



there's **c h a n g e** in the air

EDMONTON AIRPORTS ANNUAL REPORT 2001



**VISION:** We are industry leaders in delivering outstanding airport and aviation services

**MISSION:** We manage airports in a safe, secure, and commercially focused manner with emphasis on customer satisfaction.

Through optimal air service, facilities and resources, we stimulate regional /provincial economic growth

**CORE VALUES:** 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

**CORE BUSINESS:** Customer Services • General Aviation Services • Airport Management Services • Airport Real Estate Development • Passenger / Cargo Services Development

# CONTENTS



<b>There's Change in the Air</b>	
Message from the Chairman and the President .....	3
<b>Our Eyes on the Sky: Business Leadership</b>	
Priority One: Safety and Security .....	5
Four Airports, One Vision .....	5
Bringing the World to Edmonton:	
Air Terminal Redevelopment Project .....	7
Making an Impact .....	7
Prime Real Estate: Land Development .....	9
<b>The Wind at our Back: Customer Satisfaction</b>	
Once and For All: The World's and	
ITU Triathlon World Championship .....	13
A Community Comes Together:	
September 11, 2001 .....	13
Room to Manoeuvre: Barrier Free Access .....	15
Comings and Goings: Air Service .....	15
Stuff That Matters: Cargo Service .....	17
Hit the Ground Running: Ground Transportation .....	17
<b>Our Ear to the Ground: Stakeholder/Community Relations</b>	
Setting Records: ITU Triathlon World Championship	
and The World's .....	19
What's in a Name? Reputation Management .....	21
Listening to Our Community:	
Noise Awareness Campaign .....	21
<b>Leading the Way</b>	
Board of Directors .....	23
<b>Our Sights on Tomorrow</b>	
Achieving the Vision .....	29
<b>Financial Review</b>	
Management Discussion and Analysis .....	32
Financial Statements .....	39



G. SCOTT CLEMENTS, PRESIDENT AND CEO • H. GLENN RAINBIRD, CHAIRMAN OF THE BOARD



## THERE'S CHANGE IN THE AIR



The theme of this annual report is change. The year 2001 saw unprecedented change not just in our airports, but in our community, our industry and, indeed, the world. Change describes our new terminal facilities, air service enhancements, achievements in customer service through ETeam, and the effects of September 11.

In this, our tenth year, what remains unchanged is focus on our long-term vision for air services and airport facilities to support our community. 2001 put our employees, our airports and our community to the test. But it is often through the most difficult challenges that a committed team can realize its greatest success. And through the change, our vision and core values guided us.

Driven by the significant economic growth of the region, the Air Terminal Redevelopment Project achieved milestones with the completion and first year of operation of the South Terminal, and the start of Phase 3 construction on Central Hall. Edmonton Airports will continue to employ the philosophy of demand-driven facility redevelopment. With the regional economic picture continuing to look bright, this project will ensure that Edmonton International Airport can not only respond to economic growth, but help generate it. This is illustrated through our *Economic Impact Study* referenced in this report.

Supporting the region's strong economy was the continued growth of air service from Edmonton International Airport. Until the tragic events of September 11, passenger volumes continued to expand, most notably through international travel growing 24 per cent over 2000 numbers. Despite declines in passenger traffic following September 11, Edmonton International Airport was the only level-one airport in Canada to see passenger and cargo growth in 2001.

ETeam, the 60 companies and 3,500 employees at Edmonton International Airport, enabled the successful management of the airport services supporting the 2001 IAAF World Championships in Athletics. Edmonton International Airport itself became a venue as athletes and spectators stepped off their planes and into The World's. This event resulted in the busiest day ever at Edmonton International Airport, and delivered a whole set of new customer service challenges. Through coordination and the dedication of ETeam, those passengers enjoyed a positive first and last impression of our community.

H. Glenn Rainbird, Chairman of the Board

September 11 demanded an extraordinary response of a different kind from our ETeam. The closure of US airspace and diverted aircraft to Canada offered the opportunity to comfort and shelter 1,200 worried travellers who found themselves far from home. The Capital Region response was extraordinary, but predictable. Quick, compassionate, professional action provided a temporary home for travellers far away from their destinations, and facilitated their safe departure when airspace reopened. The events of that day galvanized the air service industry, marking a watershed in the evolution of airport safety and security. Edmonton Airports will not only meet new federal requirements for safety and security, but will continue to be a leader in airport safety and security, in a customer focused manner.

We also saw changes in leadership at the Board level at the end of 2001. On behalf of our community we would like to express our deep appreciation to former Chairman Sid Hanson, and to fellow founding board member, John Friesen. They both made outstanding contributions to this region's economic prosperity.

Lastly, we must thank our stakeholders: our community and our business partners. As a not-for-profit, regionally based authority, we work on behalf of our stakeholders to achieve air service and infrastructure to support our region. Our community partners inspire the three Key Success Drivers around which this annual report is organized:

- Business Leadership
- Customer Satisfaction
- Stakeholder/Community Relations.

This 2001 Annual Report summarizes a remarkable year of change for Edmonton Airports and for the air service industry. As well, because this is the 10th anniversary of Edmonton Airports, we also offer you a snapshot of how change has transformed us over a decade. We are proud of our team and our ability to respond to and create change. More importantly, we are proud of the enhanced service that ETeam provides to our customers and the contribution we are making to the economic development of the community we serve. Often, change is made in response to the past. At Edmonton Airports, we're driving change in order to define our future.

G. Scott Clements, President and CEO

"PROGRESS LIES NOT IN ENHANCING WHAT IS,  
BUT IN ADVANCING TOWARD WHAT WILL BE." KAHLIL GIBRAN



## OUR EYES ON THE SKY

**Business Leadership:** To achieve and sustain a financially strong, competitive business advantage by developing an entrepreneurial, innovative and best practices culture.



Supporting the economic growth of the region demands that we show financial and business leadership. From supporting local business through land use development to developing an entrepreneurial culture among our staff, we are committed to being a financially sound, competitive business. Reflecting our efforts in this area is our A+ bond rating, which serves as a validation from the financial community that our business is well run. In addition, Edmonton Airports was awarded the *Economic Development Edmonton Ambassador Award — Business Environment*, which annually recognizes the one organization that makes a major contribution to regional economic development.

### Priority One — Safety and Security

Edmonton Airports is committed to being a leader in the delivery of security services. We recognize that successful security programs are not just about implementing procedures, but about caring for our customers.

Operation Pegasus was an extensive three-day training exercise involving airport tenants, government agencies, emergency response services and law enforcement. These groups were challenged to practice numerous real-time safety, security, public health, political and other emergency scenarios that could arise due to The World's.

Through these high-pressure exercises, agencies worked collaboratively to implement emergency response plans and build a strong team environment.

In addition, Edmonton Airports led a number of table-top safety and security exercises in 2001. These exercises allow team members to review various operational and emergency scenarios, and provide the opportunity to implement protocols to ensure an efficient, professional response to emergency situations.

We were put to the test on a worldwide stage with the significant demands of The World's. With commitment to diligent planning, and strict execution, thousands of international visitors arrived and departed through Edmonton International Airport in a customer focused, safe and secure manner.

One month after successfully managing this event, September 11 again called on the professional commitment of our team to manage the impacts on the aviation industry. We worked earnestly to implement critical security procedures, working cooperatively with our partner agencies and airlines.

Edmonton Airports will continue to operate in full compliance with all Transport Canada security regulations. We also recognize that with increased security programs there must be a renewed commitment to customer service. Edmonton Airports will continue to foster a comfortable, customer oriented airport experience.

### Four Airports, One Vision

Edmonton Airports manages four airports that together provide complementary services to the region:

**Edmonton International Airport (YEG)** — a hub for domestic and international air travel. Passenger numbers have grown from 1.8 million in 1992 when we assumed management, to almost 4 million in 2001.

**Edmonton City Centre Airport (YXD)** — a corporate and general aviation (GA) facility supporting small charters, private and company aircraft, training, military, industrial and medevac flights.

**Villeneuve Airport (ZVL)** — a flight training, charter and GA facility.

**Cooking Lake Airport (EZ3)** — a GA airport supporting float planes, flight training and private and recreational aircraft.





ARCHITECT'S RENDERING OF CENTRAL HALL, OPENING SUMMER 2003



### Bringing the World to Edmonton: Air Terminal Redevelopment Project

The Air Terminal Redevelopment (ATR) Project at Edmonton International Airport, now in Phase 3, was initiated to respond to and support consistent regional growth. This growth has made the airport one of the fastest growing in the country, with a nine per cent average annual increase in passenger traffic since deregulation in 1992.

The original terminal building, opened in 1963, was designed to handle 2.5 million passengers. However, in 2001 alone, almost 4 million people went through the airport on more than 90,000 flights. Once the ATR Project is complete, the airport will be positioned to support 5.5 million passengers each year.

2001 was the first full year of operations for the new South Terminal. The increased space and flexibility proved invaluable in meeting the increasing demands of expanded transborder and international services, and growing passenger numbers. The additional space in Canada and United States customs and immigration services offered high levels of security, safety, and customer service against the particular demands of the ITU Triathlon World Championship and The World's.

The expanded space and modern equipment and facilities positioned the airport to efficiently manage the effects of September 11 and the 1,200 international diverted passengers, and to restart operations in a highly secure manner on September 12 when air space reopened.

The Air Terminal Redevelopment Project took another step forward in 2001 with the commencement of Central Hall construction. Central Hall follows Phase 1,

the 1,800-stall parkade, and Phase 2, the 26,000 square metre South Terminal.

The Phase 3 Central Hall Project will increase the size of our facility by 15,000 square metres and provide up to 12 additional aircraft bridging positions, depending on the size of the aircraft. Central Hall, which will connect the original and new terminal buildings, will be a focal point for the air terminal and house a range of amenities and facilities for travellers, including:

- State-of-the-art security equipment to support efficient and thorough centralized security passenger screening
- Centralized Commuter Concourse to make access to regional flights easier for passengers
- New and expanded retail outlets
- Expanded food and beverage services
- A *meet and greet* area

The total cost of Phase 3 is approximately \$83 million.

In advance of the opening of Central Hall and the associated retail, and food and beverage services, two new food and beverage facilities were developed in 2001. Tim Hortons opened in the South Terminal, and Jasper Mountain Eatery and Brewworks, a new full service restaurant, opened in the North Terminal.

### Making an Impact

Edmonton International Airport makes a significant contribution to both the regional and provincial economies in terms of employment generation, tourism, new business creation and growth of existing business.

## ONGOING ECONOMIC IMPACT SUMMARY EDMONTON INTERNATIONAL AIRPORT

Type	Jobs	FTEs	Wages	GDP	Economic Output
Direct	3,479	3,217	\$ 138M	\$ 189M	\$ 480M
Indirect	2,680	2,476	\$ 97M	\$ 127M	\$ 292M
Induced	2,112	1,951	\$ 78M	\$ 111M	\$ 231M
Total	8,271	7,644	\$ 313M	\$ 427M	\$ 1,003M

FTEs = full-time equivalents

# AirLINKS

## BUSINESS PARK@YEG

- Cargo Park
- Developable Land
- RedTail Landing Golf Club

Runway 20

Edmonton International  
Airport Terminal



Highway 2

Our 2001 Economic Impact Study showed that Edmonton International Airport supports 3,500 direct jobs on site. In addition, including direct, indirect, and induced impacts, Edmonton International Airport:

- generates \$313 million in wages
- contributes \$427 million in GDP
- generates \$1,003 million in economic output

The Air Terminal Redevelopment Project also has a significant effect on the local economy. Over the last four years, the expansion project has resulted in over 750 FTEs. Direct construction wages total \$45 million to date.

#### Prime Real Estate — Land Development

In 2001, Edmonton International Airport continued to generate interest in commercial use of lands around the airport. Implementation of our AirLINKS Business Park land use development concept began with a focus on economic stimulation for the region to complement existing businesses. The business park will be a premiere, prestige commercial and industrial centre, giving developers and businesses access to more than 445 hectares of developable land.

AirLINKS' architecturally controlled development plan includes a number of sites with direct airside access and is divided into several zones dedicated to specific land uses:

- Prestige: Tenants will include corporate offices and research and development companies.
- Light industrial: Tenants will include businesses involved in diverse activities such as manufacturing, distribution, the service sector, warehousing and storage.
- Cargo: Tenants will include integrators, freight forwarders and customs brokers.
- Office: AirLINKS' planned office campus will consist of a number of office buildings.
- Retail: Potential tenants are automobile service stations, convenience stores and other retail outlets.

AirLINKS Business Park will offer a healthy work environment including an 18-hole championship golf course and jogging trails.

Three significant industry leaders, FedEx, WestJet and RedTail Landing Golf Club emerged as tenants in the new AirLINKS Business Park.

#### FedEx Cargo Handling Facility

In July, Edmonton Airports announced that Federal Express Canada would begin construction of a 3,300 square metre cargo handling facility at the 15 hectare AirLINKS Cargo Park. FedEx was the first cargo carrier to expand into AirLINKS Cargo Park, which can accommodate another four similarly sized terminal developments. The new FedEx facility tripled the size of the company's airport presence and became operational in December.

## ECONOMIC IMPACT SUMMARY OF ATR PROJECT PHASES 1, 2, AND 3

Type	FTEs	Wages	GDP	Economic Output
Direct	747	\$ 45M	\$ 50M	\$ 125M
Indirect	315	\$ 22M	\$ 31M	\$ 66M
Induced	361	\$ 22M	\$ 28M	\$ 58M
Total	1,423	\$ 89M	\$ 109M	\$ 249M

FTEs = full-time equivalents





### WestJet Hangar

In 2001, Executive Flight Centre developed a 3,172 square metre WestJet hangar facility on two hectares of land. The hangar can accommodate two B737-700 aircraft and was completed at the end of 2001.

### RedTail Landing Golf Club

In 2001, Sid Puddicombe Associates Ltd. began construction of a multi-million dollar, world class 18-hole golf course and facility on 95 hectares of land adjacent to AirLINKS Business Park. The par 72 course will become one of the area's longest and most challenging. Course facilities will include a learning facility for public and private lessons, a putting course, pro shop, lounge and grill as well as a separate facility for tournaments and special events.

### City Centre, Cooking Lake and Villeneuve Airports

Edmonton City Centre Airport (ECCA) continued to implement its land use/real estate development plan as well. The Workers' Compensation Board started construction of a new facility at ECCA, which is scheduled for completion in Spring 2002. In addition, the vacant airport terminal building was leased to Edmonton Public Schools. Amiskwaciy Academy, a high school for Aboriginal students, will open in 2002.

Cooking Lake Airport sold all available hangar lots and is exploring the possibility of developing additional properties.

Cooking Lake's unique condominium structure provides opportunity for aviators to purchase rather than lease land. This offers long-term stability and revenues that contribute to our objective to support this facility in its goal to be self-sustaining.

Tenants at Villeneuve Airport were offered the opportunity to buy the 1,800 square metre lots they were leasing. Revenue from the sales is earmarked to finance the ongoing operation of and future improvements to the airport. The sales will also contribute to economic development of the area and mitigate the need to raise aviation fees.

### General Aviation Services

The General Aviation Services group provides the cost-effective management of the airports' general aviation facilities. In addition to this operational mandate, General Aviation Services promotes the growth and diversification of aviation in the region, working closely with business and industry to create opportunities that support aviation.

In 2001, ECCA supported 85,000 passengers and 97,000 aircraft movements. On schedule with Edmonton Airports' long-term goal, ECCA eliminated its operating deficit.

The airport proceeded with the next phase of its marketing program, which included partnering with tenants to develop a marketing plan. ECCA also participated in industry trade shows and leveraged advertising opportunities to promote services and business activities at ECCA.

For the third year, General Aviation Services supported Airfest, an annual aviation event that offers a unique opportunity for the public to get up close to ECCA. This Father's Day family event attracted over 7,000 aviation enthusiasts, and showcased businesses and facilities at ECCA.



"NEVER BELIEVE THAT A FEW CARING PEOPLE CAN'T CHANGE  
THE WORLD. FOR, INDEED, THAT'S ALL WHO EVER HAVE."

MARGARET MEAD

"I was one of those fortunate passengers on September 11, 2001 who, en route from London Heathrow to San Francisco, was diverted to Edmonton International Airport. Of course security was tight, but the airport personnel were well prepared to receive us. With very little time on the tarmac, the passengers were disembarked, greeted by sensitive staff, advised where our hotel reservations were made and escorted to a waiting limo. Thank you so very much. Every person with whom I came into contact was exceedingly kind."

Kay Myers Carson  
San Francisco, California

CHILD PASSENGER'S DRAWING OF DIVERTED AIRCRAFT  
AT EDMONTON INTERNATIONAL AIRPORT: 09.11.01



## THE WIND AT OUR BACK

**Customer Satisfaction:** To ensure that all airport services are provided efficiently and effectively by a skilled and motivated ETeam workforce that continuously improves customer value and satisfaction.



Customer satisfaction is at the heart of everything we do. It also extends beyond Edmonton Airports. Edmonton Airports has taken a leadership role in the development of ETeam – a partnership of 60 companies and 3,500 employees who work together at Edmonton International Airport to make customers' airport experience a positive one. Each ETeam company has committed to an ambitious, achievable vision of delivering outstanding airport and aviation services. ETeam – one team made out of many.

### Once and For All – The World's and ITU Triathlon World Championship

In 2001, Edmonton International Airport was a focal point for two major world class sporting events – the 2001 IAAF World Championships in Athletics and the ITU Triathlon World Championship. ETeam spent months planning and preparing for the events, ensuring that athletes' and spectators' first and last impressions of Edmonton were nothing less than exceptional.

One of the major ETeam initiatives introduced at the airport to support the 2001 IAAF World Championships in Athletics was the *Wear the World's* program. The program encouraged all 3,500 employees to wear The World's clothing. It was very successful with a high number of airport employees wearing The World's T-shirts, hats and pins. ETeam staff wore merchandise for the duration of the event as a way of promoting the event to inbound visitors.

Our success in managing these significant events was due in large part to the commitment and enthusiasm of our volunteers, particularly as athletes and spectators began to leave Edmonton after The World's wrapped up. August 13 stands on record as the airport's busiest day as 16,000 passengers travelled through the airport. Our ETeam and

volunteers met this enormous logistical challenge, ensuring that safety and security of passengers remained the number one priority.

### A Community Comes Together: September 11, 2001

The impact of the terrorist attacks in the United States is immeasurable. On that day and in the subsequent weeks, ETeam was put to one of the most significant tests of customer service imaginable. On September 11, six aircraft and more than 1,200 passengers were diverted to Edmonton International Airport.

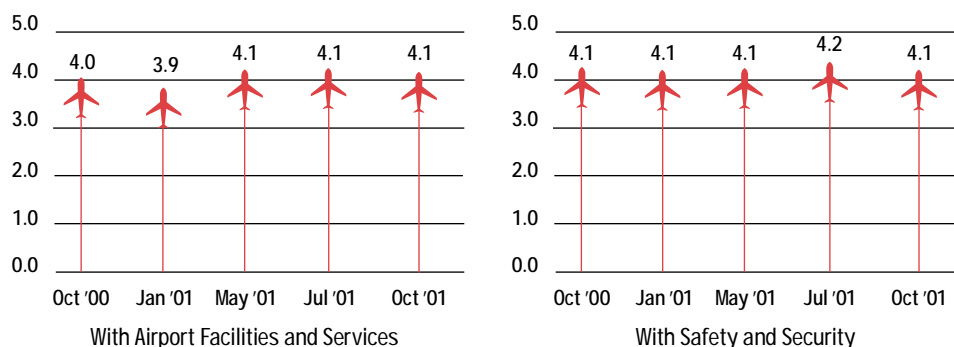
During the course of that day and the days that followed, the media supported our communication to the public by providing frequent updates.

ETeam remained focused on its number one priority: the safety and security of passengers. Together, ETeam ensured that passengers were kept informed and kept as comfortable as possible. It was an inspiring example of the power of teamwork. In the days and weeks following the tragedy, ETeam received letters from staff at US Customs and the US Immigration and Naturalization Services, CEOs of the diverted airlines, and stranded passengers expressing their gratitude for the kindness, generosity and community spirit shown by ETeam and the Capital Region. In addition, through an *Economic Development Edmonton Ambassador Award*, ETeam was recognized for its professional management of the September 11 diversions to our city.

The airport's Emergency Services Department launched a ribbon campaign to raise money for the families of the firefighters affected by terrorist attacks in the United States. The campaign will continue through to September 11, 2002. All funds raised through the campaign will be matched by Edmonton Airports.



## CUSTOMER SATISFACTION IN 2000/2001



We offer our thanks to ETeam staff who stopped at nothing to help our passengers during that time and to members of the community from whom we received hundreds of calls offering transportation and shelter to stranded passengers.

### Customer Service Survey Results

Quarterly passenger and semi-annual airside (pilot) customer service surveys continued in 2001. After the opening of the South Terminal, scores for decor and atmosphere improved while scores for directional signage, walking distance and retail food and beverage were down. ETeam worked diligently on these service issues and by the end of 2001 satisfaction measurement scores showed that we had pushed our customer service goals forward. The ATR Project, particularly the completion of Central Hall, will address outstanding service issues and continue to improve customer service levels.

### Room to Manoeuvre — Barrier Free Access

Part of our customer service efforts is providing access to all airport users. Edmonton Airports hosts an active Barrier Free Committee at Edmonton International Airport. Representatives from a number of organizations representing persons with disabilities sit on the committee, which reviews facilities and services offered at the airport. The committee has direct input on construction projects at the design stage and helps fine-tune final construction plans. Through the Disability Awareness Training Program, Edmonton Airports also equips its front line service providers with skills to help them assist persons with disabilities. Edmonton International Airport is among the first airports on the continent to use an integrated commuter aircraft passenger boarding system. This system ensures

safe and efficient boarding for both physically challenged and able-bodied passengers.

Other barrier free services at the airport include:

- Curved, padded, doorless, extra wide entrances into washrooms
- Recessed drinking fountains
- Shuttle bus to airport parking lot equipped with wheelchair lifts
- Baggage start up alarm and flashing light
- Hearing loop at Information Booth
- Tactile floor surfaces
- TTY pay phones and TTY phones at hotel information board
- Video paging
- Braille signage
- Television sets with closed captioning

### Comings and Goings — Air Service

Just shy of four million passengers passed through Edmonton International Airport in 2001, an overall increase of 2.5 per cent over 2000. Decreases in post-September 11 passenger numbers were most severe in US and international travel. Passenger numbers up to September 11 demonstrated strong growth. Results from January through August 2001 were 8.9 per cent higher than the same period in 2000. With the immediate downturn in post-September 11 passenger activity, airlines worldwide rationalized services, and removed aircraft from their active fleets.

Edmonton's non-stop services to Denver and Chicago were suspended in 2001. Edmonton Airports is pleased to welcome United Express, new to Edmonton, which announced that it would provide new non-stop service to Denver in 2002.





**FedEx**  
Federal Express

AYY

AYY C430FN

C430

PROPERTY OF FX

01300

FEDERAL EXPRESS

The loss of Canada 3000 was a significant event in late 2001. Canada 3000 provided service to approximately 4.5 per cent of Edmonton travellers and offered popular low-cost services to sunspot and European destinations. Unfortunately, the demise of Canada 3000 resulted in the loss of non-stop service to Hawaii and reduced service to Las Vegas. It was too late in the season for other carriers to fill the void.

Air Canada announced that it would introduce non-stop Honolulu and Maui service in 2002. Air Canada added a non-stop summer service to San Francisco and reintroduced non-stop summer service to London-Heathrow five times per week. Tango, the low-cost Air Canada carrier, launched in November offering service to Toronto.

In 2001, WestJet enjoyed significant growth in both capacity and passengers in the Edmonton market. The airline increased the number of flights out of Edmonton to 171 per week from 123, and served 36 per cent more passengers as compared to 2000. WestJet introduced new service to Hamilton, Ontario and additional services to Fort McMurray, Vancouver, Calgary, Kelowna and Grande Prairie.

#### Special Air Service for The World's

With the strong support of our community, Edmonton Airports worked with airlines to meet the city's air transportation needs during The World's.

Air Canada expanded its domestic capacity to Edmonton by 30 per cent through larger aircraft and increased frequencies to assist with the additional passenger volume to Edmonton as a result of The World's. Northwest Airlines added a fourth daily flight to Minneapolis for the month of August, while Horizon offered a fourth daily flight to Seattle throughout the summer.

#### Stuff That Matters — Cargo Service

Overall cargo volumes were up 3.8 per cent over the previous year to a record high of 35,143 metric tonnes. The largest gains were made in July and August in preparation for and during the 2001 IAAF World Championships in Athletics when track and field equipment pushed volume to its highest single month total in four years. Our gains in cargo service for the year were exemplary, considering that many other airports saw significant declines.

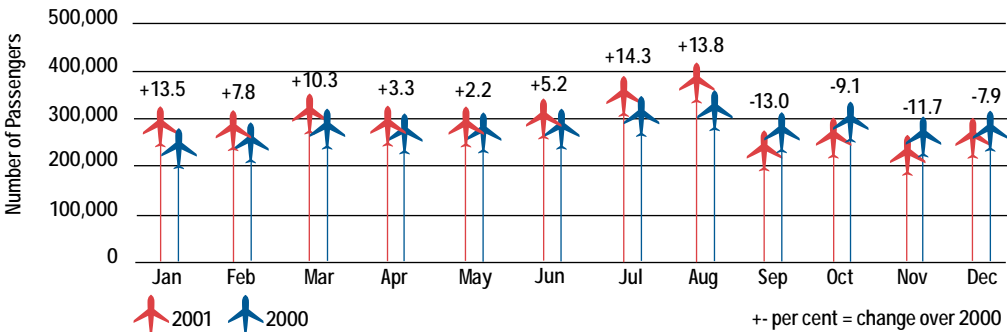
The construction of FedEx's cargo facility at AirLINKS Cargo Park was complemented by the completion of Phase 1 of Cargo Apron 3. As well, BBE Northern Logistics completed renovations of the former Canadian Airlines Cargo Terminal. This facility will be used for handling freight for Canadian North and Northwest Airlines.

Through various airline meetings, trade shows, and other marketing initiatives, Edmonton Airports actively promoted the use of Edmonton International Airport for international cargo flights. Knowing the significance of this type of service to area businesses and their ability to compete in a global market, Edmonton Airports has given priority to attracting an all-cargo airline. To strengthen our potential for direct service, we have purchased a heavy-duty main deck loader to ensure that the airport can efficiently and effectively handle even the largest freighter aircraft.

#### Hit the Ground Running — Ground Transportation

Edmonton Airports approved a five-year agreement with Laidlaw for the provision of taxi service from Edmonton International Airport. The agreement includes improved service for persons with disabilities and improved curbside management by Laidlaw.

### 2001 ENPLANED/DEPLANED PASSENGER GROWTH OVER 2000



"WITHOUT A SENSE OF CARING, THERE CAN BE  
NO SENSE OF COMMUNITY." ANTHONY J. D'ANGELO





# OUR EAR TO THE GROUND

## Stakeholder/Community Relations:

To develop and maintain the relationships, partnerships, networks and reputation necessary to succeed.



At Edmonton Airports we believe that our success is determined not only by our business decisions, but also through the support of stakeholders and our community. In turn, Edmonton Airports is committed to active participation on many committees and boards that contribute to economic development, transportation planning, charitable campaigns, tourism development, and other regional endeavours.

### Setting Records:

#### ITU Triathlon World Championship and The World's

During the summer of 2001, Edmonton played host to two premiere world sporting events: The World's and ITU Triathlon World Championship. The World's, which ran August 3-12, contributed to significant increases in passenger traffic over the previous year. July and August showed a 14.3 per cent and 13.8 per cent increase respectively in passenger traffic over the same period last year.

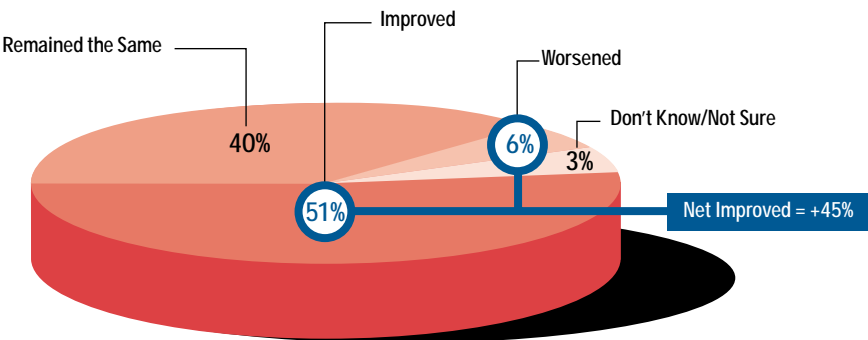
As a gold level sponsor of The World's, Edmonton Airports' goal was to provide a positive first and last

impression to our international visitors, and ensure that the region used the profile created by The World's to promote future inbound tourism.

Over 6,000 athletes, officials, international media and spectators arrived in Edmonton via the International Airport. The airport marked its busiest day ever on August 13 as passengers began their journeys home. That day, the airport served almost 16,000 travellers — four thousand more than the same day one year previous. Also, the airport handled over 22,000 individual pieces of luggage during the nine day event.

Edmonton Airports shared The World's vision of offering our international visitors a hospitable, enthusiastic welcome. Edmonton Airports developed a terminal building welcome program consisting of guest services for spectators, information booth staffing, and signage to greet athletes and visitors. Groups of volunteers worked together to ensure the smooth and efficient management of arrivals and departures.

## REPUTATION OF EDMONTON AIRPORTS



Ipsos Reid, 2001



ETeam also played a significant role in the ITU Triathlon World Championship by facilitating the organizing committee's airport meet and greet program, providing briefings to volunteers at the airport, and outfitting volunteers in Triathlon T-shirts to increase exposure for the event. ETeam also supported the coordination of efficient ground transportation.

#### What's in a Name? — Reputation Management

As a regionally based, not-for-profit authority, we are accountable to the community we serve. That accountability includes providing top notch service, planning for the future and contributing to the economic viability of the region. It also involves trust. For Edmonton Airports, reputation management means that we are fiscally responsible in our management of the airports. We ensure passenger safety and provide them with the information they need to make informed decisions about travel. To that end, we work closely with the media to help us deliver important messages and information to our stakeholders. For example, in the two weeks following September 11, we worked closely with local media who ensured that critical information regarding air travel and security was delivered to the public.

In addition to media relations, we contribute to our community by getting involved. In 2001, Edmonton Airports' investment in the community included:

- Participation in Economic Development Edmonton committees to promote regional transportation and tourism opportunities
- Sponsor of and contributor to Meet the North Conference
- Membership in Project Germany
- Sponsor of *Cows in the City* exhibit, a fundraising

program in support of Success by Six; which received the 2001 Advertising Club of Edmonton (ACE) Award of Distinction for the most unique exhibit display

- Supporter of Fort Edmonton Historical Foundation's restoration of Blatchford Field Air Hangar
- Sponsor of You're Welcome Customer Service Awards

#### Listening to Our Community: Noise Awareness Campaign

Edmonton Airports and the Edmonton International Airport Noise Advisory Committee published a Noise Awareness brochure for Edmonton International Airport. The brochure was distributed to residents in the vicinity of the airport, airport tenants and other local stakeholders and is part of a larger public awareness program on noise issues. The brochure outlines the airport's

proactive approach to noise exposure management and provides contact information for anyone with concerns regarding airport noise.

We would like to say

# Thank YOU

For your assistance during the **emergency situation** that recently affected the **Edmonton International Airport** and the entire **world**.


We at **Edmonton International Airport** would like to extend our sincere appreciation to our community.

In response to the emergency situation we faced over the last few days, you have offered aid and expressed encouragement. We have been inspired by your **kindness**, and warmed by your **compassion**.

**1200 international passengers and crew** were diverted unexpectedly, and we continue to hear expressions of appreciation from those travellers who were comforted and cared for by the Capital Region.

It is with **heartfelt gratitude** that we recognize the efforts of **our community**.

Finally, we wish to **thank** travellers who continue to demonstrate **patience** and **cooperation** with increased time required for security processing at Edmonton International Airport.

www.edmontonairports.com

Letter of appreciation printed in local papers, September 2001.

- Gold level sponsor of The World's





H. GLENN RAINBIRD, APPOINTED BY THE CITY OF EDMONTON



MARGARET BATEMAN, APPOINTED BY THE CITY OF EDMONTON



ENZO J. BARICHELLO, APPOINTED BY THE CITY OF EDMONTON

# LEADING THE WAY

## Board of Directors



### H. Glenn Rainbird, Chairman

*Vice-Chairman (term ended December 31, 2001)*

*Chairman (term began January 1, 2002)*

Mr. Rainbird is the principal of RAINBIRD Consulting, a business management services practice assisting clients achieve their business goals. Prior to forming RAINBIRD Consulting, he spent nearly a decade as President and CEO of TRLabs. Under his leadership, TRLabs became Canada's leading research consortium in information and communications technology and is now internationally recognized as a leading model for industry-university-government collaboration. Prior to TRLabs Glenn's career included senior executive responsibilities with Imperial Oil and Nortel Networks.

Mr. Rainbird also serves on a number of additional boards and committees, including the Greater Edmonton Competitiveness Strategy Stewardship Committee (co-chair), the Alberta Science and Research Authority, Industry Canada's Communications Research Centre, and advisory boards for the schools of business at Queen's and Royal Roads universities. In its Millennium edition, Alberta Venture magazine named Mr. Rainbird one of Alberta's fifty most influential people. He holds a B.Sc. in Civil Engineering and an MBA, both from Queen's University.

### Margaret Bateman, Vice-Chairman

*(term began January 1, 2002)*

Ms. Bateman is a founding partner of Calder Bateman, an Alberta based, full service communications agency, serving a broad range of public and private sector clients throughout Alberta and Western Canada. A graduate of Loyola College with a Bachelor of Arts degree, her practice focuses

on major public issues in such areas as health restructuring, education, municipal governance, the resource industry and economic development. Ms. Bateman's career in communications and public affairs began at Imperial Oil, with subsequent service in senior executive positions with the Alberta Housing Corporation and the Alberta Public Affairs Bureau, where she was responsible for the provincial government's advertising, public affairs and related functions across 25 provincial government departments. She has been a regular contributor to the Globe & Mail and CBC-TV news, commentating on public affairs in Alberta. Ms. Bateman also serves on several boards including the Edmonton Art Gallery, the Edmonton 2001 Athletics Legacy Foundation, and the Augustana University College in Camrose.

### Enzo J. Barichello

Mr. Barichello is a partner in the Corporate/Commercial department of the national law firm Bennett Jones. He has built a diverse practice, acting for electrical power and gas utilities, major real estate developers, forestry companies, telecommunications companies, oil and gas corporations, chartered banks and smaller commercial enterprises and individuals.

Mr. Barichello has lectured at Alberta Bar Admission courses for several years in the area of drafting and negotiating commercial leases and at the Faculty of Extension at the University of Alberta. He has served as a director on a number of Alberta private companies and industry associations. He is a member of the Edmonton Chamber of Commerce, the Law Society of Alberta and the Canadian Bar Association.



PETER BIDLOCK, APPOINTED BY STRATHCONA COUNTY



G. JOHN BOWES, APPOINTED BY STURGEON COUNTY



FRANK FLORKEWICH, APPOINTED BY PARKLAND COUNTY



DENNIS FOLEY, APPOINTED BY LEDUC COUNTY



DAVID R. FOY, APPOINTED BY THE CITY OF EDMONTON



#### Peter Bidlock

Mr. Bidlock is Chairman and CEO of four Edmonton hotels: the Dover Hotel, the Mount Royal Hotel, the Jasper Place Hotel and the Grand Hotel. He has been actively involved in the hospitality and related industries for many years, having owned and operated various hotels and motor inns throughout Alberta. He is a Director and past president of the Alberta Hotel & Lodging Association and currently provides consulting services to the hospitality industry. Mr. Bidlock is a past member of the Capital Health Authority, and a former member of the Capital Region Forum, and was an elected member of municipal government. He currently serves as a board member for Edmonton Northlands, as well as the Royal Alexandra Hospital Foundation.

#### G. John Bowes

Mr. Bowes operates G. John Bowes, Chartered Accountant, a full service, professional public accounting firm. He holds a Bachelor of Commerce degree from the University of Alberta and an Honours Diploma in Administration Management from the Northern Alberta Institute of Technology. Mr. Bowes has operated his accounting practice for 20 years, focusing on professional accounting engagements to the business community, corporate, personal, excise and estate tax and general business consulting services. Mr. Bowes also serves as a member of the Sturgeon County Lottery Board and the Sturgeon County Economic Development Board.

#### Frank Florkewich

Mr. Florkewich owns and operates three family businesses: Junction 43 Sales and Service Inc. (an equipment dealership), Norcan Consulting Group Inc. (a professional project management, planning and engineering consulting company), and The Sign Shop; he also currently operates a family farm with his son. He is a Civil Engineering Technologist and planning technician, and has held several technical, management, and marketing positions with Shell Canada, Franci & Associates, and Parkland County, and was a principal partner in TriTec Engineering Ltd., and Roma Florkewich & Associates Ltd. Mr. Florkewich has recently completed a nine-year term as Councillor for Parkland County, and has held several executive positions with provincial and federal political associations. He is also actively involved in many community activities. He is currently Vice Chairman of West Parkland Gas Co-op Ltd., President of St. Georges' Catholic Church Committee, past president of the Parkland Community Association, and has served on several community boards and committees. Mr. Florkewich is a resident of Parkland County.

#### Dennis Foley

Mr. Foley is President of 544882 Alberta Ltd., an Alberta company providing marketing and technical consulting services relating to transportation infrastructure, systems and materials, and is a Senior Advisor to the University of Calgary, Faculty of Engineering, Bituminous Materials Chair. He is the holder of three Canadian and three United States patents relating to the fields of petroleum products and pavement systems. He also is the author of twelve technical papers respecting bituminous materials source, manufacturing, utilization and testing and holds a Bachelor of Science, Civil Engineering degree from the University of Saskatchewan. During his thirty-year career with Husky Oil Ltd., he held positions from a Sales Engineer to the Manager for Heavy Oil Marketing to his most recently retired position as Director of Product Research and Development. Mr. Foley has served on the Boards of Directors of the Asphalt Institute, Canadian Technical Asphalt Association, Alberta Roadbuilders and Heavy Construction Association, and Roads and Transportation Association of Canada. He holds lifetime memberships in the Canadian Technical Asphalt Association, Alberta Roadbuilders & Heavy Construction Association, Road and Transportation Association of Canada, and Association of Professional Engineers of Saskatchewan, and a current membership in the Association of Professional Engineers, Geologists and Geophysicists of Alberta. Mr. Foley has been a licensed pilot since 1962 and is a resident of the Genesee area.

#### David R. Foy

Mr. Foy is President of Mathew and Company, a textile and linens distribution and service company, and a subsidiary of the Summit Group, of which Mr. Foy is a director and partner. Mr. Foy served for four years as President and Chief Executive Officer of EPCOR where he transformed a traditional utility company into a competitive business and market leader in Alberta. Prior to that, he served in a number of executive roles, including President and Chief Executive Officer of Phillips Cables Limited, President of Phillip's Communication Products Division, Vice President Human Resources of Dylex Limited and Vice President Human Resources and Administration of Steetley Industries. Mr. Foy holds Bachelor of Arts and Bachelor of Commerce degrees from Loyola University. Mr. Foy currently serves as a director of DSL Industries Inc., and Mathew & Co. Limited. He is also a past director of the Edmonton Eskimos and of the Board of Governors of the University of Alberta.



HAROLD D. IRWIN, APPOINTED BY THE FEDERAL GOVERNMENT



ALLISTER MCPHERSON, APPOINTED BY THE CITY OF EDMONTON



ALBERT (AL) R. PASINI, APPOINTED BY THE CITY OF EDMONTON



LARRY PROKOP, APPOINTED BY THE FEDERAL GOVERNMENT



GORDON J. RIDDELL, APPOINTED BY THE CITY OF LEDUC

#### Harold D. Irwin

Mr. Irwin is a chartered accountant and a former senior partner and board member of Deloitte & Touche. He is currently Chairman of the Board, Philbrooks Boatyard Ltd., a major renovator and builder of custom yachts located in Sidney, B.C. Mr. Irwin was elected to the Board and currently is Chairman of Nova Pole International Inc., a manufacturer of steel lighting and highway poles in Vancouver. Mr. Irwin's community involvement includes terms as Secretary-Treasurer, Edmonton Downtown Development Corporation; Vice Chairman, Edmonton Concert Hall Foundation; board member, Edmonton General and Grey Nuns Hospital; and President, Variety Club of Northern Alberta.

#### Allister McPherson

Mr. McPherson serves as Executive Vice President of Canadian Western Bank. Prior to joining CWB, Mr. McPherson was Senior Vice President and Chief Financial Officer of Viridian Inc., one of Canada's leading fertilizer companies, until the takeover by Agrium in December 1996. A graduate of the Universities of Alberta and British Columbia with a B.Sc. and M.Sc., Mr. McPherson held several positions over 25 years with Alberta Treasury, including nearly 12 years as Deputy Provincial Treasurer - Finance and Revenue, before joining Viridian. He has served on the boards of Credit Union Deposit Guarantee Corporation and Alberta Social Housing Corporation, and was a member of the Selection Panel for Alberta Treasury Branches' initial Board of Directors and served as its first Secretary. He is a member of the Board of Alberta Municipal Financing Corporation, the Board of Governors of the Northern Alberta Institute of Technology (NAIT), and an external member of the University of Alberta Investment Committee.

#### Albert (Al) R. Pasini

Mr. Pasini forged a distinguished 36-year career with The UMA Group before retiring from the position of Chairman, President and Chief Executive Officer in June 1995. The UMA Group is an international engineering and contracting firm involved in a number of subsidiary and joint venture companies. Mr. Pasini was a member of the Board of Directors of all UMA subsidiary companies, acting as Chairman in

most cases. Prior to his appointment as Chief Executive Officer, he served as President and Chief Operating Officer for several years. Mr. Pasini holds a degree in civil engineering from the University of Alberta. His experience includes exposure to major industrial and civil engineering projects including the pre-design phase of the new Vancouver airport terminal.

#### Larry Prokop

Mr. Prokop completed a 42-year career in the aerospace defense industry in 1998 as President of CAE Aviation Ltd. Under his 20-year leadership, the Edmonton-based company achieved worldwide recognition for its capabilities in the repair, overhaul, maintenance, modification, service life extension and systems upgrades of military and commercial aircraft. In 1992, CAE became the sole Canadian company, and one of only ten worldwide sites, manufacturer-approved as service centres for the Lockheed C130 Hercules transport aircraft. Mr. Prokop was a member of the Executive Management Committee of the parent company, CAE Industries Ltd. of Toronto, the world leader in commercial aircraft flight simulators. He holds the designation of Certified Management Accountant (CMA) and is a Director and Treasurer of the Alberta Aerospace Association.

#### Gordon J. Riddell

Mr. Riddell is a senior partner in Global Energy Solutions Inc., a company providing integrated energy solutions. During his 30-year career with TransAlta Utilities, he led business teams, developed a steel light maintenance process and most recently retired as Regional Account Manager. He is the owner/operator of three small businesses and is actively involved in community organizations. He served as Chairman of the Board of the Leduc/Nisku Economic Development Authority. Mr. Riddell is a past director of the Leduc & District Chamber of Commerce, past chairman and director of the Parkland Simmental Association and a past director of the Leduc Black Gold Rodeo Association. He is currently Marketing Chairman for the Leduc/Nisku Economic Development Authority.



"GO CONFIDENTLY IN THE DIRECTION OF YOUR DREAMS."  
HENRY DAVID THOREAU



## OUR SIGHTS ON TOMORROW



### Achieving the Vision

2001 was an unforgettable year full of change and challenge, triumph and tragedy. We have never been more proud to be part of this great community. We have never been more proud of our team's ability to anticipate and serve the needs of the people who come through our doors. Though we may see them every week as they travel on business or just once, enroute to a holiday, we work to ensure that every passenger's experience at our airports is positive.

We work to ensure that our airports serve the travel and cargo needs of our community and the business needs of our stakeholders.

We are moving confidently, steadfastly toward the achievement of our vision. We are fuelled by the spirit of our team. We are guided by the needs of our community. And we are inspired by the people who trust us to get them home.





2001 FINANCIAL REVIEW



## MANAGEMENT DISCUSSION AND ANALYSIS

The following should be read in conjunction with the financial statements included in this report. The financial statements have been prepared in accordance with generally accepted accounting principles in Canada.

Edmonton Airports' intended purposes, as defined in the Regional Airport Authorities Act (Alberta), are to manage the airports for which it is responsible, Edmonton International Airport (EIA), Edmonton City Centre Airport (ECCA), Cooking Lake Airport (CLA), and Villeneuve Airport (VA), in a safe, secure and efficient manner, and to advance economic and community development by promoting improved airline and transportation service and an expanded aviation industry. Net earnings generated by Edmonton Airports must be applied toward these intended purposes.

To assist us in achieving those purposes, Edmonton Airports has developed a series of Guiding Principles that are our reference both in the conduct of our day-to-day activities and in our planning processes as we cast our focus into the future. These Guiding Principles, comprising our Vision Statement, Mission Statement, Core Values, Core Businesses and Key Success Drivers, were outlined in more detail earlier in this Annual Report.

Our Guiding Principles and related policies were tested in a most severe way on September 11, 2001 when terrorists attacked the World Trade Center in New York City and other targets in the United States. Edmonton Airports handled the resultant and urgent security issues, the shutdown of EIA, the stranding of thousands of travellers in our community and the diverse and demanding communications issues that arose smoothly and effectively. In addition, we were quickly able to adapt our operational and financial plans to accommodate what has become a changed aviation environment.

The events of September 11, 2001 had operational and financial impacts on Edmonton Airports. Some of those impacts, and particularly the financial ones, will be relatively short-lived in that during 2003 we expect air services and passenger travel to return to pre-September levels. Nevertheless, the operational impacts, mostly related to security, will change the way things are done at EIA (and all other major Canadian airports) in the near future and for the long term.

Until September 11, 2001, EIA was experiencing its most successful year as measured by air service and passenger volume. The terrorist attacks resulted in a reduction in aircraft movements and passenger volumes that had, and continues to have, negative revenue consequences for Edmonton Airports. For 2001, these revenue impacts were offset by favorable variances achieved prior to September 11, so that the overall results for the year compared favorably with our original budget. For 2002 and beyond, we will substantially mitigate the negative revenue consequences through a combination of modest rate increases and expense management.

These attacks were also responsible for a sudden, substantial and continuing increase in airport security processes and associated costs. Policing and security costs at major Canadian airports have always been, and continue to be, cost-recovery expense items in that they are passed on to the airlines through a specific passenger-related fee. The surge of post-September security-related costs will be recovered primarily from funds set aside by the Federal Government for that purpose. In the longer term, the increased policing and security costs will be paid for by the new \$12 passenger security fee being imposed by the Federal Government on every enplaning commercial air traveler in Canada, effective April 1, 2002. So while Edmonton Airports' financial situation is not impacted negatively by the costs of Canada's new airport and airline security regime, a significant new cost of travel has been added to the system. New security regulations will also require substantial additional capital investment in modifications to terminal building infrastructure. Edmonton Airports will be attempting to recover these costs from the Federal Government.

In 1996, Edmonton Airports renegotiated the rent formula (the "Crown Rent") component of its EIA ground lease with the Government of Canada ("the Crown"). That revised formula expires December 31, 2005. The absence of an agreement on a new formula would result in a reversion to the pre-1996 formula. This is significant in that such a reversion would increase the rent payable from an estimated \$4.2 million in 2005 to an estimated \$17 million in 2006. Were this to occur, it would result in another significant cost being downloaded onto the traveller via increased fees to airlines. Edmonton Airports, together with the governing authorities of all the other major Canadian airports, is currently involved in a dialogue with the Crown, the purpose of which is to review and modify the rent formulae at all the airports. The airport authorities' objective is to contribute to the growth of aviation-related commerce in the host regions by reducing the magnitude of the rent and the consequent transfer of cost to airport tenants and their customers.

The financial performance of Edmonton Airports' three general aviation airports is in line with expectations. The most significant of these facilities from a financial perspective is the Edmonton City Centre Airport, which in 2001 experienced improved financial results.

Edmonton Airports' long-term financial outlook anticipated a net loss in 2001 and we did experience a combined net loss for the year. However, net cash flows remained strongly positive and all cash flow expectations and covenants were comfortably maintained. During 2002, we expect passenger volumes to partially recover from the effects of September 11, 2001, and while we anticipate a modest net loss for the year, cash flows are expected to exceed the positive levels attained in 2001.

## Financial Performance in 2001

In 2001, Edmonton Airports incurred a net loss of \$4.6 million compared to net income of \$7.1 million in 2000. This loss arose primarily from a combination of increased amortization and interest on debt resulting from the new South Terminal, which opened in December 2000, being in service for the full year.

### Revenue

Edmonton Airports reported total revenue of \$62.0 million in 2001, an increase of \$4.7 million (8%) over 2000.

In 2001, overall passenger growth was 2.5% higher than 2000. Annual growth was experienced in the domestic and international sectors, 3.4% and 19.4% respectively, while there was a decline of 6.5% in transborder traffic. Prior to the events of September 11, overall traffic was tracking 8.9% higher than 2000. Overall passenger traffic post-September 11 declined by 10.3% over the same period in 2000. Prior to September 11 transborder traffic was up approximately 8.0% year to date over 2000 but declined 32.2% in the period after September 11.

In 2001, airside and general terminal revenue totalled \$18.2 million, an increase of \$2.3 million (14%) over 2000. Passenger growth and a rate increase of 15% resulted in the increase in airside and general terminal revenue. Increases in revenue resulting from airline service increases during the first eight months were offset by decreases in revenue arising from capacity reductions following September 11.

In 2001, concession revenue exceeded 2000 results by \$1.3 million (10%) to a total of \$14.8 million. The majority of this increase is a result of increased revenue from parking operations at the Edmonton International Airport, which can be attributed to higher passenger volumes prior to September 11 and aggressive marketing and promotional efforts. The increase in passenger traffic also resulted in growth in revenue from the food and beverage outlets and other terminal concessions.

Real estate revenue increased by \$0.2 million (8%) over 2000 and is a result of an increase in lease rates and new lease revenue at the City Centre Airport.



Police and security revenue increased from \$2.6 million in 2000 to \$3.5 million in 2001 (34%). The significant increase is the result of the recovery of the additional police and security expenses incurred as a result of the events of September 11. Subsequently, the Federal Government approved a program to compensate airports and airlines for the incremental costs related to the extra police and security activities incurred between September 11 and March 31, 2002. Any recoveries under this program will be applied against the pool of accumulated police and security costs, the remaining balance of which is recoverable from the airlines.

At Edmonton International Airport, departing passengers are charged a \$10 airport improvement fee (AIF) for the purpose of funding the Air Terminal Redevelopment Project. AIF revenue in 2001 was \$16.5 million, compared to \$16.6 million for 2000 (-1%). This decrease, which initially appears to be inconsistent with an overall increase in passengers of 2.5%, results principally from there being a growing component of passengers not subject to the AIF charge, most notably connecting passengers.

In 2001, Canada Lease capital credit revenue increased by \$0.1 million (2%) to \$7.1 million. This revenue item reflects the annual inflation adjustment to the landlord's contribution to infrastructure maintenance at Edmonton International Airport.

#### Expenses

In 2001, Edmonton Airports incurred expenses of \$64.5 million, compared to \$48.0 million in 2000, an increase of \$16.5 million (34%). The majority of this increase, \$12.7 million, is attributed to amortization and interest expense related to the new South Terminal that opened in December 2000.

Salaries and employee benefits expenses for 2001 totaled \$11.7 million, an increase of \$0.4 million (3%) over 2000. This increase is a result of normal annual salary adjustments and increased overtime following the events of September 11.

Services, maintenance, supplies and administration expenses were \$10.2 million, compared to \$8.9 million in 2000, representing an increase of \$1.3 million (14%). This past year was the first full year of operation for the new South Terminal. The addition of this facility approximately doubled the amount of space requiring maintenance. These expenses will increase further in 2002 as a result of the new system warranties expiring in December 2001.

In 2001, police and security expenses increased by \$0.5 million (16%) to \$3.3 million, from \$2.8 million in 2000. As noted above, this increase was offset by a corresponding increase in recoveries from either the Federal Government or the airlines. The events of September 11 resulted in incremental police and security costs related entirely to the increased security profile mandated by the Federal Government. (Refer to police and security revenue in the Financial Statements).

Utilities, property taxes and insurance expenses grew by \$0.7 million (26%) in 2001 to \$3.7 million. The addition of the South Terminal resulted in increased utility, property tax and insurance costs. These increases were offset in large measure by the 2001 Alberta Government utility rebate program. The rebate program expired in December 2001.

The majority of the \$9.7 million increase (271%) in interest costs results from a full year of servicing costs on the long-term debt issued by Edmonton Airports in October of 2000.

Increase in amortization of \$3.0 million (30%) over 2000 reflects the additional capital put into service in 2001 and a full year's depreciation of the new South Terminal.

AIF collection costs totaled \$1.2 million in 2001, which represents a decrease of \$0.1 million (5%) over 2000. This expense category includes internal administration costs associated with the AIF, as well as the fees paid to the airlines for collecting the AIF on Edmonton Airports' behalf. The decrease in collection costs is consistent with lower AIF revenue.

Canada Lease rent payable to the Government of Canada increased by \$1.0 million (14%) to \$8.1 million in 2001. Edmonton Airports' lease agreement with the Government of Canada is based upon an amount per passenger up to a maximum annual volume (the passenger 'cap'). In 2001, this cap increased from 3,590,000 passengers to 3,660,000 passengers, resulting in approximately \$0.6 million in additional rent. In addition to the per passenger rent, Edmonton Airports pays the Government of Canada participation rent on revenue over and above a threshold amount. Increases in total revenue above that threshold amount led to an increase in participation rent payable.

In 2001, Edmonton Airports wrote off capital assets at Edmonton International Airport having a total net book value of \$2.2 million. This writedown was primarily the result of the demolition of existing facilities in order to make way for the construction of Phase 3 (Central Hall) of the ATR Project.

#### Edmonton City Centre Airport

The revenue and expenses reviewed above include revenues of \$2.0 million (2000 - \$1.5 million) and expenses of \$2.3 million (2000 - \$2.7 million) for Edmonton City Centre Airport. The revenue increase can be attributed primarily to a change in the user fee charging methodology (effective July 2001) from a per passenger charge to a per landed seat charge, as well as higher volumes. In addition, real estate revenue increased as a result of new leases at the facility.

Capital expenditures at ECCA for 2001 totaled \$0.4 million. Expenditures in 2001 include electrical improvements to the parkade, minor pavement repairs to runways, landscaping for the aircraft display, purchase of a van, and preliminary design work for a new control tower.

#### Capital Asset Management

In 2001, Edmonton Airports invested \$40.7 million in capital assets (2000 - \$81.0), of which \$40.3 million applies to EIA.

Edmonton Airports' vision for the redevelopment and expansion of the EIA terminal and related facilities (Air Terminal Redevelopment Project or "ATR Project") was estimated to cost \$300 million. Of the \$300 million originally envisioned, Edmonton Airports' Board of Directors has approved the implementation of projects totaling \$256 million. The major elements of the approved projects include the construction of the parkade (completed in 1998), expansion of terminal facilities to the southeast (completed in December 2000), construction of additional apron area (completed in 2000), and construction of the Central Hall, which in 2003 will connect the South Terminal to the original North Terminal.

In early 2002 the Board approved, in principle, Phase 4 of the redevelopment program. Phase 4 is an estimated \$44 million expansion and redevelopment of the North Terminal, which was originally put into service in the early 1960s. Phase 4, when approved, would be scheduled for completion in 2005. The 2001 investment in the ATR Project was \$29.1 million (2000 - \$166.5 million), all of which was related to the construction of the Central Hall component (Phase 3) of the program. Construction on Central Hall commenced late in 2001. This construction start was dependent on the completion of the demolition of the most southerly portion of the old North Terminal, which was complex and consumed many calendar months.

Edmonton Airports is financing its expansion and redevelopment program through the issue of a 30-year 7.214% \$250 million revenue bond issued on October 31, 2000. Notwithstanding the events of September 11, Edmonton Airports' A (high), A1, and A+ credit ratings have been maintained and confirmed by the rating agencies.

Principal and interest on the revenue bond will be paid through revenues from the airport improvement fee that was implemented on April 12, 1997. To December 31, 2001, Edmonton Airports has incurred capital expenditures and related financing costs of \$238.9 million (2000 - \$191.0 million) compared to collections of \$66.2 million (2000 - \$50.8 million) as shown in the table below.

#### AIF Reconciliation

As at December 31, 2001

	Cumulative
AIF revenue (net):	
AIF revenue	\$ 71,685,367
AIF collection costs	(5,502,140)
	66,183,227
Expenditures:	
Qualifying capital expenditures	214,128,653
Related financing costs	24,795,264
	238,923,917
Excess of expenditures over AIF revenue (net)	\$ (172,740,690)

There was, in addition to the \$29.1 million investment in the ATR Project in 2001, a further \$11.6 million (2000 – \$11.7 million) in expenditures under Edmonton Airports' general capital, cost-recovery and revenue investment capital programs.

Noteworthy general capital projects completed during the year include aviation fuel hydrant installations and relocations, upgrading and waterproofing of departures level roadway and the construction of a new apron de-icing pad. Also in 2001 third party developers completed, or substantially completed, their investments in significant new facilities on land newly leased from Edmonton Airports. These include the FedEx cargo-handling facility, the WestJet hangar, and the RedTail Landing Golf Club all at EIA, and the Workers' Compensation Board Building at ECCA. Edmonton Airports invests in these projects by providing services to the leased site and by providing other tenant inducements linked to improvements to the leased property.

#### Outlook

Edmonton and Alberta economic growth has been very strong and is forecast to lead the nation in 2002. The Conference Board of Canada has announced that the economy of Greater Edmonton will continue to lead the country by twice the national average, with 3.2% GDP growth expected. Barring any unforeseen developments, airline traffic is forecast to recover to pre-September 11 levels during 2003.

Edmonton Airports' Board of Directors has approved the commencement of the design work for Phase 4 of the Air Terminal Redevelopment Project that will include the renovation and expansion of the original North Terminal.

Effective July 1, 2002, originating passengers at EIA will be charged a \$15 airport improvement fee in place of the current \$10 charge. Proceeds will provide Edmonton Airports with longer term financial stability, will be used to complete the original \$300 million air terminal redevelopment vision and will enable Edmonton Airports to proceed with phases subsequent to Phase 3 on a continuous-construction basis.



Edmonton Airports remains focused on its ongoing strategy of managing the airports for which it is responsible in a safe, secure and efficient manner, and to advance economic and community development by promoting airline and transportation service and an expanded aviation industry.

#### Five-Year Financial Information

Edmonton Airports' lease with the Crown requires that we provide a five-year outlook for Edmonton Airports' combined financial results. The following outlook is based on assumptions that we consider most likely, but which are nevertheless conservative. The most material assumptions have to do with passenger volumes, utilization by passengers of new Central Hall concession and retail, rent formula and new revenues from EIA land leases. The revenue increase in 2002 is primarily attributable to a July 1, 2002 increase in AIF from the existing \$10 per enplaned passenger to \$15. In addition, increased Crown rent and security costs and the recovery of those costs inflate both revenue and expenses.

(in millions of \$)	2002	2003	2004	2005	2006
Revenue (net of AIF collection costs)	65.5	75.2	79.5	81.7	83.9
Operating expenses	36.9	43.2	45.0	46.7	48.4
Earnings before interest and amortization (Free Cash Flow)	28.6	32.0	34.5	35.0	35.5
Debt service amount (net of interest income)	15.0	16.1	17.5	19.2	19.5
Debt Service Coverage Ratio	1.91	1.98	1.95	1.83	1.82

Cash flow in excess of that required to service debt is reinvested in infrastructure through Edmonton Airports' ongoing capital program.

#### Capital Expenditures

The following table summarizes the infrastructure investment for the next five years and includes all elements of our capital spending: ATR Project, General Capital, Cost-recovery Capital, and Revenue Investment Capital. The ATR element now includes \$44 million for Phase 4, which has been approved in principle. Provision has also been made for an additional \$20 million related to security-related infrastructure and equipment.

(in millions of \$)	2002	2003	2004	2005	2006
Estimated aggregate capital	62.6	44.5	26.0	36.2	10.0

#### Accountability

Edmonton Airports' public accountability requirements with respect to planning, reporting, conduct and operational effectiveness are documented in its leases with the Government of Canada and the City of Edmonton, and the appropriate Provincial Legislation, including the Regional Airport Authorities Act. These agreements and legislation set out specific requirements with respect to such matters as business ethics, conflict of interest, audit, periodic performance reviews and disclosure. In addition to information included earlier in this 2001 Management Discussion and Analysis, the following items require disclosure.

Public Competitive Tendering

Edmonton Airports, in accordance with its lease with the Government of Canada, is required to report on all contracts in excess of \$88,800 (\$75,000 in 1992 dollars) that were entered into during the year and which were not awarded on the basis of a public competitive tendering process. Such reporting shall identify the parties, amount and nature and circumstances of the contract, and the reasons for not awarding the contract on the basis of a competitive process. During 2001, Edmonton Airports entered into 112 contracts that had a cumulative value of approximately \$60.5 million. Of these contracts, 89% were awarded to local suppliers. Edmonton Airports entered into four contracts in excess of \$88,800 (\$75,000 in 1992 dollars) that were not awarded on the basis of a public competitive tendering process, the details of which are as follows:

Sole Source Contracts Over \$88,800 (\$75,000 in 1992 dollars)

Vendor Name	Description	Value	Basis for Selection
CRS Brown Landscape	Entrance Road Landscaping	\$108,875	This vendor was the successful bidder on the overall airport landscaping program in 2000 during which they demonstrated outstanding performance. The vendor quoted a comparable price structure for completing similar work on the entrance road landscaping project and in addition provided a 24-month warranty on larger plant material.
Johnson Controls	Mechanical Systems Planned Maintenance	\$104,260	The work involves planned maintenance, repairs, and emergency service response to the HVAC system in both the north and south terminals under a short-term contract expiring in 2002. As the maintenance involves both a proprietary control system owned by Johnson Controls and systems under warranty installed by Johnson Controls, Edmonton Airports selected Johnson Controls for all our maintenance requirements.
Stewart and Stevenson	High Speed Runway Sweeper	\$577,412	There are only two vendors who manufacture and support this product. Stewart and Stevenson's product met the technical performance and parts-availability requirements and was half the price of the foreign competitor.
InterVISTAS Consulting Inc.	YEG Meeter Greeter Program	\$113,370	InterVISTAS has proven its expertise in achieving pilot project status with other passenger facilitation projects in Canada. Their credibility with appropriate industry entities and their record of providing EA with excellent cost-effective services in other instances made them the appropriate service provider for this project.

Conflict of Interest

In accordance with the lease agreement with the Government of Canada and the Regional Airport Authorities Act, Edmonton Airports confirms that it has an appropriate Conflict of Interest Policy, and that it is in compliance with that policy.

Conclusion

Edmonton Airports confirms that we have, in all material respects, complied with the public accountability requirements documented in our leases with the Government of Canada and the City of Edmonton as well as with Provincial Legislation, including the Regional Airports Authorities Act.

# FINANCIAL STATEMENTS



EDMONTON REGIONAL AIRPORTS AUTHORITY  
YEARS ENDED DECEMBER 31, 2001 AND 2000



## REPORT OF MANAGEMENT

The financial statements of Edmonton Regional Airports Authority (Edmonton Airports) are the responsibility of management and have been approved by the Board of Directors. These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, and include disclosures otherwise required by laws, regulations and agreements to which Edmonton Airports is subject. These financial statements also include amounts that are based on estimates and judgements which reflect currently available information. Edmonton Airports has developed and maintains accounting procedures and related systems of internal controls that are designed to provide reasonable assurance that its assets are safeguarded and that its financial records are reliable.

KPMG LLP, an independent firm of chartered accountants, has been appointed by the Board of Directors as external auditors of Edmonton Airports. The Auditors' Report to the Board of Directors, which describes the scope of their examination and expresses their opinion, is presented herein.

The Board of Directors has appointed an Audit Committee, whose members are not employees of Edmonton Airports. The Audit Committee meets with management and external auditors periodically to review any significant accounting, internal control and auditing matters. They also review and recommend the annual financial statements of Edmonton Airports to the Board of Directors for approval.



G. Scott Clements  
President and CEO

Edmonton, Canada  
February 22, 2002



R. Cort Smith, CA  
Vice President, Finance and Corporate Services  
and Corporate Secretary

## AUDITORS' REPORT TO THE BOARD OF DIRECTORS

We have audited the statements of financial position of Edmonton Regional Airports Authority as at December 31, 2001 and 2000 and the statements of operations and equity in capital assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants

Edmonton, Canada  
February 22, 2002

## STATEMENTS OF FINANCIAL POSITION

(000's of Dollars) • Years ended December 31, 2001 and 2000

	2001	2000
<b>Assets</b>		
Current assets:		
Cash in interest bearing accounts	\$ 7,075	\$ 74,631
Short-term investments	73,938	—
Accounts receivable [note 3(a)(v)]	9,280	9,161
Consumable inventory	702	590
Prepaid expenses and other	415	154
	91,410	84,536
Interest bearing deposits [note 6(a)]	10,074	52,186
Deferred financing costs [note 6(d)]	6,483	6,645
Capital assets (note 4)	227,515	203,730
	<b>\$ 335,482</b>	<b>\$ 347,097</b>
<b>Liabilities and Equity in Capital Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities [note 4(d)]	\$ 19,469	\$ 26,586
Current portion of obligations under capital leases	107	99
Current portion of long-term debt	394	—
	19,970	26,685
Tenants' security deposits	649	461
Deferred revenue (note 10)	1,676	1,699
Long-term benefits payable (note 8)	1,337	1,228
Obligations under capital leases (note 5)	474	638
Long-term debt (note 6)	249,606	250,000
	253,742	254,026
Equity in capital assets:		
Contributed capital [note 3(b)]	3,805	3,805
Equity in capital assets	57,965	62,581
	61,770	66,386
Contingencies [note 12]		
Commitments [note 13]		
	<b>\$ 335,482</b>	<b>\$ 347,097</b>

See accompanying notes to financial statements.

On behalf of the Board:

  
Glenn Rainbird, Director

  
Margaret Bateman, Director

## STATEMENTS OF OPERATIONS AND EQUITY IN CAPITAL ASSETS

(000's of Dollars) • Years ended December 31, 2001 and 2000

	2001	2000
<b>Revenue:</b>		
Airside and general terminal (note 11)	\$ 18,163	\$ 15,873
Airport improvement fee (note 7 and 11)	16,548	16,584
Concession	14,797	13,492
Canada Lease capital credit [note 3(a)(iv)]	7,101	6,951
Police and security	3,486	2,604
Real estate	1,961	1,809
	62,056	57,313
<b>Expenses:</b>		
Interest [note 6(b)]	13,271	3,577
Amortization	13,003	9,968
Salaries and employee benefits	11,735	11,359
Service, maintenance, supplies and administration	10,210	8,919
Canada Lease rent [note 3(a)(iii)]	8,109	7,139
Utilities, insurance and property taxes	3,652	2,903
Police and security	3,274	2,824
Airport improvement fee collection costs	1,197	1,265
	64,451	47,954
Earnings (loss) before the undernoted	(2,395)	9,359
Write-off of unamortized capital assets [note 4(f)]	(2,249)	(1,897)
Gain on sale of land	28	–
Settlement of lawsuit	–	(320)
Net earnings (loss)	(4,616)	7,142
Equity in capital assets, beginning of year	62,581	55,439
Equity in capital assets, end of year	\$ 57,965	\$ 62,581

See accompanying notes to financial statements.



## STATEMENTS OF CASH FLOWS

(000's of Dollars) • Years ended December 31, 2001 and 2000

	2001	2000
Cash provided by (used in):		
<b>Operations:</b>		
Cash receipts from customers	\$ 54,925	\$ 48,055
Cash paid to employees and suppliers	(28,893)	(23,385)
Cash receipts from (paid to) the Landlord	(1,123)	409
Interest received	4,981	1,570
Interest paid	(18,252)	(4,963)
	11,638	21,686
<b>Financing:</b>		
Proceeds from long-term debt	–	250,000
Repayments of long-term debt	–	(66,760)
Deferred financing costs	162	(6,645)
Obligations under capital lease	(156)	(33)
Increase in tenants' security deposits	188	67
	194	176,629
<b>Investments:</b>		
Proceeds on disposal (acquisition) of interest bearing deposits	42,112	(52,186)
Purchase of short-term investments	(73,938)	–
Acquisition of capital assets	(49,259)	(77,753)
Proceeds on disposal of capital assets	1,669	–
Proceeds on sale of land	28	–
	(79,388)	(129,939)
Increase (decrease) in cash	(67,556)	68,376
Cash, beginning of year	74,631	6,255
Cash, end of year	\$ 7,075	\$ 74,631

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

(000's of Dollars unless otherwise stated) • Years ended December 31, 2001 and 2000

### 1. Nature of operations:

The Edmonton Regional Airports Authority ("Edmonton Airports") was incorporated on July 26, 1990 under the provisions of the Regional Airports Authorities Act (Alberta) (the "Act") for the purposes of managing the airports for which it is responsible in a safe, secure and efficient manner, and to advance economic and community development by promoting improved airline and transportation service and an expanded aviation industry. In accordance with the provisions of the Act, all of Edmonton Airports' surpluses shall be applied towards promoting its purposes and no dividends may be paid out of the surpluses. Surpluses in these financial statements are described as equity in capital assets.

Edmonton Airports' income is generated from airport-related operations and is exempt from income taxes.

Six Edmonton area municipalities are Appointers for Edmonton Airports. These Appointers have the right to appoint eleven of Edmonton Airports' fifteen directors. Pursuant to the Amended Canada Lease described in note 3(a)(i), the Government of Canada has the right to appoint two of the directors. In addition, the Board has the right to appoint two directors.

Edmonton Airports operates the Edmonton International Airport ("International Airport"), Edmonton City Centre Airport ("City Centre Airport"), Cooking Lake Airport and Villeneuve Airport.

### 2. Significant accounting policies:

#### (a) Basis of accounting:

The financial statements of Edmonton Airports are prepared in accordance with accounting principles generally accepted in Canada.

#### (b) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those reported. Amortization is the more significant expense item which reflects estimates.

#### (c) Short-term investments:

Short-term investments, comprised of pooled money-market funds, are recorded at the lower of cost and market value.

#### (d) Consumable inventory:

The inventory of consumable supplies is recorded at the lower of average cost and estimated net realizable value.

#### (e) Lease of airport facilities:

The lease of the International Airport facilities from the Government of Canada (the "Landlord") and the lease of the City Centre Airport facilities from The City of Edmonton (the "City") are accounted for as operating leases.

#### (f) Deferred financing costs:

Deferred financing costs represent the unamortized cost of the issue of Series A bonds. Amortization is provided on a straight-line basis over the term of the related debt and is included in interest expense for the year.

- (g) Capital assets:  
Capital assets are recorded at cost less accumulated amortization. Amortization is provided using the straight-line method at the following annual rates:

Asset	Rate
Terminal and facilities (excluding leased facilities)	2.5% – 10.0%
Machinery and equipment:	
Vehicles and maintenance equipment	12.5% – 20.0%
Furniture and equipment	20.0%
Computer hardware and software	33.0% – 50.0%
Shop tools and equipment	20.0%
Office equipment under capital lease	Over term of lease

- (h) Revenue recognition:  
Revenues are recorded when the services are performed, the facilities are utilized or the amounts are earned pursuant to the related agreements. Airport improvement fee ("AIF") revenue is recognized when departing passengers board their aircraft.
- (i) Employee future benefits:  
Edmonton Airports accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and other employee benefits and has adopted the following policies:
- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of expected plan investment performance, salary adjustments and retirement ages.
  - For the purpose of calculating expected returns on plan assets, those assets are valued at fair market value.
  - Transitional surplus is amortized on a straight-line basis over the average remaining service period of employees.
  - The excess of the net actuarial gain/loss over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

### 3. Lease agreements:

- (a) International Airport:
- (i) Amended Canada Lease:  
Effective December 31, 1997, Edmonton Airports and the Landlord agreed to amendments to some of the financial components of the original sixty-year lease agreement dated July 31, 1992 for the International Airport (the "Amended Canada Lease"). The new terms provided for the adjustment of rent due for the years 1992 to 1995, required the accelerated repayment of the deferred rent payable, and revised the calculation of rent for the ten year period 1996 to 2005.
- (ii) Lease term:  
The Amended Canada Lease provides that Edmonton Airports will lease the International Airport for an initial term of sixty years ending 2052. A twenty year renewal option may be exercised by Edmonton Airports. At the end of the term, unless otherwise extended, Edmonton Airports is obligated to return control of the International Airport to the Landlord.
- (iii) Payment of rent:  
The Amended Canada Lease requires Edmonton Airports to calculate and pay rent annually ("Canada Lease rent") to the Landlord utilizing formulas which take into account annual airport revenues, passenger volumes and operating costs.
- (iv) Canada Lease capital credit:  
The calculation of rent pursuant to the Amended Canada Lease provides for a deduction of base capital costs ("Canada Lease capital credit") from rent otherwise payable to the Landlord. The Canada Lease capital credit is intended to contribute to the annual capital expenditures required to maintain the leased International Airport facilities.

- (v) Receivable from Landlord:  
Accounts receivable include a net amount due from (to) the Landlord in connection with the Amended Canada Lease as follows:

	2001	2000
Canada Lease rent	\$ (8,109)	\$ (7,139)
Canada Lease capital credit	7,101	6,951
Interest and other receivables (payables)	(93)	93
Instalments paid during the year	1,123	—
	\$ 22	\$ (95)

- (b) City Centre Airport:  
Edmonton Airports signed a lease agreement (the "City Lease") with the City, which provides that Edmonton Airports will lease the City Centre Airport facilities for a term of fifty-six years commencing April 1, 1996. At the end of the term in 2052, unless otherwise extended, Edmonton Airports is obligated to return control of the City Centre Airport to the City.  
Pursuant to the City Lease, Edmonton Airports also received an "airport reserve fund" of \$3,805 from the City to fund capital expenditures at the City Centre Airport. The receipt of these funds was recorded as contributed capital.

#### 4. Capital assets:

2001	Cost	Accumulated amortization	Net book value
Terminal and facilities:			
Terminal building	\$ 154,192	\$ 15,152	\$ 139,040
Parking facilities and roadway systems	36,683	7,005	29,678
Runway and apron surfaces	31,032	4,350	26,682
Other terminal and facilities	32,053	4,792	27,261
	253,960	31,229	222,661
Machinery and equipment:			
Vehicles and maintenance equipment	8,490	5,701	2,789
Furniture and equipment	1,547	1,318	229
Computer hardware and software	1,964	1,647	317
Shop tools and equipment	2,105	1,048	1,057
	14,106	9,714	4,392
Office equipment under capital lease	769	307	462
	\$ 268,835	\$ 41,320	\$ 227,515
2000	Cost	Accumulated amortization	Net book value
Terminal and facilities:			
Terminal building	\$ 133,210	\$ 10,237	\$ 122,973
Parking facilities and roadway systems	36,308	4,799	31,509
Runway and apron surfaces	25,017	2,679	22,338
Other terminal and facilities	25,992	3,187	22,805
	220,527	20,902	199,625
Machinery and equipment:			
Vehicles and maintenance equipment	7,687	5,398	2,289
Furniture and equipment	2,007	1,640	367
Computer hardware and software	1,919	1,471	448
Shop tools and equipment	923	537	386
	12,536	9,046	3,490
Office equipment under capital lease	769	154	615
	\$ 233,832	\$ 30,102	\$ 203,730



- (a) The cost of capital assets in the tables above includes only the amounts expended by Edmonton Airports on capital assets and does not include the cost of the facilities which are leased from the landlords.
- (b) Effective January 1, 2001 Edmonton Airports revised the estimated useful lives of certain terminal facilities. The impact of this change in estimate was to reduce 2001 amortization expense by \$1,552 over what would have been recorded utilizing the original estimates.
- (c) At December 31, 2001, \$8,941 (2000 – \$7,651) of capital assets were under construction and not yet subject to amortization.
- (d) Included in accounts payable and accrued liabilities at December 31, 2001 is \$10,357 (2000 – \$18,912) relating to unpaid capital expenditures.
- (e) Capital assets include \$50 (2000 – \$2,635) in interest capitalized during the year.
- (f) The commencement of construction of the new Central Hall facility in 2001 resulted in the demolition of existing facilities with a net book value of \$2,249 (2000 - \$1,897). These amounts have been written off as of December 31, 2001.

5. Obligations under capital leases:

2002	\$ 156
2003	156
2004	156
2005	156
2006	163
Total thereafter	–
Total minimum lease payments	787
Less amount representing interest at 8.123%	(206)
Present value of net minimum capital lease payments	581
Current portion of obligations under capital leases	(107)
	<u>\$ 474</u>

The obligations under capital leases are secured by specific items of office equipment with a net book value of \$462 at December 31, 2001.

6. Long-term debt:

	2001	2000
7.214% Revenue bond, Series A payable in semi-annual installments with interest payable on May 1 and November 1 in 2001 and semi-annual payments of principal and interest in each year commencing May 1, 2002 until November 1, 2030	\$ 250,000	\$ 250,000
Current portion of long-term debt	(394)	–
	<u>\$ 249,606</u>	<u>\$ 250,000</u>

- (a) Bond issue:  
Edmonton Airports completed a \$250 million Revenue Bond issue effective October 2000. The bonds have an interest rate of 7.214% paid in semi-annual installments of interest paid on May 1 and November 1 in 2001 and payable in semi-annual payments of principal and interest in each year commencing May 1, 2002 and until November 1, 2030. The net proceeds from the offering were used to retire the existing bank syndicate credit facility arranged by Edmonton Airports in connection with Phase 1 and 2 of the Air Terminal Redevelopment Project (ATR); to fund a \$9 million Debt Service Reserve Fund pursuant to the Master Trust Indenture ("Indenture"); and to fund the remaining construction of Phase 3 of the ATR Project.

The bonds are secured by a first leasehold mortgage on the International Airport and related Amended Canada Lease; a security interest over all of the present and future personal property of Edmonton Airports including without limitation all book debts and sources of revenue, and all assets and any reserve funds; and a floating charge over all of the other present and future property and assets of Edmonton Airports.

Pursuant to the terms of the Indenture, Edmonton Airports is required to maintain a \$9 million Debt Service Reserve Fund and a \$7 million Operating and Maintenance Contingency Fund. The Operating and Maintenance Contingency Fund can be satisfied by cash, Letter of Credit, or undrawn availability of the Royal Bank credit facilities described below. At December 31, 2001 the Interest Bearing Deposits include \$9,527 of funds restricted to debt service requirements.

In addition to the bond issuance, Edmonton Airports maintains, with the Royal Bank of Canada, a \$5 million revolving credit facility to support operations, and a \$40 million term revolving loan for general corporate purposes and to assist in the interim financing of construction projects. No drawdowns on the credit facility were made in 2001. As at December 31, 2001, \$7 million of the term revolving loan had been set aside for the Operating and Maintenance Contingency Fund.

(b) Interest expense (income):

	2001	2000
Bond interest	\$ 18,305	\$ 3,046
Interest income and other	(4,984)	(1,570)
Revolving credit facilities	—	4,736
	13,321	6,212
Less capitalized interest	(50)	(2,635)
	\$ 13,271	\$ 3,577

(c) The future annual principal payments required to retire the debt are as follows:

2002	\$ 394
2003	649
2004	924
2005	1,222
2006	1,545
Total thereafter	245,266
	\$ 250,000

(d) Deferred financing costs:

	2001	2000
Deferred financing costs	\$ 6,720	\$ 6,645
Less accumulated amortization	(237)	—
	\$ 6,483	\$ 6,645

7. **Airport improvement fee:**

Effective April 12, 1997, Edmonton Airports implemented an airport improvement fee ("AIF") to fund capital expenditures and the related financing costs, including the planned redevelopment and expansion of the terminal facilities (see note 13) at the International Airport. To December 31, 2001, cumulative expenditures of \$238,924 (2000 – \$190,923) exceeded cumulative net AIF revenue collected of \$66,183 (2000 – \$50,832) by \$172,741 (2000 – \$140,092).

8. Employee future benefits:

(a) Discussion of plans:

Edmonton Airports has a defined benefit pension plan covering all of its eligible employees. Benefits are based on each employee's years of service and the employee's highest three years' earnings. Edmonton Airports also has a severance entitlement plan ("long-term benefit plan") for eligible employees under the terms of the labour agreement. The plan provides a severance payment upon retirement, termination or death to eligible employees or their beneficiaries, under certain conditions. Edmonton Airports records the cost of this obligation based on an actuarial valuation. Information about the plans is as follows:

	Pension plan	Long-term benefit plan	Total
Accrued benefit obligation:			
Balance, beginning of year	\$ 10,148	\$ 764	\$ 10,912
Current service cost	704	104	808
Interest cost	794	65	859
Benefits paid	(750)	(11)	(761)
Employees' contribution	111	–	111
Actuarial gain	(1,436)	(149)	(1,585)
Balance, end of year	9,571	773	10,344
Plan assets:			
Fair market value, beginning of year	11,603	–	11,603
Annual return on plan assets	(369)	–	(369)
Employer contributions	515	–	515
Employees' contributions	111	–	111
Benefits paid	(750)	–	(750)
Fair market value, end of year	11,110	–	11,110
Funded status – surplus (deficit)	1,539	(773)	766
Unamortized net actuarial gain	(123)	(148)	(271)
Unamortized transitional surplus	(1,832)	–	(1,832)
Accrued benefit liability 2001	\$ (416)	\$ (921)	\$ (1,337)
Accrued benefit liability 2000	\$ (465)	\$ (763)	\$ (1,228)

The significant actuarial assumptions adopted in measuring Edmonton Airports' accrued benefit liability are as follows (weighted-average assumptions as of December 31, 2001):

	Pension plan	Long-term benefit plan
Discount rate	7.0%	7.0%
Expected long-term rate of return on plan assets	7.5%	–
Rate of compensation increase	4.0%	4.0%

(b) Edmonton Airports' fiscal 2001 net benefit plan expense is as follows:

	Pension Plan	Long-term benefit Plan
Current service cost	\$ 704	\$ 104
Interest cost	794	65
Expected return on plan assets	(866)	–
Amortization of transitional surplus	(166)	–
Net benefit plan expense included in salaries and benefits expense	\$ 466	\$ 169

9. **Directors' and officers' remuneration and expenses:**

This information is provided pursuant to the requirements of the Regulations, pursuant to the Act.

**Directors' Compensation**

The schedule of board remuneration (in dollars) is as follows:

**Annual Retainer:**

Chair	\$ 19,000
Vice-Chair	11,000
Committee Chairs	9,000
Directors	7,000

**Meeting Fees:**

Board Meetings (4 hours or longer)	\$ 500
Board Meetings (less than 4 hours)	300
Board Committee Meetings (4 hours or longer)	500
Board Committee Meetings (less than 4 hours)	300

**Total Compensation (in dollars) paid to each director in 2001 was:**

Enzo Barichello	\$ 13,600
Margaret Bateman	19,900
Peter Bidlock	10,800
John Bowes	14,300
Dennis Foley	11,900
David Foy	15,900
John Friesen	14,800
Sidney Hanson (Chair)	42,400
Hal Irwin	13,200
Herb Lede	1,100
Allister McPherson	15,200
Al Pasini	16,000
Larry Prokop	17,100
Glenn Rainbird (Vice-Chair)	16,400
Gordon Riddell	12,700

**Changes to Edmonton Airports' Board of Directors during 2001 were as follows:**

Reappointed:	December 2001	Al Pasini
Term Completed:	December 2001	Sidney Hanson
	December 2001	John Friesen

**Officers' Compensation**

The base salary (in dollars) paid to each Officer in 2001 was as follows:

President and CEO	\$ 166,000
VP Finance and Corporate Services and Corporate Secretary	121,230
VP Airport Operations and Services	121,230
VP Marketing and Communications	110,210
	<b>\$ 518,670</b>



During the year ended December 31, 2001, Edmonton Airports provided its officers and directors remuneration (base salary, incentives and allowances) and reimbursement of expenses in the following amounts:

2001	Remuneration	Expenses
To directors	\$ 235	\$ 39
To officers who are not directors	747	237
	<b>\$ 982</b>	<b>\$ 276</b>
2000	Remuneration	Expenses
To directors	\$ 252	\$ 27
To officers who are not directors	674	191
	<b>\$ 926</b>	<b>\$ 218</b>

**10. Deferred revenue:**

Deferred revenue consists of a prepayment of rent (\$1,500) for a long-term lease at the City Centre Airport and an operating subsidy (\$249) from the Landlord received when Edmonton Airports assumed the operation of the Villeneuve Airport. The deferred revenue relating to the long-term lease will be amortized to earnings using the straight-line method over the lease term of fifty-two years and the operating subsidy will be amortized into earnings to offset future losses from the operating activities at Villeneuve Airport.

**11. Financial assets and financial liabilities:**

**Fair value:**

The fair value of Edmonton Airports' cash in interest bearing accounts, interest bearing deposits, accounts receivable, accounts payable and accrued liabilities, and tenants' security deposits approximate their carrying amounts due to the immediate or short-term maturity of these financial instruments.

The fair value of long-term debt and obligations under capital leases approximates their carrying value. Fair value has been calculated using the future cash flows (principal and interest) of the actual outstanding debt instrument, discounted at current market rates available to Edmonton Airports for the same or similar instruments.

**Credit risk:**

The financial instruments that are exposed to uncertainties of credit risk consist primarily of accounts receivable, consisting of airside and general terminal and AIF fees due from air carriers. This amount totaled \$6,709 at December 31, 2001.

**Dominant Customer Risk:**

Edmonton Airports derives approximately 77.5% of its airside and general terminal and AIF revenue from two airlines.

**12. Contingencies:**

In prior years Edmonton Airports has been named as a defendant in certain lawsuits. One of these claims was settled in fiscal 2000 for \$320. The outcomes of the remaining actions are currently not determinable. In Edmonton Airports' opinion, these actions will not result in any significant expense to Edmonton Airports. Settlements, if any, will be accounted for in the period of settlement.

### 13. Commitments:

Edmonton Airports has planned a redevelopment and expansion of the International Airport terminal facilities (the ATR Project). The total cost of this project is estimated to be \$300 million. Of the \$300 million contemplated, Edmonton Airports' Board of Directors has approved the implementation of projects totaling \$256 million. The major elements of the approved projects include:

- Phase 1 The construction of a parkade (completed in 1998),
- Phase 2 Expansion of the terminal facilities to the southeast and construction of additional apron area (completed in 2000),
- Phase 3 Construction of a Central Hall (to be completed in 2003),

To December 31, 2001, expenditures of \$195,506 (2000 – \$166,453) have been incurred on the approved projects, with approximately \$56 million in costs remaining to complete Phase 3.

The Board of Directors has also approved in principle Phase 4, which will be the airside expansion of the North Terminal Building together with customer service level improvements with design work to commence in June 2002.

Edmonton Airports has operating contracts for the provision of management, security, janitorial services, and electricity. These contracts have annual commitments as follows:

2002	\$ 7,644
2003	5,681
2004	5,190
2005	5,285
2006	4,156

Edmonton Airports also has an agreement to spend up to \$1,050 in 2002, subject to certain conditions being met, for leasehold inducements related to tenant improvements on Edmonton Airports' land.

Edmonton Airports pays lease payments to Landlord which are calculated under a formula which includes annual airport revenue, passenger volumes and operating costs. The maximum net annual lease payment obligation for each of the years 2002 through 2005, subject to a Consumer Price Index adjustment and after the deduction for the annual Canada Lease capital credit, is estimated as follows:

2002	\$ 1,704
2003	2,683
2004	3,457
2005	4,203

Edmonton Airports and other Canadian airports are currently engaged in negotiations with the Landlord to revise the rent formula for 2006 and beyond. In the absence of an agreement, the rent formula will revert to the original lease agreement which would result in an estimated net annual lease payment of \$17,000 in 2006.

### 14. Comparative figures:

Certain of the 2000 comparative figures have been reclassified to conform to the presentation adopted in the current year.

# APPOINTERS AND OFFICERS

## APPOINTER REPRESENTATIVES

**City of Edmonton**

Mayor Bill Smith

Al Maurer, City Manager

**City of Leduc**

Mayor George Rogers

Kevin Robins, City Manager

**Leduc County**

Reeve Ed Chubocha

Larry Majeski, County Manager

**Parkland County**

Mayor Elsie Kinsey

Jim Simpson, County Commissioner

**Strathcona County**

Mayor Vern Hartwell

Bill Sutherland, Chief Commissioner

**Sturgeon County**

Reeve Lawrence Kluthe

Larry Kirkpatrick, County Commissioner

**Transport Canada**

D.W. (Dave) Murray

Regional Director General, Prairie & Northern Region

Sandra Jackson

Regional Director, Programs, Prairie & Northern Region

## OFFICERS

G. Scott Clements

President and CEO

Angela Fong

Vice President, Human Resources and Corporate Performance

Jim Meyer

Vice President, Marketing and Communications

Raymond J. Off

Vice President, Airport Operations and Services

R. Cort Smith

Vice President, Finance and Corporate Services and Corporate Secretary







Edmonton International Airport  
Edmonton City Centre Airport  
Cooking Lake Airport  
Villeneuve Airport

P.O. Box 9860  
Edmonton, Alberta  
Canada T5J 2T2

T.780.890.8900  
F.780.890.8329  
[info@edmontonairports.com](mailto:info@edmontonairports.com)  
[www.edmontonairports.com](http://www.edmontonairports.com)