EDMONTON INTERNATIONAL AIRPORT

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DECEMBER 2008

Edmonton Airports

# 2009-2013 Strategic Plan Abridged

EDMONTON CITY CENTRE AIRPORT

COOKING LAKE AIRPORT

VILLENEUVE AIRPORT

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# Edmonton Airports
## 2009-2013 Strategic Plan – Abridged

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# 1. CORPORATE FOUNDATION AND PLANNING

Edmonton Airports' planning process guides our development and operations in the short, medium and long-term. The overarching guidance, central to all of our planning, is our Vision, Mission and Core Values. The Vision focuses our priorities and inspires us to achieve what we want Edmonton Airports to be in the future. Our Mission is a statement defining our purpose and how we conduct business – it is our identity. Edmonton Airports' Core Values are the key principles that we follow in all of our activities. Planning is a dynamic and ongoing process, with all of the planning activities on a continuum that feed each other. As our environment changes, we need to be in a position to have considered alternative futures, so that as the environment changes we are able to adjust to a new reality.

## 1.1. Vision

Our Vision gives a clear picture of where we want Edmonton Airports positioned. This Vision shifts us from the managerial to a keenly strategic understanding of our purpose in Alberta at this point in time. The Vision incorporates key concepts that will serve to guide the way we plan our activities:

VISION
TO BE THE NORTH'S PREFERRED GATEWAY TO THE WORLD, AND THE WORLD'S PREFERRED GATEWAY TO THE NORTH

- The Edmonton region's historic and future role with the North;
- People and goods not only flow from the North; but to the North as well; and
- Individuals, businesses and governments have choices on how and with whom they do business.

The Vision acknowledges that we are not there yet, and in order to achieve our Vision we need to plan our future direction and take the necessary steps to move incrementally towards our Vision.

## 1.2. Mission

Coupled with our Vision is a Mission that clearly establishes the priorities of Edmonton Airports. The key concepts contained within the Mission guide the way we do business:

MISSION
WE MANAGE COMMERCIALLY FOCUSED AIRPORTS AND FACILITIES, STRIVING TO EXCEED CUSTOMER AND COMMUNITY EXPECTATIONS

- Proactively manage the airport assets in the best interests of the community;
- Exceed customer and community expectations; and
- Make business decisions with a commercial focus on efficiency and effectiveness

## 1.3. Core Values

Edmonton Airports' Core Values are the underpinning of our Vision and Mission and are integral to the way we do business – they are a given in everything we do. In 2008, we have added a new Core Value – Sustainability. Our industry and society's overall expectation is that we manage a balance between the social, economic and environmental areas of our business. Our focus will be to take a proactive look at sustainability and what we can do in this area, such as LEED[1] certification for our terminal expansion.

| | |
|---|---|
| Safety: | We ensure that the safety and security of our customers, staff, facilities and environment is a primary concern in all aspects of doing business. |
| Quality: | We are motivated by customer expectations in providing quality facilities and services in a customer-sensitive and service-driven manner. |
| Integrity: | We are accountable for all our actions, including financial management, and act honestly and respectfully in our business relations, usage of our resources, treatment of our customers and each other, and in the general conduct of our business. |
| Teamwork: | People are our most important resource; we work together to foster an open and cooperative environment that encourages teamwork, communication and mutual respect. |
| Innovation: | We champion innovation and drive efficiencies to create new value for our stakeholders. |
| Sustainability: | We are committed to responsibly managing all of our assets to advance our region's environmental stewardship, social well-being and economic prosperity. |

[1] Leadership in Energy and Environmental Design

# 2. ENVIRONMENT OVERVIEW

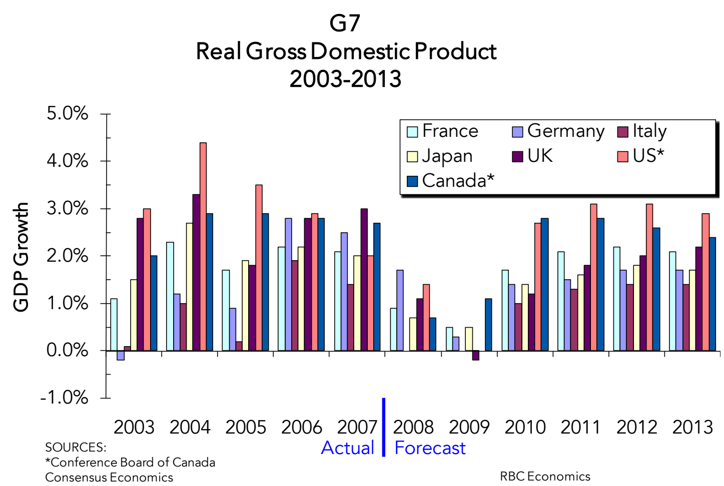
## 2.1. Economy

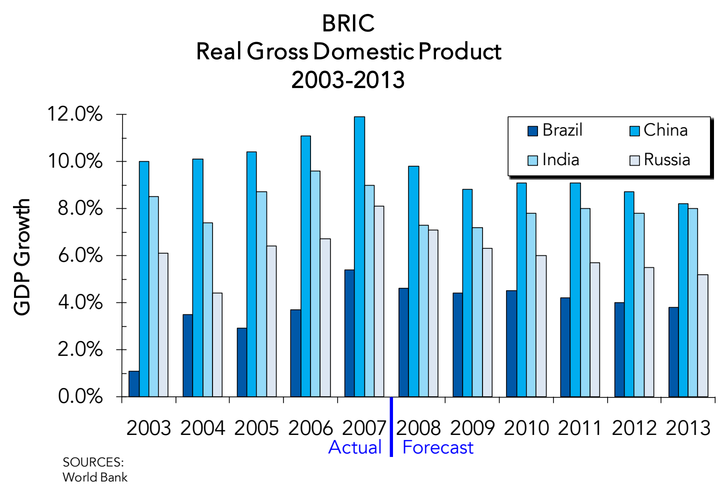
### Global

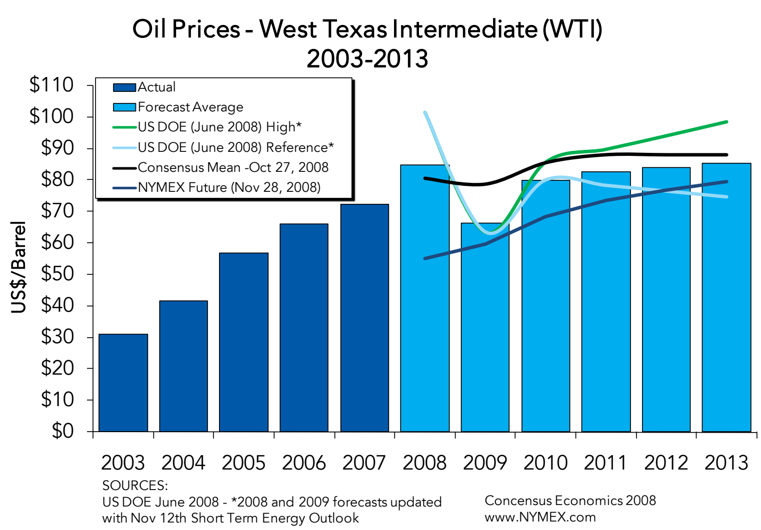
The global credit crunch and sharp rise in commodity prices led to a marked slowdown in global economic growth in 2008. This slowdown will likely continue into the first half of 2009 before the world economy begins to rebound. The World Bank is projecting global real Gross Domestic Product (GDP) to slow to 2.7 percent in 2008 and then to grow at rates above 3.0 percent through 2010. The United States housing market continues to drag down the American economy as United States financial institutions continue to write off mortgage losses. Credit markets have become tight and governments around the globe have taken unprecedented measures to inject liquidity into the markets. The decline in world markets and slowing global economy has led to a reduction in growth forecasts for 2008 and 2009. 2008 will be the bottom for the United States economy with GDP growth rising above 3 percent by 2011.

Developing economies will continue to drive economic growth in spite of the slowdown in developed economies. China will continue to exhibit strong economic performance with growth rates above 8.5 percent through 2013. India will continue to experience growth rates above 7 percent over the next five years while Russia and Brazil will both see benefits from strong commodity prices. A growing, global, middle class will continue to boost demand for manufactured goods, produced largely in developing economies.

Oil and natural gas prices have fluctuated greatly in 2008 with oil trading over the a range of $100, reaching a high of $147 in July and then falling to a low of under $50 in November. This volatility has made forecasting prices extremely difficult and forecasts in the short-term vary

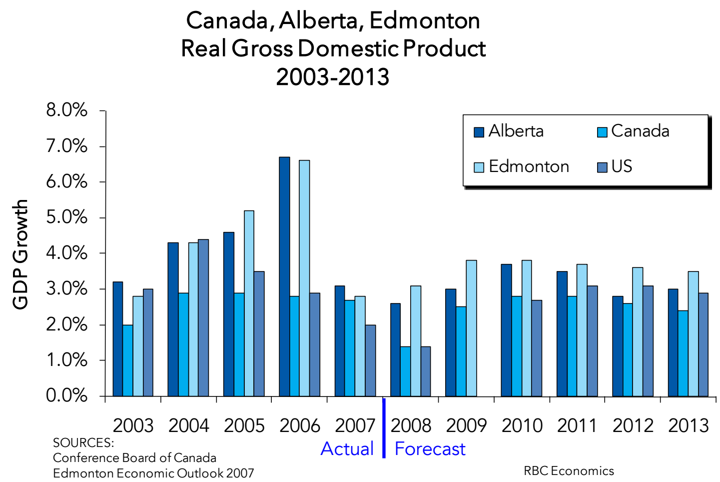


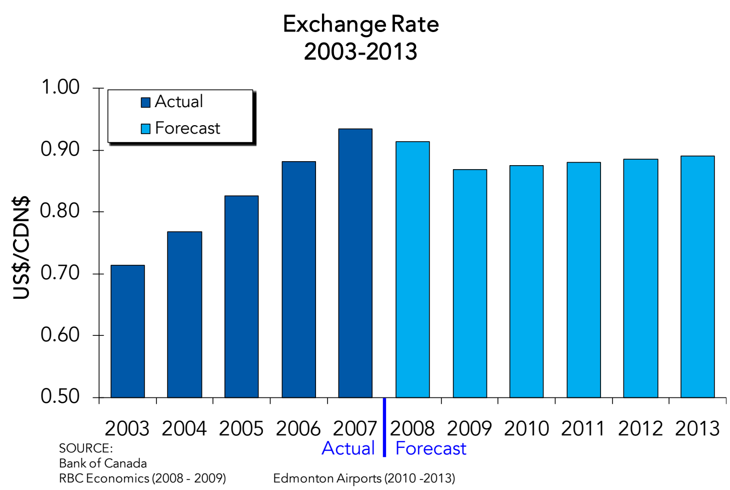



considerably however most point towards a sustainable increase in the price of oil over the next five years. The accompanying graph provides a sampling of oil forecasts over the next five years. The Forecast Average is a simple average of forecasts from the United States Department of Energy, Consensus Economics, and NYMEX futures. There has been significant volatility in energy markets as of late and much debate as to what is driving prices. Daily price fluctuations of +/- 5 percent are not uncommon, making short-term price forecasting very difficult. Sharp price spikes are possible in the short-term as conflicts continue to create uncertainty in the Middle East and there is growing tension between the West and Iran. Developing economies will continue to boost oil demand as their economies continue to grow rapidly, while at the same time, conventional oil reserves begin to decrease production. Barring a, prolonged, major global economic collapse, average oil prices should remain above $60 for the foreseeable future.

## National

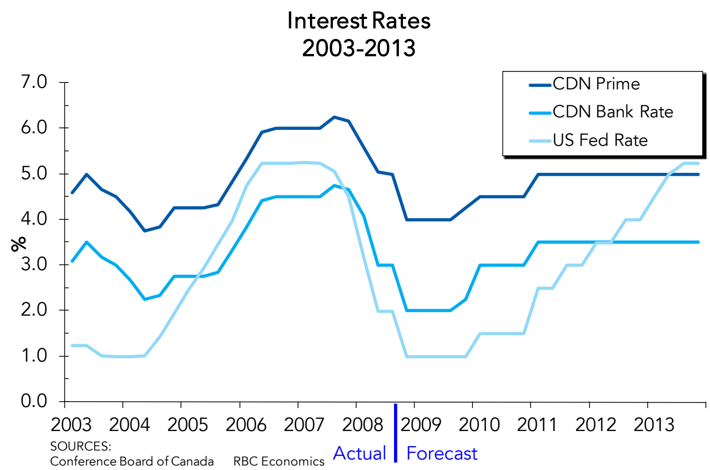



A strong banking sector and higher commodity prices have put Canada in a strong position to withstand the global economic slowdown. 2008 will be the low point for the Canadian economy with economic growth beginning to pick up pace in 2009, the economy will likely fall into recession through the end of 2008, beginning of 2009. This period of recession will be minor and short lived with Canada faring much better than most other economies. The Canadian economy will outperform its American neighbour through to 2010. GDP growth will rise to 2.5 percent in 2009 and climb back to around 3.0 percent for the next four years.




The Canadian dollar had been trading near par until world markets entered a major sell off, driving up demand for US dollars. As markets rebound so will the Canadian dollar but in the short-term there will be increased volatility. A strong dollar has mixed effects on the Canadian economy with the manufacturing base in Eastern Canada recently struggling as Canadian goods became more expensive on international markets; however, the strong value of the dollar has helped offset the sharp increase in input costs such as fuel. With the recent weakening of the Canadian dollar, the manufacturing sector of the economy should see some near term relief, despite the slower expected growth. Travel to the United States has also become cheaper compared to a few years ago and Edmonton International continues to see strong growth in the Transborder sector. The Canadian dollar has declined and we will continue to see volatility in the near term, with the dollar expected to strengthen over the coming years but not at the levels we saw in late 2007 and early 2008.

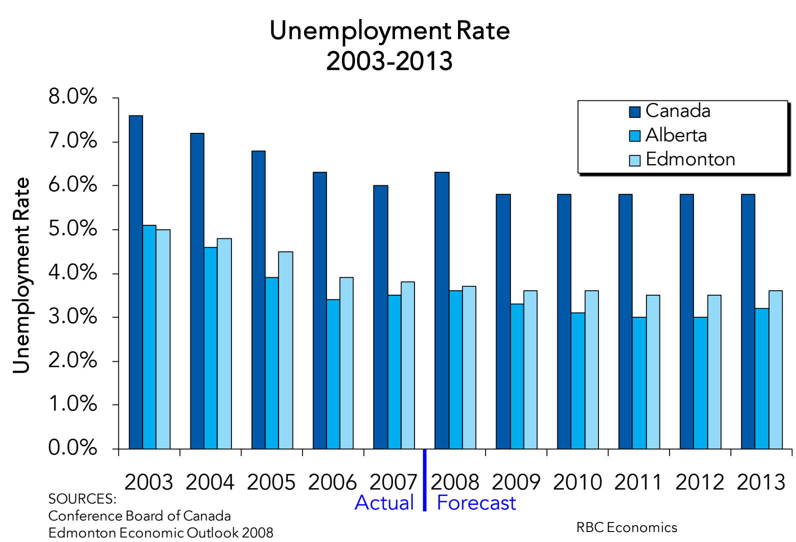
The rapid rise in the value of the Canadian dollar, in late 2007, relieved inflationary pressures and allowed the Bank of Canada the leeway to drop interest rates. However, higher commodity and food prices began to reintroduce inflationary pressures into the economy, despite some recent easing, and, as a result, interest rates are expected to increase later in 2009 as economic activity recovers. The United States Federal Reserve Board faces a similar situation, with mounting inflation concerns, interest rates should also begin to rise south of the border late in 2009 or into 2010. While the credit crunch has increased lending rates recently they should begin to decrease as credit markets free-up and will be low relative to other historical periods. Edmonton Airports should still be in position to achieve affordable financing for its $1-billion expansion project.



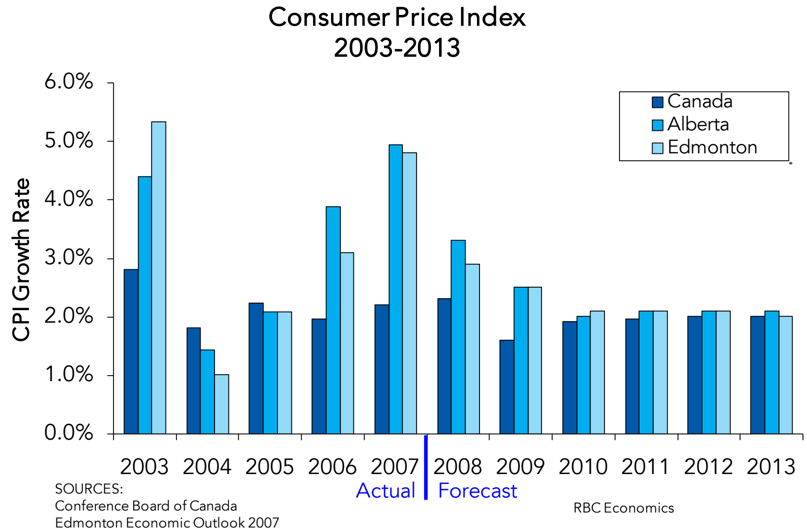

## Regional

Alberta and the Greater Edmonton Region remain a strong economic force in Canada and are gaining influence in the world economy. The provincial economy has moderated to a more manageable pace over the last couple of years with a projected growth rate of 2.6 percent in 2008. Growth rates will remain above 3 percent for 2009 to 2011. The trend is similar for the Greater Edmonton Region with the regional economy growing at 3.1 percent in 2008 and hovering just below the 4.0 percent mark through to 2011. Despite the general economic slowdown globally and in Canada, the labour market for Alberta and the greater Edmonton Region will remain constrained, albeit with some easing. Edmonton will continue to have one of the nation's lowest unemployment rates with the rate expected to be 3.6 percent in 2009 and remaining near this level through to 2013. This means that the regional economy will continue to operate beyond full capacity and organizations will continue to struggle to find people to fill vacancies. Alberta's neighbours are also enjoying economic prosperity with British Columbia experiencing a construction boom in preparation for the 2010 Olympics and Saskatchewan taking advantage of increased oil prices.

The Western provinces will need to continue to seek workers from Eastern Canada, as well as foreign workers, in order to keep up with labour demands. This intense competition for qualified people is driving wages upward and Alberta is leading the nation. As of October 2008, wages in the province were up 6.2 percent from a year ago compared to the national average of 4.3 percent. Labour will remain tight over the next five years and wages will continue to climb as organizations compete to attract and retain talent.




Even with the recent decline in energy prices, energy developments will continue to drive economic growth and development in the Greater Edmonton Region for the foreseeable future. Over $279 billion (November 2008)[2] in major capital projects (projects with a value over $5 million) are underway or are proposed to start in the next two years in Alberta. Oil, gas, and oil sands development make up 64 percent of development expenditures provincially. There has been a few announcements of energy project delays, however many projects are continuing as these infrastructure developments are long-term and are based on future energy price expectations. Any significant action or event that has a negative impact on the energy sector could seriously jeopardize billions in planned investment. There continues to be some downside risks to development. Rising construction costs, labour shortages, and growing concerns about the environmental impact of the oil sands are making some organizations take a second look at planned capital projects. The extensive amount of development in a short period of time is straining construction resources and driving costs up. Non-residential construction costs rising well above 10 percent each year are making some firms look to alternate locations for their projects. Alberta is facing criticism regarding the environmental impact of the oil sands, with some jurisdictions calling for boycotts of fuel produced from the oil sands. While the demand for energy is currently too high to make these boycotts realistic, Alberta needs to better promote the province's environmental achievements in order to ensure the attractiveness of long-term investments in the province. An economic and environmental plan involving the province and all municipalities in the Greater Edmonton Region is essential in keeping development on track.




Inflation, measured by the consumer price index (CPI), in both Alberta and Edmonton has moderated considerably in the later portion of 2008 and is now in line with the national average. 2008 is the forecast peak with the annual average projected to be around 3.3 percent. 2009 will see inflation drop to 2.5 percent before moderating further to 2.1 percent in 2010. The remainder of the forecast period shows inflation trending towards the Bank of Canada's national target band at 2.0 percent. Inflation numbers for Edmonton are expected to be similar to the Alberta rate. Construction costs continue to rise sharply in Edmonton. Edmonton Economic Development Corporation estimates construction prices to rise by 13.0 percent in 2009, 16.0 percent in 2010, and then falling back to 13.0 percent through the end of 2013. The rate of non-residential construction price increases continues to be of concern to Edmonton Airports, as there will be upward pressures on costs associated with planned expansion projects.

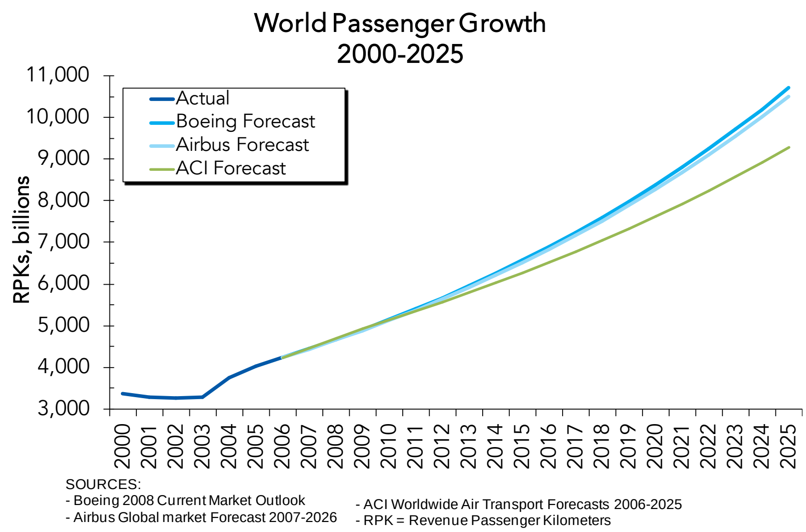
[2] Government of Alberta, Inventory of Major Alberta Projects, http://www.alberta.canada.com/statpub/

## 2.2. Commercial Aviation Overview

### 2.2.1. PASSENGER

#### Outlook

The airline industry is forecasted to see a period of slower but more profitable growth over the next five years. Demand growth will slow from peak levels seen in 2004 and 2005, but will continue to provide a positive boost to airline revenues. The forecast also reflects a more cautious approach to capacity growth among airlines, as they pursue profitable, efficient, and strategic growth, in light of the increased fuel costs and other pressures in the industry.




#### Global Trends

International air passenger traffic will increase at an average annual growth rate of 4.8 percent between 2006 and 2010, lower than the average rate of 6.5 percent experienced between 1995 and 2005. On the passenger side, demand continues to be driven by global economic growth, the liberalization of trade and the emergence of new routes and services. Over the next five to ten years, the focus of many leading carriers in the world will move substantially toward the Asia-Pacific region. Along with the Asia-Pacific, the recent expansion of the European Union and growth of low-cost carriers (LCC) will drive European domestic airline traffic to overtake the North American domestic market in the near term. The North American market will experience the reverse of the European phenomenon, with constrained domestic growth in the short-term and capacity transfers to stronger international routes. Domestic markets will then recover in the medium to long term.

The global economy is diversifying, with developing regions and new business sectors bringing more balance to the world. In the near future, it is anticipated that many markets will receive a strong boost as governments ease regulations that have previously restricted market access. New Open Skies agreements between the European Union and the United States and Canada further improve the market conditions. Further liberalization is expected in Asian and North African markets, with a continuing long-term trend toward opening up markets worldwide.

Shedding of airport costs continues among carriers who have recognized the opportunity to reduce overhead and maintain significant brand presence in the market. The "full service" airport model, such as the one employed at the Frankfurt Airport by the airport operator Fraport AG, definitely has its appeal for airlines who wish to retrench in their ground presence but not with their brand presence. Going even further, LCCs in some European airports now operate airport-fee free in exchange for the access their airline brings.

### Low Cost Carriers

Cost-conscious network carriers continue to eliminate the "extras" otherwise known as amenities, to provide the lowest fares possible. But as the network carriers slim down, the category of LCC is rapidly beefing up, giving passengers the option of flying both comfortably and affordably, and the number of passengers interested in booking with LCCs is on the rise.

LCCs are able to expand capacity more rapidly than network carriers due to their lower cost structures and breakeven levels. Their expansion, usually at significantly lower fare levels, stimulates new market demand and typically has a permanent positive impact on overall market size. This trend can be seen currently in many parts of the world and has typically been a "domestic" phenomenon. However, within the next five years it is expected that the LCC model will stretch across oceans into profitable international markets.

### North American Carriers

In Canada, both WestJet and Air Canada have been experiencing record load factors over the last few years. They have both responded by adding additional aircraft and updating their fleet. Both have additional aircraft to be delivered over the coming years. Based on the projected fleet growth of both Canadian majors, by 2013 there will be over 50[3] additional aircraft operating in Canada, which depending on the number of aircraft retired over this time, a 10% increase in fleet size could be achieved.

Growth in the resource sector will continue to drive new passenger demand into northern Alberta. WestJet and Air Canada have had good success in Grande Prairie and Fort McMurray, with Fort McMurray being one of the fastest-growing airports in Canada for the last few years. Air Canada and WestJet have added new flights from both these communities to Edmonton and Calgary over the past few years driving tremendous growth in connecting passengers through Edmonton International. While, we see a robust connection market continuing with these northern Alberta communities, the success of the non-stop service between Fort McMurray and Toronto may bode well for a similar transcontinental flight being added to Grande Prairie, which can limit connection growth from these communities through Edmonton International.

Higher oil prices are a concern for airlines, and many carriers are taking actions such as increasing fuel charges, retiring less fuel efficient aircraft and reducing capacity. This will have an impact on available capacity for the travelling public, and other airports. However, higher oil prices will impact all carriers and all modes of transport. In addition, air travel has seen positive growth in 33 of the last 36 years. The overall impact is expected to be moderate in the near term.

### Airport Competition

Competition for new passenger air services is more intense than ever as the economic impact for a community of even one new flight can range into the tens of millions of dollars per year. Airports are now aggressively pursuing airlines by offering new and elevated incentives to influence the decision-making process. The impact of this change is that the airports with the financial wherewithal to offer increased incentives (typically hub airports) to airlines will gain new services disproportionate to those that are unable.

Rates and fees established by airports are coming under increased scrutiny by carriers and potential regulatory guidance under the proposed new Canada Airports Act (Bill C-20). The shift toward greater transparency and consultation to mitigate potential conflict has enabled Edmonton Airports to capitalize on current favourable conditions to lead reform of existing rates and charges methodology at Edmonton International.

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[3] Boeing Commercial Airplanes, Orders and Deliveries, http://www.boeing.com

New Aircraft

The new super-jumbo Airbus A380 has definitely garnered much press as it continues its entry into the marketplace; however, in the medium-term, network carriers will look for greater operating and fuel efficiencies by replacing their ageing wide-body and larger narrow-body fleets, particularly in domestic markets, with smaller narrow-body aircraft. Additionally, carriers such as Air Canada are blurring the line between regional feeder operations and mainline operations by acquiring and operating aircraft such as the 93-seat Embraer 190, to supplement their network structure. The use of smaller aircraft allows network carriers to offer more competitive, higher frequency operations while improving profitability by more closely matching capacity with demand.

Airlines and aviation enthusiasts alike eagerly await the official arrival of the Boeing 787 Dreamliner. Upon launch, orders for the Boeing 787 soared and, in fact, the aircraft launch was the most successful Boeing has seen with almost 900 orders. Air Canada to-date has ordered 37 Boeing 787 aircraft with deliveries expected to start in 2010, making it the largest customer in the Americas for this aircraft.

The Boeing 787 will consist of lightweight, high-tech composite materials, rather than aluminum; allowing the aircraft to use 20 percent less fuel than aircraft of comparable size, 45 percent more cargo capacity; and afford passengers a cabin with higher humidity, wider seats and aisles, and larger windows. Airlines who have ordered the Boeing 787 will look to replace less efficient wide-body aircraft and tailor their growing international route systems to better address customer needs.

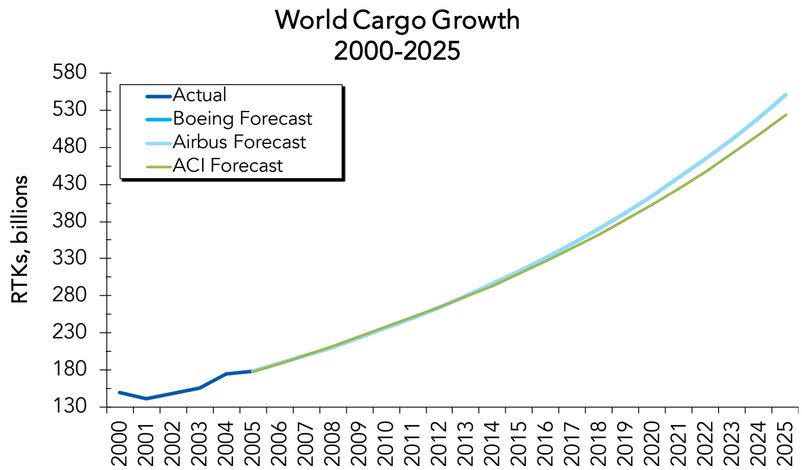
### 2.2.2. GENERAL AVIATION

General aviation refers to a wide variety of activities beyond those provided by scheduled air carriers, including commercial non-scheduled and air industrial activities, such as, charter, corporate aviation activity, surveying, spraying, sightseeing and flight training. It also includes personal business flying, recreational aviation and government flying. Many industries support general aviation activities including warehousing, maintenance services, fuelling, catering and aircraft grooming. The limited data available on general aviation activity suggests that general aviation pilots are increasingly choosing to relocate to smaller fields outside of metropolitan areas where fees are lower and traffic conditions less congested. Despite the national trends, there are airports where local economic factors differ, and where downward trends are leveling off and increasing. For example, Villeneuve has seen an increase in local traffic as has Calgary's general aviation reliever airport, Springbank.

Demand within general aviation is shifting, due in part to increased security requirements, security delays and rising costs at large airports. There is increased interest in Very Light Jets (VLJs) aimed at personal travel, and air taxi charters to avoid large airports and increasing security delays and costs, are certified and in production. These aircraft are considered "game changers" in that they bring affordable personal jet air travel to airports with runways as short as 2,500 to 3,000 feet.

### 2.2.3. CARGO

On a global perspective, air cargo currently accounts for 40 percent of the total value of global trade, but less than 3 percent of the total volume. Despite the threat of terrorism and the implications of increased security requirements, global air cargo volumes continue to rise. Led by the emergence of the Asian economy, air cargo is growing at a rate that exceeds passenger demand.




SOURCES:
- Boeing 2008 Current Market Outlook
- Airbus Global market Forecast 2007-2026
- RTK = Revenue Tonne Kilometers
- Boeing 2006/7 World Air Cargo Forecast
- ACI Worldwide Air Transport Forecasts 2006-2025

Independent forecasts prepared by the major aircraft manufacturers (Airbus and Boeing) indicated long-term growth rates of 5.8 percent per year for the cargo industry, based primarily on anticipated underlying worldwide economic growth. These forecasts were prepared with the implications of the recent economic slowdown, airline financial condition, and increased security requirements taken into account. Each of these forecasts also calls for an expansion in the use of freighter activity through their forecast period. With the most significant increases attributed to Asian carriers to accommodate both cargo activity and freighter aircraft operation increases, airport cargo facilities will require proper development plans and timing of execution. Boeing estimates that the number of freighter aircraft will double by 2027 with the number of large freighters increasing from 26-35 percent of the fleet.

Canada lags the global cargo markets in trade liberalization. Despite recent announcements of open skies agreements, unilateral air cargo liberalization restricts Canadian markets from capitalizing on global opportunities, while other nations pursue significant changes in trade access to improve market opportunities. The Federal Blue Sky air policies will contribute to growth in this area as it is implemented.

## 2.3. Edmonton Airports Activity

### 2.3.1. PASSENGER

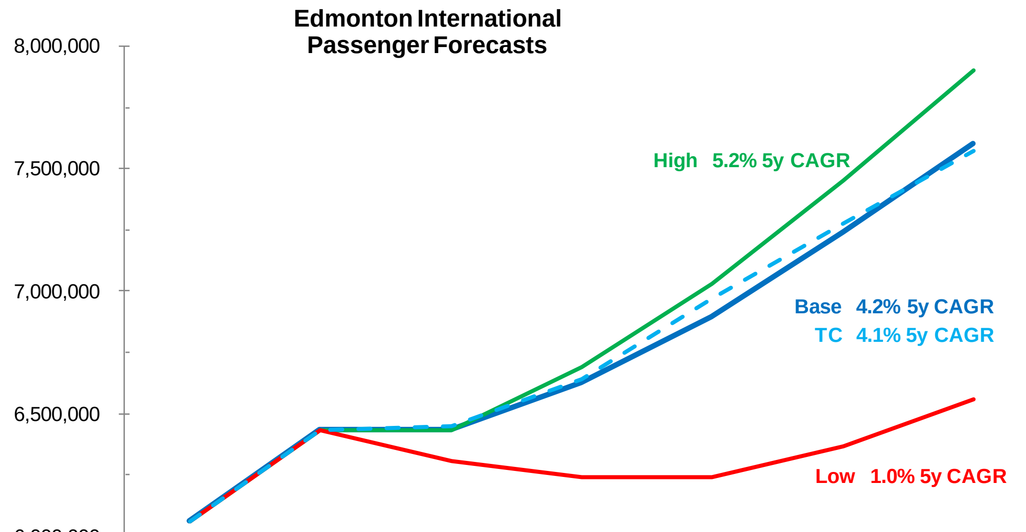
Edmonton International is served by 19 passenger carriers providing regularly scheduled and chartered passenger non-stop service to destinations worldwide.

Edmonton City Centre permits scheduled service to four destinations in northern Alberta.

| Edmonton International Destinations Domestic | | | |
|---|---|---|---|
| Abbotsford | Calgary | Comox | Fort McMurray |
| Fort St. John | Fort Smith | Grande Prairie | Halifax |
| Hamilton | Hay River | High Level | Inuvik |
| Kelowna | Lethbridge | Montreal | Norman Wells |
| Ottawa | Rainbow Lake | Regina | Saskatoon |
| Toronto | Vancouver | Victoria | Whitehorse |
| Winnipeg | Yellowknife | | |
| **Edmonton International Destinations Transborder** | | | |
| Chicago | Denver | Palm Springs | Las Vegas |
| Los Angeles | Minneapolis | Phoenix | Salt Lake City |
| San Francisco | Seattle | | |
| **Edmonton International Destinations International** | | | |
| London-Heathrow, U.K. | Mexico City, MX | | |
| **Edmonton International Destinations Winter Charters** | | | |
| Cabo San Lucas, MX | Cancun, MX | Holguin, Cuba | Huatulco, Cuba |
| Manzanillo, MX | Mazatlan, MX | Montego Bay, JM | Puerto Plata, DR |
| Puerto Vallarta, MX | Punta Cana, DR | Varadero, Cuba | |
| **Edmonton International Destinations Summer Charters** | | | |
| London-Gatwick, U.K. | | | |
| **Edmonton International Carriers[4]** | | | |
| Air Canada (S) | Air Canada Jazz (S) | Air North(S) | Air Transat (C) |
| Canadian North (S) | CanJet (C) | Central Mountain Air (S) | Delta Express[5] (S) |
| First Air (S) | Horizon Air (S) | Integra Air (S) | Mexicana Airlines (S) |
| Northwest Airlines (S) | Northwestern Air Lease (S) | Sky Service (C) | Sunwing (C) |
| U.S. Airways | United Express[6] (S) | WestJet (S) | |
| **Edmonton City Centre Destinations** | | | |
| Fort McMurray | Grande Prairie | Peace River | High Level[7] |
| **Edmonton City Centre Carriers** | | | |
| Air Mikisew (S) | Airco Aircraft[8] (S) | Northern Air Charters (S) | |

[4] A (S) indicates carrier operating primarily scheduled passenger services; a (C) indicates a charter carrier
[5] Operated by SkyWest
[6] Operated by Skywest and Shuttle America
[7] Service to this market is permitted under the access policy, however no carrier is currently serving this market
[8] Service to Grande Prairie was suspended by Airco Aircraft in August 2008, license to operate route is still in place

The following forecast was updated in the first quarter of 2009.




| | 2007A | 2008A | 2009F | 2010F | 2011F | 2012F | 2013F |
|---|---|---|---|---|---|---|---|
| Base | 6,064,610 | 6,437,334 | 6,437,354 | 6,630,475 | 6,895,694 | 7,240,478 | 7,602,502 |
| Base % Growth | 16.3% | 6.1% | 0.0% | 3.0% | 4.0% | 5.0% | 5.0% |
| High | 6,064,610 | 6,437,334 | 6,437,354 | 6,694,848 | 7,029,591 | 7,451,366 | 7,898,448 |
| High % Growth | 16.3% | 6.1% | 0.0% | 4.0% | 5.0% | 6.0% | 6.0% |
| Low | 6,064,610 | 6,437,334 | 6,308,607 | 6,245,521 | 6,245,521 | 6,370,432 | 6,561,545 |
| Low % Growth | 16.3% | 6.1% | -2.0% | -1.0% | 0.0% | 2.0% | 3.0% |
| TC | 6,064,610 | 6,437,334 | 6,449,960 | 6,642,198 | 6,967,847 | 7,276,689 | 7,569,774 |
| TC % Growth | 16.3% | 6.1% | 0.2% | 3.0% | 4.9% | 4.4% | 4.0% |

To the end of October 2008, Edmonton International reported 6.4 percent growth in passenger traffic.

This growth is evident in all sectors at Edmonton International with year-to-date growth to October 2008 at 20.9 percent for international passengers, 14.4 percent for transborder passengers and 4.3 percent for domestic passengers.

Every month since December 2004, a new rolling 12-month record was set for passenger activity, and in October 2008, Edmonton International hit the 6.4 million passenger mark over 12 months ending in October. The busiest month on record was August 2008 with 619,725 passengers. For the balance of 2008, the passenger forecast is just under 6.5 million passengers at Edmonton International, which represents growth of 6.5 percent over 2007.

Edmonton International expects to see an average growth rate of 7.2 percent over the next 5 years with 9.0 million passengers in 2013. For passenger growth 2009 is seen as a transition year with 2010 passenger growth expected to rebound with better economic fundamentals, additional routes and frequencies stimulating demand.

## 2.4. Cargo

There are 13 air carriers that report freight traffic in and out of Edmonton International Airport. Of these, four are integrator operators who offer services commonly described as small package services (FedEx, DHL, UPS and Purolator Courier). Another seven are passenger/cargo carriers on scheduled services, primarily focused on the passenger market. The remaining two are Sunwest, operating additional contract capacity for UPS, and CargoJet, operating a regular schedule service as Canada's only all-cargo carrier. Collectively, CargoJet, FedEx and Purolator, as the top three carriers, represent approximately 70 percent of the total volumes reported through Edmonton International. Canada's northern carriers (Canadian North, First Air and Air North) continue to see consistent volumes of freight, while competing with aircraft utilization favoring passenger configurations on some of their combi-aircraft.

Current traffic remains slightly below volumes reported through 2007, primarily due to reductions in reported cargo charter activity and overall reductions in Canada Post volumes on the scheduled passenger carriers. In addition, the continued presence of smaller gauge aircraft on key routes limits the available payload in favour of passengers and baggage. This results in cargo moving by truck to other gateways.

While stable in terms of volume growth, there is increasing interest in improving service to this market with FedEx advising of direct air service to Memphis instead of the current one-stop schedule and Air North's acquisition of a dedicated Boeing 737 freighter aircraft to improve capacity to and from the Yukon.

## 2.5. Movements

Aircraft movements at Edmonton International are dependent on the aircraft size serving the passenger market. With an increase in regional jets and frequency of service, movements have increased in recent years. As passenger service develops at Edmonton International and carriers better match capacity to demand, the passenger will typically be absorbed through increased load factors resulting in commercial passenger movements growing at lower rates than passengers.

The majority of movements at Edmonton City Centre are general aviation related to a wide variety of activity including: non-scheduled commercial activity (charters), corporate aviation, government activity, surveying, flight training, personal business flying, recreational activity and medevac.

All aircraft activity at Villeneuve and Cooking Lake is general aviation with the significant portion at Villeneuve, 70-80 percent, consisting of local movements related primarily to flight training activity.

# 3. SWOT ANALYSIS

The following outlines the key strengths, weaknesses, opportunities and threats facing Edmonton Airports.

## 3.1. Strengths

### Customer Service Focus

The continuous development of customer value and satisfaction is an ongoing objective of Edmonton Airports and is established as a Core Value.

### Financial Strength

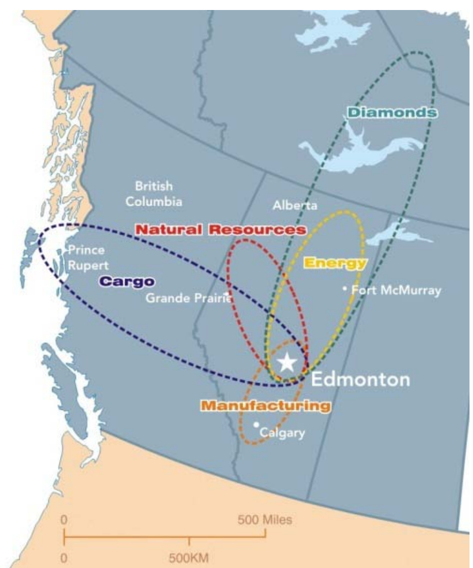
Edmonton Airports' financial performance has exceeded the forecasts made at the time of the Revenue Bond issuance and our credit ratings have been consistent. Our current position gives us the flexibility to prudently plan for future opportunities where a sound business case can be made.

### Employee Capabilities

The team at Edmonton Airports has solid experience in managing and operating airports, and is a diverse, dedicated and skilled workforce focused on effective and efficient operation and management of our airports.

### Location

Edmonton Airports' facilities are strategically located at the doorstep of significant resource developments in northern Alberta and Northern Canada, and represent the first major centre inland from the Port of Prince Rupert. Edmonton International is at the crossroads of the major air routes that link the Western United States to Europe and the Central United States to Asia. The airport is adjacent to the Queen Elizabeth II Highway, which is a key manufacturing corridor, and forms part of the CANAMEX corridor from Alaska to Mexico, and is near the Canadian Pacific Railway (CP) line that connects Edmonton to the entire CP rail system, and the Canadian National (CN) rail system in east Edmonton. The Greater Edmonton Region is the nexus of manufacturing, cargo, natural resources, energy and diamonds for Western Canada.




### Land

With approximately 7,000 acres of land, Edmonton International is the largest airport in Canada with scheduled air service. There are approximately 3,000 acres of land available for cargo, industrial and commercial development, of which approximately 150 acres is serviced and 450 acres are ready for development.

### Community Relations

Edmonton Airports has developed very good relationships with community leaders and organizations through the Business Advisory Committee, a significant Community Investment Program, support and membership on diverse business and charitable committees, and extensive speaking engagements and presentations throughout the region.

## 3.2. Weaknesses

### Established Passenger/Cargo Transportation Patterns

Over time passenger and cargo transportation patterns have been established that favour other gateways over Edmonton International. This includes a significant market that not only connects by air through other gateways, but also will also use other modes of transport instead of using Edmonton International. In addition, the Edmonton air cargo market sees a significant loss rate to other gateways from the Greater Edmonton Region by as much as 99 percent for transborder and 97 percent for international cargo.

### Small Airport Mindset and Process

Edmonton Airports has seen significant growth over the last few years which has contributed to processes and general mindset not keeping up with the change in airport size.

### Dependence on Aeronautical Revenue

The portion of fees collected from aeronautical sources has remained relatively stable at 70 percent for the last six years. Edmonton Airports is very dependent on fees collected from airlines and the Airport Improvement Fee collected from passengers, which exposes it to significant risk of fluctuations in air traffic.

### Risk Aversion

Edmonton Airports is conservative by nature and as such risk averse. In order to take advantage of the many opportunities a greater degree of risk is required.

### Communications/Teamwork

With the rapid growth and the fast pace of business, internal communication is sometimes delayed along with interdepartmental teamwork.

## 3.3. Opportunities

### Economy

The Alberta and Edmonton economies continue to perform exceptionally well and are forecast to continue to outperform other regions in Canada for the near future. Edmonton Airports continues to be well-positioned to exploit opportunities unique to the Greater Edmonton Region, especially northern projects.

### The North

The Greater Edmonton Region is the supply staging area for people and materials necessary to develop oil and gas projects, especially oil sands development in northern Alberta. Diamond mining in Northern Canada has increased production to the point where Canada produces 13.7 percent[9] of the world's diamonds on average by value and is expected to rise to 15 percent[10] in 2008 when more mines are in operation. Edmonton is the closest major centre to support seven of nine diamond mines either in production or in the planning/development stages.

### Demographic Change

With the retiring baby boomers, increased immigration and employment growth, there are increased opportunities for passenger activity – both tourism and business related.

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[9] Kimberley Process, http://www.kimberleyprocess.com/, 2007 Annual Global Summary Diamond Production

[10] Natural Resources Canada, http://www.nrcan.gc.ca/mms/cmy/com_e.html, Mineral & Metal Commodity Review

### International Air Policies

The Federal Government signed an enhanced Open Skies agreement with the United States in March 2007. This will enhance passenger and cargo opportunities through the expansion of 5th freedom rights.[11] More open international air policies provide new route opportunities for large and small carriers and expand interest in travel and cargo.

### Cargo

Asia-Pacific trade and the emergence of the Port of Prince Rupert for container traffic is a significant shift in the profile and accessibility of goods movement for the Edmonton International market.

### Technology

New technologies in the aviation industry provide opportunities to diversify revenue sources, gain efficiencies and expand services for our customers.

## 3.4. Threats

### Government Policies

Airports and the aviation industry continue to operate in a highly regulated environment, where new or more restrictive government policies can negatively impact the operation of airports, including increased monetary and social costs. All levels of government in Canada, as well as foreign governments, could impose policies or regulations that impact airport operations in Canada and the aviation industry.

### New Airport Competition

The continued development of airstrips designed to serve large projects in northern Alberta will provide opportunity for resource companies to bypass traditional airports to transport crews to/from "southern" communities directly to the projects in the North.

### Edmonton City Centre Uncertainty

Edmonton City Council is considering alternative opportunities for the development of Edmonton City Centre lands. The resurrection of this debate creates uncertainty for Edmonton Airports, its tenants and users of Edmonton City Centre.

### Terrorism

The continued threat of war and terrorism will continue to impact the aviation industry for the foreseeable future. A security event could impact operations and public willingness to travel.

### Economy

While the region has opportunities with the robust economy over the next several years, there are significant threats to our ability to deliver quality services at reasonable costs and in a timely manner. Rising costs experienced by Edmonton Airports' suppliers are expected to be passed along to Edmonton Airports in increased service and product costs (be it for construction or ongoing operations and maintenance). As well, unexpected shocks to the economy could have significant negative consequences for all aspects of Edmonton Airports' operations.

### Energy Prices

Oil and natural Gas prices are expected to exhibit volatility over the near term. This results in uncertainty over future prices that can slow growth in the economy. Particularly hard hit by this

[11] 5th freedom rights - Carriage of passengers and goods between two countries by an airline of a third country, with the route beginning or ending in the home country

uncertainty is the aviation industry with the International Air Transport Association (IATA) forecasting airline industry losses of $5.2 billion in 2008 and $4.1 billion in 2009 with fuel costs a primary factor[12].

### Health Pandemic

With the increase in global travel and transport, urbanization and overcrowded conditions, pandemics due to new influenza viruses could quickly take hold around the world. As a result, during an outbreak, governments could impose travel restrictions to slow the spread of disease or allow for time to stockpile vaccine.

### Environmental Requirements

There is increased scrutiny over environmental issues from both a public and regulatory perspective. Any additional regulation or activism, particularly with regards to the oil sands, could have an impact on the province.

[12] IATA September 2008 Financial Forecast, http://www.iata.org/economics

# 4. STRATEGIES TO ACHIEVE VISION

The strategies outlined in this plan have been developed within the context of our Vision and Mission statements.

The strategic directions in this plan must fully consider the range of business environments that could be in place over a 20-year horizon. To this end in 2007, the Board and management articulated a collective vision of where we want Edmonton Airports to be 20 years from now, this vision was affirmed in 2008. Management then identified the major uncertainties impacting strategic directions and evaluated and tested the consequences against the uncertainty of the future.

Based on this 20-year outlook and an annual SWOT analysis, a series of significant issues or trends have been identified that Edmonton Airports must address. These issue areas, each formulated under one of the four strategic objectives, are outlined below together with related initiatives articulated in the long-term goal section.

## 4.1. Future Airport

Completed in 2003, the redeveloped Edmonton International reflects an assertive $280-million terminal expansion program that by the standards of the day dramatically changed the terminal and the level of service and types of amenities offered to travellers from around the world. Built to handle 5.5 million passengers per year – a passenger base that was not originally projected until 2015 – Edmonton International is currently at capacity and will be unable to accommodate continued growth at the service level standard that we have set for ourselves. Phenomenal double-digit passenger growth over the past three years will push the 2008 passenger totals over the 6.5-million mark.

To ensure non-aviation development does not conflict or impact the terminal and aeronautical development and that there is adequate land at Edmonton International for additional terminal expansion, parking, runways, taxiways and airside development, the approximate 3,700 acres of air terminal, airfield reserve and airside development will increase to almost 4,000 protected acres out of the approximately 7,000 acres at the airport. In addition, additional land outside of the current Edmonton International property for an additional runway will be required in the future. This additional runway is planned to parallel the existing runway 12-30, extending northwest across Highway 19.

Although commercial development may be permitted on terminal reserve land, it will not be permitted to be in conflict with the aeronautical business. The terminal reserve contains the Air Terminal Building, parking and ground transportation facilities, aviation support facilities and some retail.

### 4.1.1. THE OPPORTUNITY

The relationship between airlines, airports and the passengers they share is changing significantly because of the advent of Internet applications in the airline reservations and operations environments. Through automation and self-serve processes, control of the air travel process is shifting from airline personnel directly to passengers, allowing airlines to shed many sales and airport functions traditionally performed by reservation and check-in staff. This self-serve approach is driven by airlines pressured to achieve lower unit costs in an environment of rising input costs such as fuel and labour.

This technological shift, while efficient and world-wide, represents a period of adjustment for travellers. Edmonton Airports recognizes that there is a widening gap between customer expectations and service levels offered by airlines and airport tenants. Regardless of ownership, service changes and deficiencies at the airport are perceived by customers to be "Airport" problems and it is increasingly difficult for Edmonton Airports to characterize these as airline or tenant issues.

Edmonton International's sustained passenger growth, coupled with changes in airline processing and technological advances, uniquely positions Edmonton International to leverage our growth through an expanded air terminal that ensures an excellent customer experience, delivers efficiencies for carriers and tenant partners/agencies, and enables flexible terminal modifications as the facility ages and industry needs change.

### 4.1.2. STRATEGY

#### Terminal Expansion

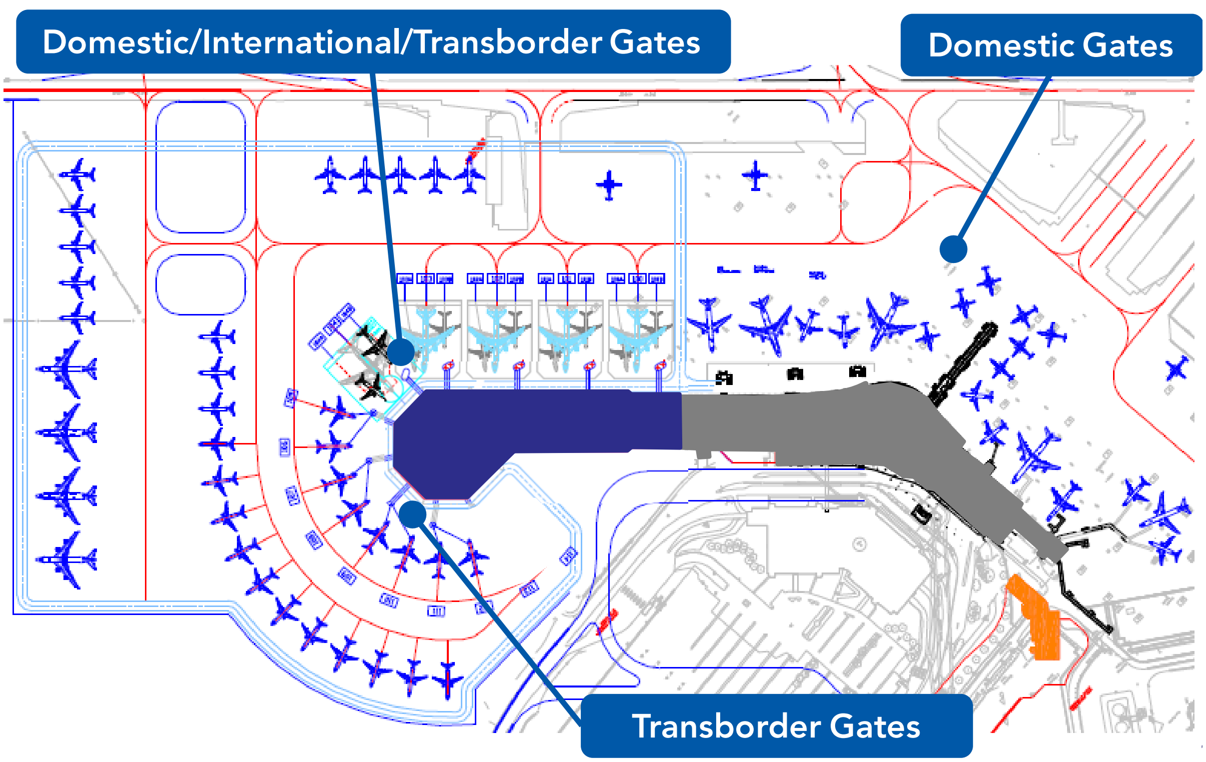
Edmonton International has embarked on planning and delivering an expanded terminal building. Without this expansion, Edmonton International would not be able to accommodate the continued growth of air carriers, and we would have limited ability to build markets such as connecting traffic.

The key expansion principle for future facilities at Edmonton International is to accommodate airside growth with very little capacity change to groundside infrastructure. This is a departure from traditional design where additional aircraft gates are matched with increased curbside, counters, and queuing space.

To meet immediate demand and to bridge growth until the next phase of terminal expansion is complete, specialized apron-loading buses will enable loading of aircraft directly from the apron.

The existing terminal building has a total of 30 stands (bridges or ground loading positions) for aircraft loading. Forecasts indicate an additional four loading stands will be needed for a total of 34 stands by the end of 2009. In the medium-term (five years) continued growth will require an additional seven loading stands for a total of 41 stands by the end of 2012.

Phasing of construction of this expansion will be done in a manner that minimizes loss of gates while adding capacity as quickly as possible.  Efficiencies that are delivered through common-use/self-service initiatives and other passenger facilitation initiatives will enable a new terminal footprint to deliver expanded airside infrastructure and minimize groundside development.



Key design principles driving future terminal and aeronautical facilities include:

- Minimizing taxi times for aircraft
- Minimizing travel distances for passengers
- Self-service as primary path
- Common-use infrastructure
- Flexible growth/building usage
- Alignment with runway development

Through this expansion, Edmonton Airports will take responsibility for a broader range of services offered at the airport, and by doing so develop greater control over the standard of customer service. Edmonton Airports will work collaboratively with airline partners to continue developing self-serve, common-use facilities in its existing terminal space and as a design principle for an expanded airport terminal.

### Passenger Facilitation

Airport terminals host a series of processes necessary for the movement of passengers to and from aircraft. These processes are in a period of significant change as the industry adapts to global realities and regulatory shifts. Consistent with the direction of airlines, through existing facilities and terminal expansion, Edmonton Airports will mitigate these barriers and allow passengers a greater opportunity for self-reliance and control.

Mitigation of labour demands is a key factor for success in the future airport and an opportunity for Edmonton Airports to demonstrate value to our airline partners. Where appropriate, automation will reduce reliance on labour demands to improve services. Technology, properly applied, will improve process efficiency, systemic reliability, communication, decrease airline costs and reduce infrastructure demand. Edmonton Airports recognizes that for the best customer service, technology does not replace labour entirely and at key points in the airport experience the customer is best served by another person. Technology and passenger facilitation will also free up time a passenger would normally spend in "processing," leaving them more time to access airport services including retail, food and beverage.

Areas of focus include:

Connecting passengers: A growing segment of the Edmonton International passenger profile, connecting traffic demands differ in that a majority of their processing is aircraft-related and therefore have a higher facilitation demand. With passenger facilitation improvements such as tail to tail baggage transfer, Edmonton International will position itself as an efficient, cost-effective airport that carriers and travellers will choose to utilize.

Origin and Destination: Historically the predominant traffic profile at Edmonton International, these passengers are the heaviest users of airport services. Their service options are growing, and offer the broadest spectrum of potential facilitation and expanded revenue opportunities.

Baggage: Highly vulnerable to service failures and labour intensive, baggage handling at airports could improve significantly through technological change and automation. Integrating services, improving system infrastructure and leveraging regulatory changes to streamline the handling process offer distinct opportunities for Edmonton International.

Service focused passenger facilitation improvements will ensure efficient, flexible building utilization, and staff efficiencies for Edmonton Airports, airlines and tenants.

### Continuous Improvement

Edmonton Airports will evaluate airport processing for deficiencies to continuously adapt the systems and services to maximize the utilization of assets and optimize operational services (inspansion). The objective will be to contrast terminal expansion demands and derive cost-avoidance advantages. Continuous improvement requires multiple activities such as the following to assess and manage processes and identify opportunities to drive change:

- Peak predictions
- Terminal flow management
- Departure flow
- Arrival flow
- System process capability
- Comprehensive measurement/management system

As these strategies are developed through this five-year period, the Edmonton International customer-focused Future Airport will be highly efficient, technology-intensive (vs. labour-intensive) and increasingly defined through a cooperative airport-airline partnership. This transition will deliver four strategic advantages to Edmonton International:

1. Airlines will pick and choose airport partners with which to implement business model changes that deliver these critical cost-efficiencies to airlines. Edmonton Airports' core strategy will bridge the historical chasm between us and airlines, working in partnership to deliver cost-effective, efficient, flexible terminal facilities.
2. This approach will position Edmonton Airports to more completely own and manage the customer experience.
3. Passenger facilitation processes deliver deferral of capital costs, cost savings, higher passenger throughput, and facility flexibility.
4. As airlines change their business models and service gaps (baggage handling, terminal services, transportation, equipment servicing, facility management and Information Technology solutions) are identified, Edmonton International will explore these as opportunities to diversify revenues.

Edmonton International's strong regional growth presents a unique opportunity to transform Edmonton International into the future airport model and earn our Vision to be The World's Preferred Gateway.

## 4.1.3. RISKS

Edmonton Airports must carefully balance the timing of evolving customer needs, new carrier processes and technology to harmonize in a terminal strategy that will accommodate future growth through optimization of existing (rather than additional) groundside infrastructure.

In taking steps to own more of the passenger experience, Edmonton Airports must understand customer needs and position Edmonton Airports with the resources and the appropriate airline relationships to successfully implement effective initiatives. Although airlines are moving toward more self-serve programs, airlines remain sensitive to brand differentiation. Many airlines acknowledge that the opportunity for brand differentiation is moving toward at-the-gate and onboard service; however, in some cases airlines remain sensitive to airports assuming more responsibility for customer service in the airport.

Edmonton Airports must remain diligent in its focus on developing these longer-term initiatives, which in some cases, take years to implement.

## 4.2. Land Development

Development of the lands that surround the runways and terminal buildings of our airports represents a significant opportunity to optimize airport revenues. Edmonton International is located on approximately 7,000 acres of land and is the largest airport with scheduled operations in Canada in terms of land mass. Approximately 4,000 acres of that land is developed or will be protected for terminal or airfield reserve, and the remaining 3,000 acres is leased or is available for lease for commercial development, including approximately 1,100 acres for cargo related development. What makes commercial development particularly desirable, is the low correlation between the revenue streams resulting from commercial development and the passenger aviation business, which represents an opportunity to diversify Edmonton Airports' business/revenue risk.

The trend of diversifying revenue streams away from traditional passenger-centric sources is not new and has become fundamental in the design and redevelopment of successful airports around the world. In fact, it has become necessary at many airports to augment aeronautical revenues to support development initiatives. There are many examples of major airports where the non-aeronautical to aeronautical revenue ratio now exceeds 50 percent and many more examples where this ratio is the inverse of Edmonton Airports' current 30/70 split. Much of this non-aeronautical revenue can be attributed to large-scale concession and land development.

### 4.2.1. THE OPPORTUNITY

**Commercial Development**

Growth and development in the Greater Edmonton Region, particularly to the south of Edmonton, has been intense, with developers buying up land and driving up prices. Demand for land in the Leduc/Nisku region has increased dramatically, pushing up prices for land near the airport. Pressure from businesses and land developers to develop available land at Edmonton International will continue to mount as land around the airport becomes increasingly scarce. Currently we have a number of developers on record expressing their interest in developing airport land for commercial uses.

Significant demand exists for the development of hangars and general aviation capacity at Edmonton International. Land to the north of Apron 3 has been identified as an area to address general aviation demand for hangars to host maintenance, repair and overhaul operations as well as additional Fixed Base Operators (FBO). There is also demonstrated demand at our other airports to develop hangar facilities. These developments are lower in priority and will require third-party capital to execute.

**Parking**

Uptake on existing parking facilities is tremendous. Surface parking continues to see high occupancy. Parkade Park is consistently full and Valet Park continues to see solid demand. The past demand exceeding supply issues have been solved with 1,000 new parkade stalls open in August 2008 and new Park and Ride (4,000 stalls) planned to open in December 2008.

### 4.2.2. STRATEGY

**Commercial Development**

We will pursue commercial development at Edmonton International from two broad perspectives:

- Leasing to Land Developers

Leasing areas of airport land to land developers is a way of developing airport land that requires less of our own resources and capital investment. We will pursue land developers to develop land that requires servicing to defray upfront capital costs and to use their expertise and business networks. The offset of this strategy is that lease revenue will be significantly discounted or deferred for long periods. A good example of this is the servicing of land in the AirLINKS West portion of the airport. This area has been identified as the ideal location for large-scale cargo processing operations, but will require significant third-party investment in site servicing and road-works to enable development.

- In-house Leasing and Development

Leasing serviced land to businesses for commercial development will be handled in-house, particularly when the associated capital costs are within reason and a business case can be made. Much of AirLINKS North is serviced and ready to accept new businesses. While there will be a requirement for Edmonton Airports to invest some capital in access roads and storm water management, this kind of development can be successfully managed in-house.

Our development strategy will focus on refining the information presented in the Comprehensive Commercial Real Estate Plan into a detailed business concept plan that will identify the portfolio of businesses that will generate an optimal amount of revenue based on best and highest value uses of our land assets. Equally important is the creation of an efficient set of development processes and in-house real estate expertise to enable a proactive approach to pursuing mixed commercial developments ranging from pure aviation-related businesses, to retail and office, and to recreational-based businesses that satisfy the local base of demand.

As a key part of our core aviation-related business, the southwest quadrant of the lands at Edmonton International (AirLINKS West) has been identified as the ideal location for large-scale cargo processing operations. The use of AirLINKS West for cargo operations is discussed in greater detail in the Cargo Strategy section. Transport Canada has approved an amendment to our Land Use Plan to change the zoning of this area to permit development in this part of the airport. We have reserved land for expansion of cargo infrastructure and facilities, including warehousing, logistics and multi-modal operations.

### Parking

Parking operations are typically among the most profitable lines of business in which airports are involved. Parking revenue at Edmonton Airports now makes almost 20 percent of our total revenue and more than one-half of our non-aeronautical revenue, which is critical for offsetting rate and fee increases to airlines. Therefore, it makes good business sense, given the amount of land we hold in inventory, to use our own land resources to develop adequate parking facilities to meet customer demand and provide a suite of products that optimizes revenue as well as customer satisfaction. We have continued our development of this revenue product by installing new parking equipment, which will provide us with a greater degree of management information. This will help us to make pricing decisions and reduce our dependence on labour to collect parking fees.

Current and forecasted demand for parking is expected to continue its trend above passenger growth. With robust passenger growth expected to continue over coming years and with parking at current occupancy levels, we require additional capacity in the short-to medium-term. A long-term parking plan will be included in our updated Master Plan outlining future parking locations and their sizes; however, the short-term requirement for additional parking capacity is being addressed to ensure we secure this very important revenue source. A remote park-and-ride facility is being developed to the south of the airport access road near the Queen Elizabeth II Highway. This facility, together with the additional capacity in the parkade expansion, provides adequate parking capacity to 2013. We will continue to strategically set pricing, depending on growth in demand and comparable pricing in the region. We will also review our parking pricing to ensure that it is compatible with our new parking equipment and is producing an optimal amount of revenue.

Increasing revenue from Parkade Park by way of price increases and space optimization initiatives is a priority. We currently reserve a number of parkade stalls for Valet Park, "Fly Thru" customers, rental car companies, employees and tenants. In the short term we will rationalize parkade stalls assigned for non-essential uses to free up valuable parkade inventory for higher yield customers. The park-and-ride facility may offer options to provide for valet overnight overflow parking to free up valuable parkade space. This change may require a re-engineering of the Valet Park product to ensure it remains a popular and high-yield product for our customers.

### 4.2.3. RISKS

Risks associated with developing land at our airports are for the most part consistent with risks borne by all land owners/developers. Inexperienced developers, high/escalating construction costs and the potential for economic instability could interrupt or slow the growth of land development at our airports. However, we regard investing in site servicing for future tenants as a sound strategy for developing long-term cash flows for the airports, and as long as developments are consistent with our planning parameters, the airport stands to gain significantly in the medium-to long-term.

## 4.3. Cargo

With a very competitive cargo marketplace amongst our peer airports, Edmonton Airports has concluded that a new approach to developing the air cargo business both in the short- and long-term was required. In considering a new strategy for air cargo growth, we acknowledged that previous cargo development strategies were very similar to passenger air service development strategies, and solely focusing on recapturing air cargo traffic from other gateways. These efforts have proven over time to be unsuccessful and will likely remain marginally successful over the long-term even in a market with high market potential. Therefore, growth efforts focused on air cargo traffic at Edmonton International have evolved into a two-pronged strategic approach. First, resources and efforts have been directed to focus on existing operations and service potential to identify and capitalize on short-term cargo service gaps through facilitation, pursuit of capacity improvement and growing market awareness. Any augmentation or recapture of existing air cargo business would be reflected in increases to reported volumes through Edmonton International, however the resulting market mass would be insufficient to drive new, sustained dedicated air freighter services that stimulate significant growth or justify significant costs of facility and infrastructure improvements required to accommodate air cargo in any meaningful way. The second effort is directed at establishing this larger air cargo market mass for Edmonton International. Launched in 2006, the Port Alberta initiative identified a bold, innovative opportunity that conceived Edmonton International as the focus of a multi-modal transportation hub through the development of a large scale, integrated cargo and logistics park located on Edmonton International lands.

Led by Edmonton Airports, the communication of this vision and its potential benefits to the region, province and nation, has gathered significant interest and support. This interest includes private and public sector involvement and cumulated in extensive, ongoing discussions with private investment as well as the formalization of a representative committee of key stakeholders, focused on fulfilling the Port Alberta vision. Edmonton Airports continues to provide leadership and direction to this committee as the foundations for future success are created.

### 4.3.1. THE OPPORTUNITY

In developing a strategy to secure Edmonton International's role as a significant cargo player, research was completed on international and domestic cargo market trends, the latter of which has been fuelled by unprecedented investment in oil sands development. Additionally, reviews were undertaken of Edmonton International's on-site infrastructure, facilities, and local transportation networks to provide an overall assessment of our short term capabilities and long term potential. These reviews demonstrated that Edmonton International possesses a tremendous combination of ample underutilized land assets, close proximity to global air routes, strong road and rail infrastructure nearby, and a vibrant economy. This coupled with industry's requirement for an efficient and effective system for moving goods and people in the region, represents an excellent opportunity for the development of an aggressive large scale, global, cargo development strategy at Edmonton International.

The global perspective and description of the opportunity reflects the increasing need for the Greater Edmonton Region to integrate efficiently with global supply chains, to support growth and economic diversification. Speed and agility, have become as important as price and quality, and there is a growing demand by customers for increased integration and transparency in the supply chain. As world markets expand, existing supply chains lengthen, incurring hidden costs-such as increased inventories, over-production and under-production issues. This dynamic has produced an opportunity for next generation developments, such as inland ports to create a new dimension for buyers and vendors to regain a competitive advantage by tapping into new, lower cost, more efficient nodes in the global supply chain.

Another opportunity for air cargo growth is represented by the emergence of the Port of Prince Rupert as a container terminal focused on Asia-Pacific trade. Funded and supported through the Asia-Pacific Gateway and Corridor Initiative (APGCI), the Port of Prince Rupert establishes a new trade corridor for goods and material to flow in and out of the Greater Edmonton Region, en-route to the United States and other markets. There is an opportunity to leverage the Canadian and Alberta government programs to stimulate increased trade and utilization of Canadian gateways through infrastructure investment and support of regulatory reform, which are key contributors to a long-term opportunity for air cargo growth and business development at Edmonton International.

### 4.3.2. STRATEGY

Port Alberta is visionary and bold. Community leadership has taken this vision and committed itself to see Port Alberta fulfilled as a comprehensive logistic park, providing value and generating opportunity. This commitment is represented by the Port Alberta Steering Committee, whereby key partners have established representation whose purpose is to develop, guide and execute the initiatives and activities necessary to rapidly and effectively fulfill the vision. These efforts have been orientated to support the following strategic directions:

- Focus on Community Engagement

The objectives under this initiative are aligned with securing support within the Public and Private sectors for Port Alberta. Edmonton Airports has the responsibility to manage and define the activities within the boundaries of the airport; however, optimal development requires the involvement of the Edmonton Region to augment the cycle of growth necessary to sustain Port Alberta and extend the market reach. Orders of Government have a key role in applying and amending policy necessary for Port Alberta to thrive and the facilitation of transportation requirements.

- Differentiation through Enhanced Facilitation

As one of many transportation projects competing for resources and market profile, Port Alberta must differentiate itself from the others. The need to shift the paradigm about this region's role in transportation is critical if Port Alberta is to succeed. Enhanced facilitation considers activities oriented towards creating value-add services, features and facilities that are aligned with public sector objectives and the needs of industry and the market. Participation by Edmonton International in cooperatively funded component projects to determine preliminary design and engineering of key facilities and infrastructure, will lay the foundation for the bulk of capital investment requirements for Port Alberta development.

- Capital Investment and Funding

It is recognized that third party capital resources are necessary to achieve the level of investment required to bring Port Alberta forward. The most significant asset available to the project is the available land for development at Edmonton International and its strategic value. Port Alberta is focused at this location and with the strong economic climate in the province, there continues to be investment interest and opportunity to further expand the awareness and potential for Port Alberta.

- Market Development

At the core of the Port Alberta strategy is the need to create 'new' market opportunity and maximize the opportunity for 'existing' markets. Previous strategies by Edmonton Airports have focused on attempts to re-route existing air market activity through Edmonton in an effort to increase our share of the air cargo 'pie'. The Port Alberta strategy leverages increased economic strength to create and capitalize on an opportunity to establish a larger market 'pie' while identifying and capitalizing on existing market growth potential. It also recognizes that air cargo is only one component of the larger, integrated supply chain and that any appreciable market increase must consider the other transportation modes as a whole. This perspective allows the growth potential to broaden into a global market context as opposed to, sole focus on existing market support. It also clearly includes industry opportunity to expand the Port Alberta value opportunity to non-air cargo transportation sectors.

### Focus Areas

Edmonton Airports' key responsibility to the overall vision of Port Alberta is to secure strategic investment. This investment would represent a catalyst for the further development of the lands and is a key building block to support broader engagement by the community. Investment can be described as either capital for, land development, strategic Industry commitment or a combination of both. Activities to support this effort include:

- Land – planning and preparation for designated land use at Edmonton International
- Aeronautical – planning and preparation for enhanced aviation infrastructure
- Value-add services – research and facilitation of advanced logistical support
- Policy reform – research and leadership on policy reform to attract investment
- Marketing – promotion and communication
- Tenant development – identification and solicitation of new industry providers/users
- Existing services – focused attention to existing service providers and capitalization of opportunity

### 4.3.3. RISKS

Success depends on a strong corporate focus, broad community support, new market access and a positive economic investment climate to establish the competitive advantage outlined above. The absence of these elements would make it unlikely for air cargo traffic at Edmonton International to grow appreciably and provide the region with better air cargo services.

Other gateways will continue to respond aggressively to secure the Edmonton-origin market share, so speed of execution becomes critical. Loss of momentum will allow competitors to adapt their strategies and mitigate the effectiveness of Edmonton Airports' activities. Maintaining our momentum, engaging in public relations and marketing aggressively will be critical in managing community expectations associated with Port Alberta.

## 4.4. Airport Network

Edmonton Airports currently manages and operates four airports in the Greater Edmonton Region. These airports have defined roles, ranging from purely recreational through a mix of recreational and commercial to overwhelmingly commercial in nature.

In support of our Vision, there is value in pursuing a strategy that includes involvement with airports outside of the four currently managed and operated by Edmonton Airports. This strategy must focus on the right relationships with the right airports, in support of our Vision.

### 4.4.1. THE OPPORTUNITY

While airports view other airports as competitors for air service and customers, there is a growing recognition of the value of partnering to achieve common objectives and move the vision of partner airports forward.

Similar to air carriers that seek joint commercial arrangements to enhance their service networks for potential customers, airports can consider similar partnerships to extend and solidify their market potential. The economic pressure on airports with limited resources to deliver services, while air carriers continue efforts to reduce unit costs, is creating a need for change within the airport industry.

Airport associations such as the Canadian Airports Council (CAC) and Airports Council International (ACI) are environments where airports pursue collective interests as an industry. These organizations, however, do not facilitate the establishment of commercial ventures or agreements between individual airports.

Edmonton Airports does have informal business arrangements with airports that have arisen from capitalizing on ad hoc opportunities. We have not, however, aggressively pursued developing more extensive networks or more formal business arrangements.

Developing commercial and business relationships with other airports provides Edmonton Airports with opportunities to:

- Realize our gateway Vision through an expanded network of influence
- Focus investment and involvement on those specific airports within the current network that have strategic value over the long-term
- Expand influence in air service development, through enhanced business case(s) with air carriers
- Capitalize on internal industry expertise through sales of service
- Offset costs of developing industry knowledge through sales of service

Business opportunities must be judged on a case-by-case basis to ensure the opportunity is strategically valid, supports the gateway Vision, and has a solid business case to support it.

### 4.4.2. STRATEGY

To achieve our gateway Vision, business opportunities with airports within the catchment region will be targeted. The catchment region is defined broadly to include airports in Western Canada and Northern Canada that are, or could be, significant links both between the north and Edmonton, and between the north and the world. The Edmonton International's catchment area, like all other airports, is flexible and largely influenced by the air service profile that exists at each airport. A change in services, such as new market introduction, would expand that catchment area as customers change their preferences.

The following general categories of opportunities will be pursued:

1. Marketing opportunities for air service development, both passenger and cargo

   Marketing tactics must include not only the Edmonton end of the business, but must also address the other link(s) in the service. Market development to build the business, cooperative recruitment of a carrier(s) with the other community(ies), and common support and nurturing of the route will be required. For partner airports without the background and skills to undertake the work, Edmonton Airports would be required to provide leadership and technical assistance.

2. Skill expertise resident within Edmonton Airports

   As noted previously, Edmonton Airports has industry-specific skills resident within the corporation. Marketing these skills to targeted airports will permit Edmonton Airports to develop other revenue streams, while establishing positive relationships with these airports. These positive relationships will be an important factor in engaging these airports in future business opportunities aimed at furthering the gateway Vision. The revenue streams also contribute to the diversification of revenue, and the sustainability of the corporation.

3. Skill expertise development required within Edmonton Airports, but needing a broader revenue stream than currently exists within the corporation

   While there are significant business advantages to having expertise resident in-house (such as ready access and cost-effectiveness), there is not always sufficient business need to support the development and maintenance of this in-house expertise. By developing external markets, again within the target airport base, Edmonton Airports is able to support the in-house expertise, and further expand our influence with airports in support of the gateway Vision.

4. Formal operation and management of airports within the catchment area

   Opportunities will exist for Edmonton Airports to pursue more formal operation and management agreements with target airports. This approach will develop a revenue stream that does not currently exist, contributing to the sustainability of the corporation. It will also create an environment that supports co-operative air service development and the further development of in-house expertise, all of which support the gateway vision.

### 4.4.3. RISKS

There are impediments to our ability to succeed with this strategy. Competition exists. Industry consultants and other airports/subsidiaries are already active in this role, some of whom are well established with good reputations.

There may be reluctance on the part of airports in the catchment area to engage Edmonton Airports in any meaningful way.

Transport Canada will play a key role, as it is necessary to ensure that federal constraints, through future amendments to the ground lease or legislation, do not impede the strategy.

# 5. LONG-TERM STRATEGIC GOALS

## 5.1. Employees

**BY THE END OF 2013, EDMONTON AIRPORTS WILL BE RECOGNIZED AS A TOP 100 EMPLOYER IN CANADA.**

Edmonton Airports competes nationally, and in the foreseeable future, internationally to attract skilled human resources. We need to differentiate ourselves as an employer of choice to attract and retain top talent by marketing the benefits of being an employee of Edmonton Airports. A strategic goal dedicated to employees, provides us with a direction to be an employer of choice, and shows our commitment to our employees.

Our first step towards being a top 100 employer will be to analyze successful companies. In 2009 this analysis will assist us in creating a plan that, once implemented, will support us in achieving our goal. We will participate in the survey annually; and we will identify internal opportunities and adopt best practices to support our overall Vision, Mission and Core Values.

Supporting this are two broad initiatives. The first is the development of a Core Skills Program for all employees. With the tremendous growth that we have experienced and the significant expansion we are undertaking, we need to ensure that we have a common means of conducting business and leading our employees, in alignment with our brand promise - "EIA We'll move you". This will serve to further strengthen our culture and bring new innovative approaches. The Core Skills Program will have two primary corner stones - business skills and leadership skills. The program will consist of a series of courses that will be developed starting in 2009, and rolled out to all employees over time. The learning will be designed to be practical, allowing employees to implement the course materials right away. The Core Skills Program will provide a common foundation to facilitate an effective business approach and to support a consistent approach to issues. In addition, the program, will strengthen our succession planning so that we can continue developing employees' experience and competencies to meet future challenges.

The second initiative will be on-going work by our Corporate Culture Committee to engage all of our employees in defining the desired corporate culture that supports our brand promise, and our overall vision, mission and core values. This feedback will be utilized to develop an action plan. Another activity the Corporate Culture Committee will undertake is to look to top 100 employers' best practices and adopt initiatives that will foster a superior workplace environment. As new initiatives are implemented, it will be important to measure the progress and the engagement of employees. A follow-up survey will be conducted in 2010 to determine progress from the initial survey conducted in 2006, with additional checkpoint surveys in each of the following years.

## 5.2. Efficient Growth

**BY 2012 INCREASE PER ENPLANED PASSENGER NON-AERONAUTICAL REVENUE BY EXCEEDING THE FIVE–YEAR AVERAGE ALBERTA CPI. ACHIEVE EBITDA (EARNINGS BEFORE INTEREST TAXES DEPRECIATION AND AMORTIZATION) OF NOT LESS THAN 55% OF REVENUE.**

There are two key thrusts to this goal – increase non-aeronautical revenue and reduce unit costs. Our focus on non-aeronautical revenue will continue and becomes increasingly important as the industry sees increased pressure for airports to reduce aeronautical fees charged to airlines. Non-aeronautical revenue will be enhanced in three key areas: terminal retail, food and beverage; parking; and property development.

The terminal retail, and food and beverage will be significantly enhanced over the coming years, particularly in 2009, with additional outlets to serve passengers. As the terminal is expanded, additional opportunities for retail, food and beverage will be realized, enhancing the passenger experience at Edmonton International and contributing to additional non-aeronautical revenue.

Parking revenue remains a significant non-aeronautical revenue stream that will be further developed in the coming years. Parking has always been considered a profitable line of business; however, we will enhance our approach to operate as a profit centre with an entrepreneurial approach to the development of products and pricing strategies. This product has been enhanced with an expanded parkade, along with additional surface parking planned to start in late 2008. Our entrepreneurial approach will also be applied to other areas such as ground transportation. A loyalty marketing program will be developed, with its initial focus on parking, which rewards customers, contributing to the further development of our parking products. Over time the loyalty program will be introduced to other areas of the business.

We will continue to move forward with non-aviation land development, capitalizing on the opportunities along Queen Elizabeth II for highway commercial and warehousing and light industrial in AirLINKS North and South. In addition, a third-party developer will be engaged to develop additional hangar lots at Villeneuve Airport.

The other primary driver to achieve this goal is to keep the airlines' costs of operating at this airport down. This will be of ever-increasing importance to our airline partners, and ultimately to our success in attracting and retaining quality air service. Aside from increasing non-aeronautical revenue to keep aeronautical fees low and competitive, we need to also focus on the drivers of those fees by continuing to work towards highly efficient operations in every area. One driver of costs in this area is increased regulation and security requirements. We will focus on employing technology where appropriate and implement new solutions where cost benefits can be achieved. This will require us to research products that achieve efficiencies and meet regulatory and security needs without increasing costs, and also minimize the use of labour in our tight labour environment. In addition, other industries have experiences that we can use, so we will explore best practices with other facility providers to see what they are doing and what we can do from a best practice perspective to improve efficiencies and effectiveness of service delivery. Finally, we will further develop our emergency response training programs that were once a cost and continue to evolve them into a profit centre.

## 5.3. Cargo and Land

BY END OF 2012, COMPLETE PHASED LAND AND AVIATION INFRASTRUCTURE DEVELOPMENT PLANNING AND FINANCING, AS WELL AS THE CONSTRUCTION OF AT LEAST THREE CARGO-RELATED FACILITIES, TO INITIATE THE DEVELOPMENT OF A LARGE SCALE, INTEGRATED CARGO VILLAGE, ON AIRLINKS WEST LANDS IN SUPPORT OF PORT ALBERTA.

This goal has four key areas: focus on community, enhanced facilitation, capital and funding, and new market development. By 2012, land will be available for lease as a global cargo village that is serviced, with roads and utilities, and with access to Edmonton International aviation infrastructure.

Focus on community is the recognition that to achieve major development we need to engage the broader community (Public and Private sectors). The Port Alberta Memorandum of Understanding is representative of that community engagement (Edmonton Economic Development Corporation, Edmonton Chamber of Commerce and Edmonton Airports).

Enhanced facilitation deals with the infrastructure and the services required to bring Port Alberta forward. Including improved road access, aprons, cargo facilities, trade policy reform and information technology.

The capital and funding strategy is based significantly on private and public funding resources. Edmonton Airports has some capital available, but not enough to do both Port Alberta and the terminal expansion. The focus will be on securing in AirLINKS West third-party investors to develop Port Alberta.

New market development strengthens the existing market and associated opportunities (energy, agrivalue, technology, etc). We will generate a new market externally through shippers, third-party logistics companies and major industry, developing a bigger pie rather than focusing solely on 'luring' more of the current pie.

## 5.4. Airline Relationships

BY 2012, EDMONTON AIRPORTS WILL BE RECOGNIZED FOR SUPERIOR PARTNERSHIPS WITH AIRLINE CUSTOMERS BY RECEIVING THE INTERNATIONAL AIR TRANSPORT ASSOCIATION (IATA) EAGLE AWARD.

Edmonton Airports' commitment to our airline partners is to provide: meaningful consultation; information transparency; cost-relationship; equitable charges structure; and productivity improvements.

We will move forward on this by remaining committed to value for money. Keeping costs in line for the airlines will be key to our success in achieving this strategic goal. We will move forward with applying each year to develop a baseline and business case for this approach. We will also work diligently with our airline partners to increase the profile of Edmonton International and provide consistent messaging at both the local and head office levels through regular meetings and communication activities to enhance the relationship. Part of this effort will be in the communication and implementation of our new rate and fee methodology. We also need to let our partners know about and demonstrate with hard data increased efficiency in our facilities and efforts to contain costs – both our costs, and their costs.

With our terminal expansion program we need to involve and engage tenant and airline staff (both local and head office) during the development of commissioning/activation plans for major expansion projects such as the Terminal Express (temporary bridges) and ultimately the expanded terminal. We will focus on communication and customer service. This will ensure potential issues are identified before they become critical to terminal operations for us and our partners during major changes in passenger processing.

In addition, we also need to work with the local and inbound markets to increase connections through Edmonton International and to reduce the market leakage to other airports and modes of transportation. A key aspect is improved operational efficiencies through improved connecting passenger flow, baggage processing, and reduced turnaround times.

During difficult times, carriers will seek partners that will help them contain costs.

IMPROVE CUSTOMER EXPERIENCE, RESULTING IN A TOP 10 PERCENT PLACING FOR OVERALL CUSTOMER SATISFACTION IN THE ASQ[13] SURVEY BY 2012, EVALUATED FOR AIRPORTS WITH 5-15 MILLION PASSENGERS.

## 5.5. Customer Experience

This is our commitment to our customers; we must act strategically and have commitment not only from all of Edmonton Airports, but also from our EIATeam Partners. Our focus will be on the key drivers of satisfaction and applying the best practices in the industry to Edmonton International. Our brand will play an important role in positively shifting the communities' perception of Edmonton International. Extending this further as we enhance existing spaces and expand the terminal we will revamp the visual identity to reflect our community.

Providing open spaces in the terminal with clear paths for the passenger is an important factor in improving our scores. We will develop practical guidelines for terminal aesthetics to declutter the terminal and improve the overall ambience. This can be achieved by providing a cohesive presentation of some terminal elements, such as wayfinding (ours and tenants) and other signs, waste/recycling receptacles, carts, and other fixtures in and around the terminal. This can involve better grouping and theming of some of these elements or employing new ideas such as dynamic signage. For those services that we contract to third parties, we will enhance performance standards that reinforce the achievement of this goal. Overall the focus will be on a quality facility appearance and making an efficient airport experience for the passenger inside and outside the terminal.

And, of course, having the concessions the passengers want, from new food and beverage and specialty retail to business lounges will also contribute to successful performance (both from a financial perspective, and a customer satisfaction perspective). We will focus on those areas in ASQ that can be enhanced that also improve profitability of other areas of the business, such as parking availability and in-terminal advertising.

## 5.6. Terminal Efficiency

**ACHIEVE A COMMERCIAL PASSENGER TERMINAL CAPACITY OF 9 MILLION ANNUAL PASSENGERS BY 2013 THAT IS 100% COMMON USE.**

We have already embarked on a $1-billion dollar expansion program that has significant impacts across our organization and requires a complete team effort to realize. This goal provides the overall focus for the organization to have a facility that can efficiently and effectively accommodate nine million annual passengers. This can be achieved through the physical expansion of the terminal and through efficiency gains via passenger facilitation and business innovation, in particular through the deployment of common-use components.

With our existing terminals design capacity already being exceeded, the development of additional physical terminal space is underway. The first phase is the apron expansion that is already underway, which will be followed by the Terminal Express temporary gate relocation in our transborder terminal. These two phases are followed by the build out of the terminal and hammerhead over the subsequent years. This expanded terminal space will be designed with our sustainability value in mind and we will consider one of LEED certification levels (certified, silver, gold or platinum). During this time with continued passenger growth and potential new routes, current gate capacity constraints will become more acute, which may require a potential temporary apron-bussing program.

Developing and providing common-use facilities is a key element of achieving our terminal capacity goal, while minimizing the amount of physical building that we need to construct. One of the critical components will be baggage systems that will allow a domestic passenger to drop a bag anywhere in the domestic terminal. Common-use equipment (CUSS & CUTE)[13] will continue to be developed in the terminal and at other out-of-terminal locations to move us forward with this strategy. Other infrastructure related improvements for common use that will contribute to achieving this strategic goal include signage, self-bag tagging and common-use gating.

As airlines look to reduce their cost of operating, airports can play a role in providing an efficient environment for various services that are typically described as ground handling services. These Future Airport Services include such things as passenger processing, baggage services, business lounge, wheelchair services, VIP Services, baggage handling, aircraft ground services, cabin cleaning, marshalling, and deicing. Some airports have already embarked on this path and there is potential for increased efficiencies for all parties involved. As a first step, we will develop a business case for Future Airport Services in 2009. This business case will consider best demonstrated practices, what types of services to provide, and ultimately the recommended direction. The goal is to determine an approach

[13] CUSS – Common-Use Self Service Kiosk; CUTE – Common Use Terminal Equipment

for the Future Airport Services that provide the airlines with a realizable cost advantage and to enhance the passenger experience with greater efficiencies.

Aside from the infrastructure side of common-use, another element is labour. The development of common-use labour to provide a common branded customer experience for all common-use infrastructure, such as information booth, volunteers, bag drops, kiosk etc. will be examined and developed as appropriate. This approach will align our investment in common-use infrastructure with common-use labour, to achieve further efficiencies.