,000
	YR2 Total	**$2,275,000**
3	Main apron rehabilitation	$1,000,000
	Main parking lot repair/rehab	$500,000
	Electric gate and new security fencing by ATB	$70,000
	YR3 Total	**$1,570,000**
4	Sand shed replacement	$120,000
	Overlay of RWY 16/34	$1,500,000
	YR4 Total	**$1,620,000**
5	Perimeter fencing of airport	$150,000
	YR5 Total	**$150,000**
	Total for 5 Years	**$6,685,000**

Red Deer Regional Airport 5-Year Plan Funding by Others		
YR	**Project (Infrastructure Need)**	**Expenditure**
1	N/A	
	YR 1Total	**$0**
2	Taxiway C rehab/overlay	$300,000
	Storm water management of airside drainage and repair	$100,000
	SMS - PAL equipment (truck $40K + PAL $35K)	$75,000
	YR2 Total	**$475,000**
3	Rehab ramp connecting hangars to main ramp	$1,600,000
	Replace rwy sander unit with a prewet unit	$80,000
	Approach lighting 16 & 34	$300,000
	Replace 1/2 pickup (staff 20)	$40,000
	YR3 Total	**$2,020,000**
4	Replace utility service truck (#85)	$75,000
	Repair and pave Echo taxiway	$450,000
	Replace tar pot unit	$60,000
	Widening of 16/34 (98' to 100' wide)	$300,000
	YR4 Total	**$885,000**
5	Replace Batwing mower	$20,000
	Pavement repairs - Apron 2 Air Spray apron	$800,000
	Replace tractor	$80,000
	YR5 Total	**$900,000**
	Total for 5 Years	**$4,280,000**

***Note:** Airport fire truck ($500,000) not needed for GA airport

***Note:** Main apron aircraft de-icing station/collection area ($500,000) not needed for GA airport

From the exhibit above, it can be seen that approximately, $4,280,000 worth of capital requirements will have to be funded through sources of funding other than ACAP and federal funds in the next five-years. In addition, Red Deer County and the City of Red Deer would require ongoing capital and operating subsidies in order to fund the capital needs. With this scenario, there is no major capital improvements required.

Financial Forecast

Based on the above information, which covered the potential sources of revenue, as well as capital needs, the following statement of revenue and surplus forecasts the financial situation of the RDRA from Year 1 (2009) to Year 5 (2013):

Exhibit 23: Forecasted financial situation from 2009-2013[10]

Red Deer Regional Airport
Statement of Revenue and Surplus

Operating Revenues	**2008 YTD**	**Year 1 2009**	**Year 2 2010**	**Year 3 2011**	**Year 4 2012**	**Year 5 2013**
Rent	$232,125	$421,972	$426,896	$455,783	$477,563	$505,909
AIF	$24,829	$25,450	$26,086	$26,738	$27,407	$28,092
Landing & Terminal Fees	$83,458	$85,544	$87,683	$89,875	$92,122	$94,425
Fuel	$24,041	$24,642	$25,258	$25,890	$26,537	$27,200
Interest & Sundry	$38,974	$39,948	$40,947	$41,971	$43,020	$44,096
Total Revenues	**$403,427**	**$597,556**	**$606,870**	**$640,257**	**$666,648**	**$699,721**
Operating Costs						
Wages & Benefits	$275,621	$282,512	$289,574	$296,814	$304,234	$311,840
Repairs & Maintenance	$93,465	$95,802	$98,197	$100,652	$103,168	$105,747
Contracted Services	$162,582	$166,647	$170,813	$175,083	$179,460	$183,947
Utilities & Property Taxes	$75,488	$77,375	$79,310	$81,292	$83,325	$85,408
Insurance & Administration	$107,772	$140,466	$173,228	$175,760	$180,154	$184,658
Interest on Callable Debt	$4,100	$4,203	$4,308	$4,415	$4,526	$4,639
Equipment Operations & Sundry	$31,114	$31,892	$32,689	$33,506	$34,344	$35,203
Total Expenditures	**$750,142**	**$798,896**	**$848,118**	**$867,522**	**$889,210**	**$911,440**
Net Operating Surplus (Deficit) before Stakeholder Revenue	**($346,715)**	**($201,339)**	**($241,248)**	**($227,265)**	**($222,562)**	**($211,719)**
City of Red Deer Contribution - Operating	$145,000	$145,000	$145,000	$145,000	$145,000	$145,000
City of Red Deer Contribution - Capital	$40,000	$40,000	$40,000	$40,000	$40,000	$40,000
Red Deer County Contribution	$92,440	$112,000	$112,000	$112,000	$112,000	$112,000
Net Operating Surplus (Deficit)	**($69,275)**	**$95,661**	**$55,752**	**$69,735**	**$74,438**	**$85,281**
Cumulative Operating Cash position	$80,000	$175,661	$231,413	$301,148	$375,586	$460,866
Capital Needs Not covered by ACAP or other Federal Funding	**$200,000**	**$0**	**$475,000**	**$2,020,000**	**$885,000**	**$900,000**
Cumulative Financing Position	$200,000	$200,000	$675,000	$2,695,000	$3,580,000	$4,480,000

NOTES TO DRAFT

Assume all baseline revenues and costs escolate 2.5% per annum unless otherwise specified in the lease or scheduled service calculations or are noted below
Assume Fuel Revenue increases with Scheduled Service in the same percentage as Landing & Terminal Fees
Assume City and County contributions remain consistent for the five-year forecasted period

[10] Note: the source of the numbers from "Capital Needs Not Covered by ACAP or Other Federal Funding" comes from RDRA's six-year Capital Plan table.

Conclusion

The Red Deer marketplace has the population base, economic activity, and market demand to be viable as a destination for scheduled service for one major carrier. However, the movement towards a recessionary economy, with an unknown timeline, may affect the timeframe of scheduled service to the community.

Substantial capital is required to preserve the status quo operation of the airport, over and above Federal ACAP funding, let alone support the addition of regular scheduled service. In the short-term the RDRA will need the support of its stakeholders to access capital funds to continue to maintain the airport operation. Under a scenario, where scheduled service begins in mid-2009, forecast revenue growth is sufficient to repay capital funding over time. Under a status quo scenario, the RDRA will not have sufficient revenues to repay the capital funding provided.

Potential revenue streams from non-aviation activity will increase through increasing lease rates over the forecast period to existing tenants. The RDRA is also looking at other non-aviation revenue streams from real estate developments; however, these plans are in the early stages of discussion with potential tenants and as such, it is not practical to estimate the timing or quantum of capital required or potential future revenue streams at this time.

Failure to provide the capital funding to meet the requirements outlined in the five-year capital plan will result in a degradation of infrastructure that will jeopardize the ability of existing aviation tenants to use the airport. The loss of these tenants would reduce the RDRA to a runway and apron with limited use.

Economic Impact of the RDRA

The long-term direct economic impacts of scheduled passenger service at RDRA include:

- The RDRA would become financially self-sustaining over time without ongoing financial support through regular municipal grants.
- The incremental increase in revenues, stemming from landing and terminal fees, as well as fuel fees. The total revenue expected in 2009 from scheduled air service is $1,145,312 and it is expected to grow by 68% to $1,925,596 in 2013.
- On the operating side, the RDRA would double the number of employees on staff to manage the requirements of scheduled service, with an increase in wages and benefits from $450,000 in 2009 to $646,134 in 2013, a 44% increase over the five-years.
- Total operating costs, including repairs and maintenance, contracted services, utilities and property taxes, etc. would see an increase of 28% to $1,247,625 in 2013 from $971,384 in 2009.
- The capital spend required in the local community by RDRA would increase by 18% from $765,000 in 2009 to $1,247,625 in 2013, as asphalt or normal equipment can be purchased locally, while any specialized equipment, such as snow blowers cannot.
- Overall, the RDRA would be required to spend $12.7 million of capital over the next five-years, of which approximately $11.0 million would result in hiring labour or purchasing materials and equipment from within the region.
- Additional business operations would be required to handle activities, such as aircraft grooming and fire services, which would have a potential increase in the level of general activities at the airport.
- The RDRA would stimulate a net increase in visitors to the central Alberta area, estimated at 15% of current visitors.

The long-term indirect economic impacts of scheduled passenger service at RDRA include:

- Based on the Business Case[11] prepared by Gibbings Consulting, the economic impact of Red Deer Regional Airport resulted in $39.4 million (2005) gross revenues to the region, based on a projection of approximately, 12,000 passengers, and was forecasted to increase to $88.1 million (2020) based on forecasted growth of E/D passengers to 53,987 per year. As we are currently projecting E/D passengers growing to 110,837 (2013), the long–term economic impact of the RDRA would be expected to exceed the $88.1 million estimate.

[11] "Red Deer Regional Airport – Business Case Study with Socio-Economic Impact and Benefits." November 2005. Gibbings Consulting Ltd.

www.deloitte.ca