

Assessing the Economic Potential of Edmonton City Centre Airport



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1 Introduction

We have been asked by Alberta Enterprise Group (AEG) to assess the current status and potential value of Edmonton's city airport, Edmonton City Centre Airport (ECCA). This airport is threatened with closure. ECCA is a general aviation (GA) and business airport. It is ideally located for a business airport. In our opinion it has the potential to contribute significantly to the commercial and business life of the City of Edmonton.

Airports are a key element in public transport infrastructure. One of the realisations of the current economic crisis is that such infrastructure provides a key competitive strength to cities and regions, enabling them to weather the downturn and take an active part in economic recovery. By contrast, those cities or regions with inadequate or insufficiently diverse infrastructure will lose out. Around the world, economic stimulus packages have stressed the need for investment in transport infrastructure of all types.

In other words, investment in airports is precisely that – an investment. It is an investment in developing trade, encouraging economic growth and creating value and jobs.

Consequently, the proposed decision of the Edmonton City Council to close the Edmonton City Centre Airport (ECCA) is a curious one.

The decision is questionable on a number of grounds:

- It will substantially reduce the quality of air service options and customer choice for business and other travellers to/ from Edmonton. This will damage Edmonton's competitive position in the region indefinitely, and is likely to have an impact on regional employment
- The economic benefit potential of ECCA is substantial, but is currently inhibited by the ownership structure and the restrictions on its development and operations
- Assessments of the 'development potential' of the ECCA airport land appear both naïve and short term in the light of the recent decline of the property market
- Many questions are unanswered as to how effectively the displaced traffic from ECCA can be handled and at what cost, in terms both of EIA's costs, cost to the city and the cost to passengers of being required to travel to/from EIA
- The decision is an irrevocable step that will reduce air travel options in Edmonton in perpetuity

There are many different users of airports, and different categories of airport cater to that range of requirements. ECCA is a general aviation and business airport. Edmonton voted to restrict the use of scheduled passenger services into and out of ECCA in 1995. AEG respects that decision and has no intention of re-visiting it.

However, ECCA has significant value as a general aviation and business aviation airport. As such, it has the capacity to be a significant transport asset to the city of Edmonton.

Inter-Pro Property Corporation

"It is inconceivable that we would really consider giving up this asset for any reason."

Currently, the airport, which has had the threat of closure hanging over it for some years, does not get the investment it needs. Nor does it get the investment that it merits. It is not allowed to realise its full potential. The lack of investment drives a self-fulfilling prophecy as to the effectiveness of the airport. By starving the airport of funds, its detractors are allowed to claim that it is under-utilised.

This is the wrong measure, assessing the wrong issues. It is time for the issues to be tabled correctly so a clear idea can be given of the value the airport can deliver for Edmonton.

In this report we look at the economic value that airports, and particularly airports that best serve the specific needs of the business community, bring to the economy. It is our view that ECCA has significant potential to complement services from EIA.

And the decision matters – the research is clear. Airports bolster economies. They create jobs, not only at the airport, but for the wider community. Connectivity with other cities is an essential element in selecting the location of businesses and thus employing staff.

NWI Jet

"If you consider the time and logistics alone of landing at the Edmonton International Airport and taking a ground ambulance to one of the major trauma hospitals, you can imagine how there is no reasonable comparison to landing downtown."

We then look at the realities of the services being offered by the two airports in Edmonton. The facts, clear from the analysis of the actual services offered by airports last month, make for some very interesting and revealing truths. ECCA offers connections that EIA does not, and which for clear economic reasons should not. And it is clear that when offered a choice, passengers understand the choice, and are happy to support both airports.

We then suggest that it is by allowing these airports to compete that Edmonton will be best able to see that support in action. That will then allow Edmonton to assess what the value of ECCA is to the community, and whether it is able to address the concern that it is an airport lacking purpose. To date, that proposition has never been tested. But until they have, Edmonton may be making this decision with its eyes closed.



Bruno Muller -- Caron Transportation

"I'll be blunt -- closing the City Centre Airport will be yet another "kick in the teeth" for Edmonton area businesses."

There are two distinct types of air service market for airports. First, the necessary economies of scale produce large airports served by scheduled airlines and offer connecting services. That is particularly true in Canada, with two triangles of airports, one in the east and one in the west, dominating all flown sectors. However there is also a strong local and business market best served by accessible, smaller airports focused on business services.

Cities large enough and lucky enough to have the capacity to offer both airports are in the 'sweet spot'. They can offer a range of services at a range of prices – and thus achieve the best and most efficient outcome for all. One size does not fit all. Edmonton can ill afford to reduce the number of cities and communities to which it is connected and cannot rely on commercial scheduled airlines serving EIA to step in – they will not. Even before the current crisis, the fundamental underlying economics of air transport are such that this is, at best, a quixotic dream.

Even today, with common ownership and little significant new investment in building up ECCA, in May of this year ECCA served 85 discrete destinations to EIA's 41 scheduled destinations (only 24 of which offered daily service or more).

In short, the claims being made that ECCA serves no role are not backed up by the facts.

Town of High Level

"The nature of the economy in Alberta, the role of Edmonton in that economy, the location of Edmonton as a central point, and particularly the fact that is the seat of the Provincial Government, make it a critical component in air access from all regions."

The cities that are served from EIA are an interesting study. There are a number of long haul, international destinations, such as London, Los Angeles and Denver. However, excluding such cities, there are few destinations served from EIA that are not also served from ECCA.

On analysis, this shows clearly that passengers understand the difference between the two airports. The users of the services have made their choice clear – they do not see the airports as interchangeable. When they wish to fly to EIA they do so. When they wish to fly to ECCA they do that. There is a reason for that choice.

Cash'n'Go

"While it's true that not every citizen uses the ECCA, the same could be said for many of our city's facilities and infrastructure. Edmonton is a land-locked northern city. Transportation options have been, and always will be, key to our vitality and competitive economic growth."



ASCEND

The study then turns to those issues, and the benefits to Edmonton and Edmontonians of ECCA. We have found that there are considerable benefits in using ECCA, and significant disbenefits in shutting it down.

Dr. David Climenhaga

"If Council wants to close City Centre Airport they should teach us how having a person spend \$50 and 45 minutes getting downtown from the International makes Edmonton more competitive than a \$10, 10 minute cab ride from the City Centre Airport."

Finally, we accept the challenge of Major Mandel who has asked that he be presented with a vision for ECCA. Our vision is broader in that, it is a vision of Edmonton, based on a vibrant growing business community. We look at what ECCA might look like if it were given the right resources and proper framework for growth. That would be at no cost to the City of Edmonton. The benefits would be clear.

If Edmonton wishes to be a vibrant city, and to grow and spread the range and scale of employment that it offers to its citizens, it will need to encourage businesses of all types to set up in the city. It is clear that air service connectivity will be a fundamental part of that decision for business decision makers.

Only after all of the facts and the vision are considered do we think can Council make a balanced and coherent decision. As we have been struck by the overwhelming messages of support from the business community and others for AEG's campaign, we are pleased to include a number of highly pertinent points made by citizens and businesses supporting Edmonton's asset at ECCA. We also attach as an Appendix the results of a recent opinion survey among Edmonton residents regarding the future of ECCA¹.

City of Lethbridge

"Fast, Convenient, cost-effective access to Edmonton is important, not only to residents of Lethbridge and southern Alberta, but to all Albertans."

Louis Lamontagne -- CN Rail

"We wish to offer our support the initiative created by Alberta Enterprise Group (AEG), in their efforts to maintain the Edmonton City Centre Airport as a viable component of your city's infrastructure."

Ascend has been asked by AEG to provide an objective view of the case for ECCA based on international experience relating to the benefits of airports to cities, and the economic value of airports. To do this we examine a variety of research studies, the traffic information available, opinions canvassed from the local community, the cost impact on users and combine these elements in our vision for a successful and vibrant airport.

¹ Public Opinion Survey- Kingsway Business Assn, 2009. See Appendix



2 Structure of the Report

2.1 Key Issues

This report looks at five issues:

- The importance of business airports to the cities they serve and thus the value that an airport such as ECCA can bring to Edmonton
 - For the business community
 - For Edmonton in general

- An analysis of the traffic that uses the two Edmonton airports today
 - Implications that arise from that

- The benefit to Edmonton of having two competing airports
 - Comparative competitive airport situations around the world
 - The consumer benefits

- The question of the cost and impact of closing ECCA
 - The impact and cost to passengers
 - The impact on medevac services
 - The impact on airline businesses

- The vision of Edmonton with a revitalised ECCA

Enbridge

"As one of the closest airports to downtown of any major city in North America, the City Centre Airport represents a true strategic advantage for Edmonton."



3 The Importance of Business Airports

In this section we look at the research on the value of business aviation, and the airports that they use, on the communities they serve. There can be no disputing that ECCA is a business aviation airport. The Edmonton Airport Authority itself promotes the airport as the place 'where business takes flight'. Curiously, however, in its literature on the future of ECCA, it calls it a GA airport.

This is a distinction of more than academic importance. There would appear to have been some confusion surrounding this point in the debate about ECCA. Generally, in our view, supporters of closing the airport refer to it as a 'GA airport'. In doing so, they hope to downplay its importance. Supporters of the airport call it a 'business airport'.

For all intents and purposes, at a technical level, the terms are interchangeable. That is the case in many of the studies reviewed below.

PIC Investment Group

"Closing the Edmonton City Centre Airport is a step backwards for a growing and dynamic city."

To the extent that there is a difference, a business airport is a GA airport that is located in a place that is of interest to businesses and business travellers. Consequently, in all likelihood it has developed the infrastructure to welcome those business travellers: an appropriate terminal space; possibly customs and immigration facilities; taxi and other automobile access.

On the other hand, GA airports that are not situated in a location that is of particular interest to business travellers (or to only a low number of them) serve their local community by providing flying schools, private pilots, joy flights and so forth. The community of general aviation users other than business travellers have a lower requirement for some of this infrastructure investment.

There is nothing prohibiting an airport attracting both GA and business aviation. Indeed, historically, both sectors used the same or similar aircraft. That is the situation at ECCA.

Dorothy Williams

"I can personally attest that any major city would sell its soul to garner a downtown airport."

However, the ECCA debate shows that the categorisation is largely an emotional one. ECCA has a proud tradition of serving both the business and the general aviation communities. The appropriate question is not which type of airport ECCA

should be considered as, but rather what value does the airport bring to Edmonton and to the users of the airport.

Finally, it should be noted that ECCA plays an important medevac role for nearby hospitals. Medevac is a basic service, largely overlooked in this debate, but vital to the health and welfare of the citizens of Edmonton and its surrounding regions.

3.1 Worldwide data

There are a number of studies that look at the economic benefits of airports in general. There are also studies that focus on the importance of business aviation. In this section, we canvass recent such studies.

3.1.1 Airports Council International

The Airports Council International (ACI), the industry body for airports, has produced a number of broad studies of the value of airports to the community they serve. The most recent ACI study is from the European office of the ACI². It was done by York Aviation in 2004. The study focuses on the catalytic impact that airports have to the economy around them.

Relevantly too, it looks at the implications of restricting airport capacity. It notes that restricting capacity can dampen economic growth by up to 2.5 – 3%. This dampening effect arises both directly, in terms of employment, and indirectly, by, for example, hampering the ability of businesses to trade.

The study also notes that airport capacity is a determining factor in decisions to locate offices and to attract staff. It is clear that transport links are an important element in business location decisions. That is as true for air links as it is for fixed-rail and bus connections.

Putting that in other terms, airports provide a fundamental element of connectivity. This connectivity is a vital part of modern life, and even more so for businesses – which need to be able to attract staff (and thus provide jobs), meet with customers and suppliers and transact affairs personally, reliably and quickly.

It is clear that these findings resonate for a number of Edmontonian businesses. AEG, for example, has had a number of significant Edmonton based employers and businesses note that the airport is an important part of their ability to provide connectivity and to facilitate doing business.

Steve Snyder -- TransAlta

² York Aviation study: 'The social and economic impact of airports in Europe' ACI Europe, 2004

"I urge you to view ECCA as a real strategic asset for Edmonton. In today's highly mobile world, cities around the globe are striving to make their cities more accessible and business friendly. It's hard to believe they wouldn't love to be in Edmonton's position."

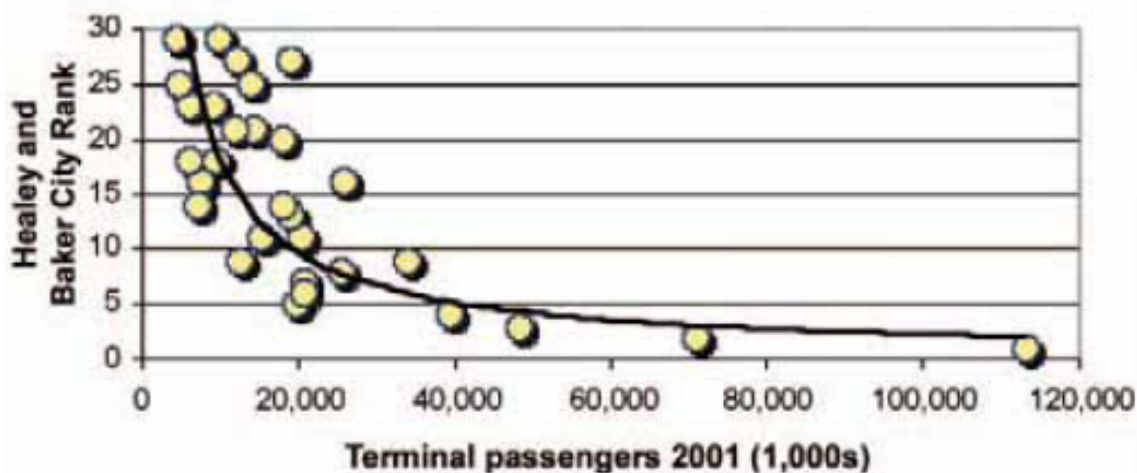
These reports are completely consistent with the economic studies.

The ACI York Aviation report quotes the annual Healey and Baker (as it then was) City Ranking for European cities. The report is now known as the Cushman Wakefield City Ranking. This is a well known review of cities in Europe that ranks cities on the basis of the ease of doing business.

Ease of doing business in turn has a significant impact on location and thus employment decisions. The rankings are based on a survey of employers around Europe. There are a number of factors that contribute to this measure, including the availability of a well trained workforce. One of the most significant measures for ease of doing business, and for the establishment of a new office or business is links to other cities – connectivity.

Cross referencing the rating of the city to the volume of aviation passengers produces a telling result.

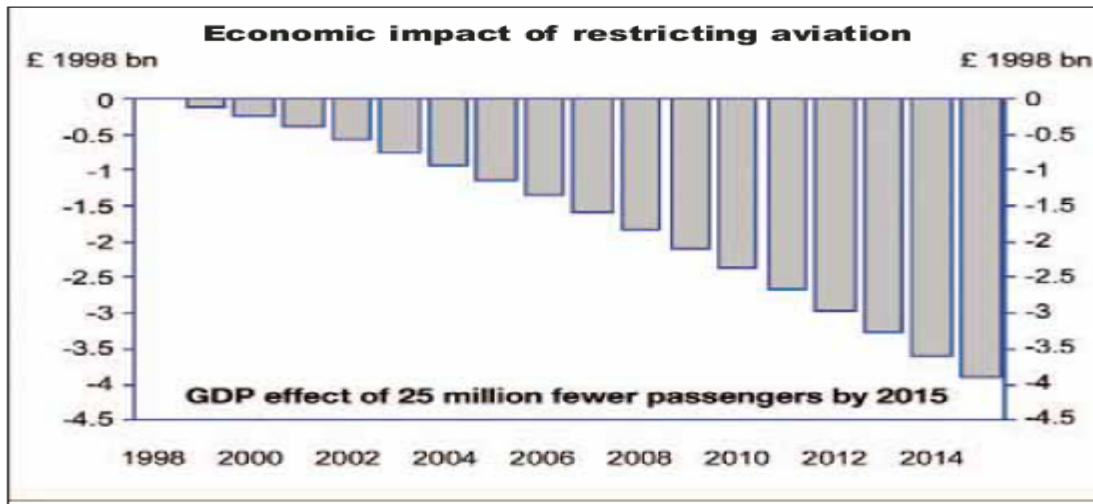
Correlation between airport passengers and the attractiveness of city external transport links



The chart above, taken from the ACI York Aviation report, shows clearly that the higher rated the city (where 1 is good) the more aviation passengers were handled. Furthermore, more than 50% of the survey respondees from that year's survey noted that links to other cities were 'essential to location decisions'. In other words, actual connectivity was a vital decision factor. That remains the case for the most

recent equivalent survey³. Indeed, the number that rank transport links with other cities as essential has now risen to 54%.

The ACI York Aviation study also considers the impact of restricting airport infrastructure, and thus passengers, on business growth.



Source: ACI the Social and Economic Impact of Airports in Europe 2004

Finally, the study also notes the impact airports have on business in an increasingly globalised world. The study notes that air transport is fundamental to the globalisation of the world economy.

Air transport facilitates the operation and competitiveness of national and regional economies. Aviation plays a particular role in the transportation system, enabling the rapid carriage of people and high value goods over long distances. (paragraph 7.7).

The ACI York Aviation study notes that the contribution of airports to Europe's economy is in the region of 1.5 – 2.5% of GDP. If anything, given the distances involved and the absence of other substitutable transport alternatives, such as high speed passenger rail, we believe that is figure is at least, if not more than, equally applicable to the impact airports have on the Canadian economy.

3.1.2 Eurocontrol Airport Study 2007

Eurocontrol, the European inter-governmental air traffic control regulator, did a comprehensive review of airports in Europe in 2007, based on 2006 data⁴. It does not attempt to find the value of airports to the GDP of the community. Instead, it was looking at the location and need for airports and the limiting factors surrounding questions to do with airport capacity. It makes a number of very interesting observations of relevance.

³ Cushman Wakefield European Cities Monitor 2008

⁴ Eurocontrol Trends in Air Traffic, Vol 3 – A place to stand: airports in the European air network 2007

One of those observations is very stark: cities close to the biggest airports in Europe also have between 4 and 36 other airports within 100 kilometres. In other words, airports are clustered around the big cities, and big cities are those that are in well connected locations. The implication is clear – air connectivity has a significant role to play in a city's growth and development.

The study also looks at business aviation. More than half of business aviation flies to and from what the study calls 'small' airports. Half fly from airports with less than 20K departures each year.

The study also notes that it is quite common for general aviation and business aviation to share airports. Whilst the large European airports are 'generalist' (with scheduled full service passengers, low cost airlines and cargo using the facility) they do not also provide GA and business aviation services. Business aviation use most often overlaps with general aviation users at smaller airports rather than have access to these large airports.

However, it should be noted that in many cases, business aviation would like access to these big airports, but they find that they cannot obtain access. Big, generalist airports drive away business aviation.

Ron Szepesy -- Zoltech

"With some vision we can develop this airport properly and it can become a legacy for our future and the envy of other cities."

Business aviation accounts for 7.4% of European IFR flights, but 10% of airports are principally for business aviation. For a further 9% of airports, more than a quarter of their departures are by business aviation users. The largest users of these airports tend to be general aviation.

More importantly, it is clear that business aviation airports are much better connected to the world than large airports. For an airport the size of EIA, 600 possible destinations is typical. But small airports used by business aviation, even those with only 5K-10K departures a year, have the same number of connections, if not more.

In summary, the Eurocontrol report notes that a range of airports is necessary to meet the requirements of all users. What Europe has shown is that business aviation does not grow and prosper in larger commercial airports. The study also notes that connectivity is a fundamental component of the value airports provide. And it is undeniably true that smaller airports provide higher rates of connectivity than larger ones.

The Eurocontrol figures show that large airports appear to squeeze smaller aircraft and business passengers out. It is interesting to ponder why that might be: large airports provide large numbers of passengers with connections to a limited range of destinations. For large scheduled airlines that in turn allows them to offer



passengers the benefit of scale and scope, thus reducing the per passenger ticket cost.

For business aviation those economic considerations do not apply with the same ferocity. Passengers that have a business need to fly to a particular location are more likely to value their time than the cost of the ticket alone. Time is the singular issue of concern to business travellers – time to get to the airport, time at the airport, and time from the airport to the final destination.

By definition, large airports involve more passengers, and thus more processes such as security screening procedures, larger terminals to transverse and longer distances for the aircraft to taxi and manoeuvre. All these processes take time. At the same time, for scheduled airlines, the size of the airport and thus the number of passengers it can handle per flight (directly related as it is to the size of the aircraft that can be handled) allows them to offer to price-sensitive passengers lower per-transaction costs, and thus lower fares. At the same time, from the perspective of the passenger, the additional processes and the additional time have a real, measurable, time penalty. Time costs are also measurable. We address the cost issues below at Chapter 7.

What the study shows clearly is that from an airport perspective, business and general aviation is in an interesting position. The more successful an airport becomes, the more difficult it is to support business aviation. Yet there is a clear demand for smaller, accessible, airports. That a particular airport has service to a range of destinations is irrelevant, and of no assistance, if your particular destination is not one of them.

3.1.3 US Federal Aviation Administration

The US Federal Aviation Administration has also done a similar study. It is dated 2008 but uses 2006 data⁵. It is more general than the Eurocontrol study but looks at the contribution of the aviation industry, including manufacturing and airports, to the US economy.

The study finds that airports are focal points for employment and growth, contributing nearly US\$160B to the US economy. That is consistent with all other such studies.

In addition to airports the study also looks at the contribution of aviation operations. It clusters business aviation in the category of 'General Aviation' and concludes that it contributes US\$81.1B to the US economy annually. This is in the order of 10% of the total contribution of aviation to the American economy. It is more than 10% once the contribution of airframe manufacturing is taken away, allowing consideration of aviation operations only.

⁵ US Federal Aviation Administration – Air Traffic Organization: The Economic Impact of Civil Aviation on the US Economy October 2008

At the same time, general and business aviation provides access to more than 5,300 public use airports and a significant number of private airports. The study notes that this makes this sector one of the largest users of airports.

In other words, it is business aviation, flying to and from smaller, focused airports, that provides the connectivity necessary for the US economy. We cannot rely on big airports to do that. It is wrong to assume that a large airport has the same economic or logistical incentives to do so.

3.1.4 The nature of Business Aviation- Information from NBAA in USA

The following perspectives are provided by NBAA on the market for business aviation.

Q: *Aren't business aircraft used mostly by major corporations?*

A: No, the vast majority of companies using business aviation—85%—are small and mid-size businesses and other entities, including nonprofit organizations. For every Fortune 500 company that relies on business aviation, there are several small businesses that also need their airplane. Most companies use just one business airplane, which typically seats six passengers and flies relatively short stage lengths, mostly using small community airports.

Q: *Aren't the planes used just for CEO transportation?*

A: While each company has its own policies for use of business aircraft, an NBAA survey revealed that 86% of passengers aboard business airplanes are mid-level people, including salespeople, engineers, or other employees. Many companies have a first-come-first-served policy for use of the aircraft.

Q: *What are the kinds of trips where business aviation makes more sense than a commercial flight?*

A: Some examples might include trips that involve destinations with little or no airline service; missions that involve multiple stops in a single day; delivering people or parts in real time (for example, flying emergency equipment to a broken assembly line or providing a flight for employees who need to discuss proprietary information).

3.1.5 The European Business Aviation Association

A specific study of the economic impact of business aviation was recently made for the European Business Aviation Association (EBAA), by PriceWaterhouse Coopers, released in May 2009⁶.

This study focuses on the value of business aviation, rather than the airports that facilitate such aviation, but there are a number of data points that are directly relevant – the ability of business aviation to utilise airport capacity is a fundamental component of being able to extract value from such flying. The study includes a review of a number of European business airports, and assesses their strengths.

⁶ The economic impact of business aviation in Europe; PriceWaterhouse Coopers, EBAA 2008

The EBAA study found that business aviation contributes 0.2% to the European economy. This puts it on par with the textile industry. Given that business aviation is only 8% of European IFR flights, this is a significant contribution.

Larry Pollock -- Canadian Western Bank

"A firm commitment to keep it open would, or could, be a big "positive" for a company looking to locate its head office in Edmonton for example -- an advantage no other major city has, except Toronto."

The study also profiles a number of important business aviation airports. The results are remarkable. Those airports generally considered to be successful, measured as those with significant passenger throughput (and other similar standards as used by EIA), do not have significant amounts of business aviation. But in all cases, bar none, those cities have a second accessible business airport nearby.

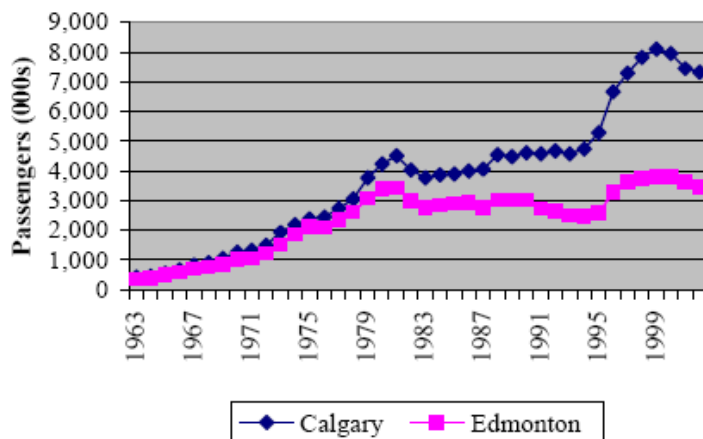
In the exceptional case of a large European airport having business traffic in any significant percentage it is always the case that the large airport is close to the very centre of the city it serves and there is no viable alternative. This is the case for Linate in Milan and Geneva in Switzerland, by way of example.

3.1.6 Statistics Canada

Statistics Canada has also made an interesting and relevant study in this area too. It studied the relative success of Edmonton and Calgary, in May 2004⁷. Baldwin and di Pietro carried out a study of the relative growth in air transport (measured by passenger movements) when comparing Edmonton and Calgary.

The study notes, starkly, that the Calgary market has grown more rapidly than that of Edmonton since 1963, when the markets were roughly the same size.

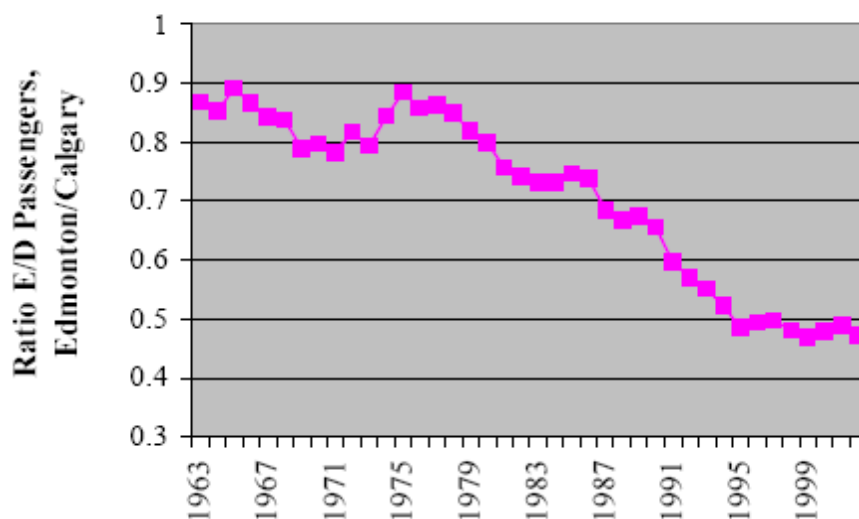
⁷ The Edmonton – Calgary aviation markets. A tale of two more cities, Baldwin and Di Pietro, Statistics Canada May 2004



Source: Statistics Canada, Catalogue no. 51-203, Statistics Canada/Transport Canada Internal Reports, Statistics Canada, Catalogue no. 51-501

The study further notes that for a long time, this was thought to be because Edmonton had two airports, ECCA and EIA, which meant that the market was divided. The plebiscite in 1995 to cease using ECCA as a scheduled passenger airport was intended to consolidate Edmonton's aviation operations and to stop 'bleed' of passengers to Calgary for transfer to onward destinations. The theory being that a larger airport, with a larger catchment area of passengers, would be in a position to mount longer haul services (even international services) that do not require changing planes (at Calgary).

If this is true, one might expect that traffic would grow in Edmonton, at the expense of Calgary. In fact, as can be seen below, that has not been the case.



Source: Aviation Statistics Centre, Statistics Canada

As can be seen from the chart above, that theory has had, at best, mixed success. It is true that the rate of decline has decreased but this could be for a number of other factors. However, it has not reversed. The entire basis for the original plebiscite to strictly limit ECCA cannot be supported by the statistics.

North American Construction Group

"Edmonton has already given away much of its competitive advantage for business to Calgary. Don't give away our last great advantage of efficient and cost effective access to Alberta's North."

The study itself notes that a number of other demographic factors are at play in complex issues regarding airports and their traffic flow. These factors need to be properly considered. These other issues include population, relative wealth of the community, immigration trends and other economic activity.

Business activity, including the location of head offices (which the study notes is a very powerful determinate of business activity) depends on connectivity – and such connectivity must include the consideration of business aviation airports.

Igloo Building & Supplies Group

"As a business group with active contacts with Northern Alberta and Arctic Canada, we have found the City Centre Airport very valuable in networking with the North. It would be a truly negative development for our type of business if such a facility were to be taken away."

Baldwyn and di Pietro make clear that head office numbers in Edmonton compared to Calgary declined between 1999 and 2002 both in absolute numbers and, more importantly, precipitously in relative growth rate terms.

Table 2 - Head Office Employment, Calgary and Edmonton, 1999 and 2002

	1999	2002	Annual Growth %
Calgary	11,946	16,167	10.6
Edmonton	3,574	3,415	-1.5

Cities are defined using their Census Metropolitan Area.

Source: Statistics Canada catalogue no. 11F0027MIE--No. 019, Table 5, page 15

One of the factors driving the choice of head office location is transport links, as various studies, including the ACI York Aviation report cited above have shown. By reducing the options in Edmonton, there is a very real likelihood that the city, and its citizens, will be disadvantaged.

There are two further things to note in relation to this study:

The study ignores the fact that Calgary too has a general and business aviation airport, Springbank. However, Springbank does not have the advantage of ECCA in terms of proximity to the city centre. Yet even so, a study in 2004 estimated that Springbank contributed over \$70M to the Calgary economy⁸. Interestingly, it is a vibrant, growing airport.

Since the study was completed the business aviation and air taxi markets have undergone a number of significant changes with very light jet (VLJ) aircraft and other new aircraft models offering new opportunities for business aviation.

3.2 The value of ECCA - InterVISTAS' 2005 Report

InterVISTAS, a well-known and highly respected Vancouver-based aviation economic firm was commissioned in 2005 by Edmonton Regional Airport Authority, the operator of both ECCA and EIA, to assess the economic benefits of its airports. To do this, InterVISTAS looked at both ECCA and EIA separately.

In both cases they did an economic impact analysis. This is an analysis that looks at direct, indirect and induced benefits arising from the operation of the airport. Those benefits were considerable. However, they look at ECCA 'as is' rather than with a focus on the wider industrial/business benefits for Edmonton in having and sustaining a downtown business airport. Nor did they look at what the benefits may have been had the airport been allowed to grow and develop⁹.

Nevertheless, from a study such as this it is possible to assess at least a baseline of the value to the community of that airport. That figure then can be used to assess the value of other options for the airport, its land and other infrastructure.

Specifically, InterVISTAS looked at the following factors:

- Employment
- Numbers of employees/enterprises
- Value of Economic Output
- Taxes
- Individual
- Corporate
- Local, Provincial, Federal
- Direct Expenditure
- Induced Expenditure

As you can see from the below, InterVISTAS suggested in 2005 that the economic contribution of ECCA was as follows:

⁸ An economic impact assessment of the Springbank airport 2004, RP Erikson and Associates.

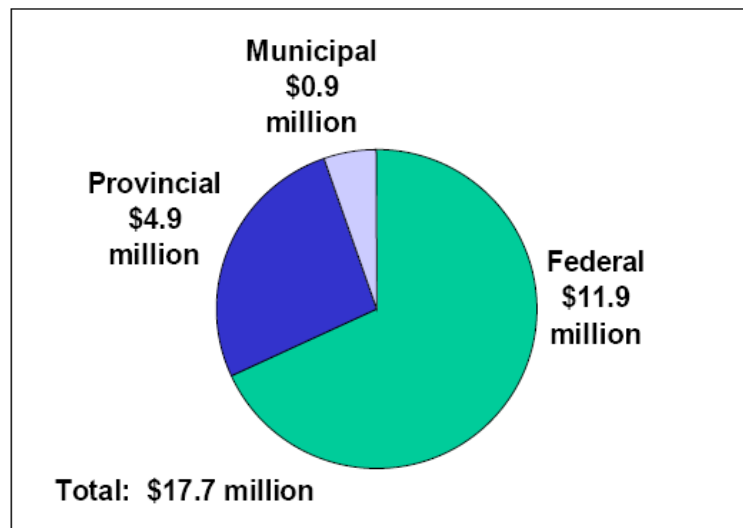
⁹ Edmonton City Centre Airport – Economic Impact Study, summary report, November 2005

Table 1: On-Going Economic Impacts of ECCA

Type of Impact	Jobs	Person Years	Wages (\$ million)	GDP (\$ million)	Economic Output (\$ million)
Direct	958	910	\$41	\$69	\$170
Indirect	743	706	\$32	\$51	\$125
Induced	579	549	\$25	\$44	\$93
<i>Total</i>	<i>2,280</i>	<i>2,165</i>	<i>\$99</i>	<i>\$164</i>	<i>\$388</i>

Source: InterVISTAS ECCA Report

On the taxation front, InterVISTAS considered that all levels of government benefited from the airport. They estimated that the total tax contribution was nearly \$18M.



Source: InterVISTAS

The factors InterVISTAS looked at would appear to be those that are those classically reviewed in such studies. A number of similar studies, in Canada and around the world, use very similar techniques. Unfortunately, EIA refused permission to make the full study available to us, making a more detailed assessment impossible.

If we project these findings forward on the basis of both the increase in movements at ECCA and of RPI in Canada, an impact in 2008/9 of the order of CAD450m is indicated. This would amount to approximately CAD2.7Bn in present value terms, or CAD 2,700 for each metropolitan resident of Edmonton

Northgate Industries

"It seems to us the City is ignoring the effect on the 750-1000 people we employ directly and through contract."

We have not attempted to replicate this study, nor update it. However, we do not doubt the findings. As we have remarked previously, the value that InterVISTAS attributes to ECCA was greater than the value Council anticipated receiving from the redevelopment work that was planned. Those figures are clear from the face of the documents. We understand that others are looking at the property issues and we will comment no further.

We have examined a number of global research sources relating to the economic value of aviation and business aviation. These come from both North America and Europe. They tell a consistent story of the high value of city airport connectivity, and its beneficial impact on jobs and the regional economy. A study by Intervistas estimated an economic output for ECCA of \$388m in 2005.



4 An analysis of Edmonton's airports' traffic

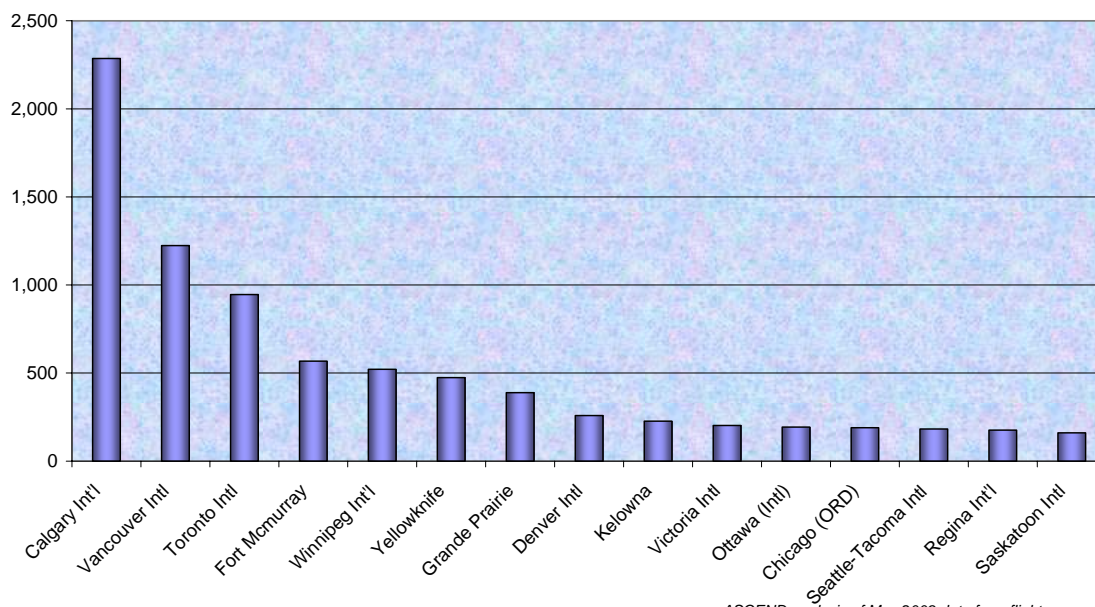
Before discussing the roles of each of Edmonton's airports, it is important to look at the facts of the passenger traffic. It is only when the facts are clear can we start to make clear-headed assessments of the situation. And there are a number of very interesting facts to consider in Edmonton.

4.1 EIA

Aviation in Canada, particularly scheduled aviation is very concentrated. There are, in effect two triangles in operation. In the east, services between Toronto, Ottawa and Montreal dominate. In the west, it is services between Calgary, Edmonton and Vancouver. The top 10 city pairs account for more than 80% of flown traffic. Consequently, we would expect to see that being reflected in the services from EIA.

The chart below shows the destinations served by flights from EIA. This data is consistent with EIA's aim of being able to provide all Edmontonians with connections to the rest of Canada and the USA.

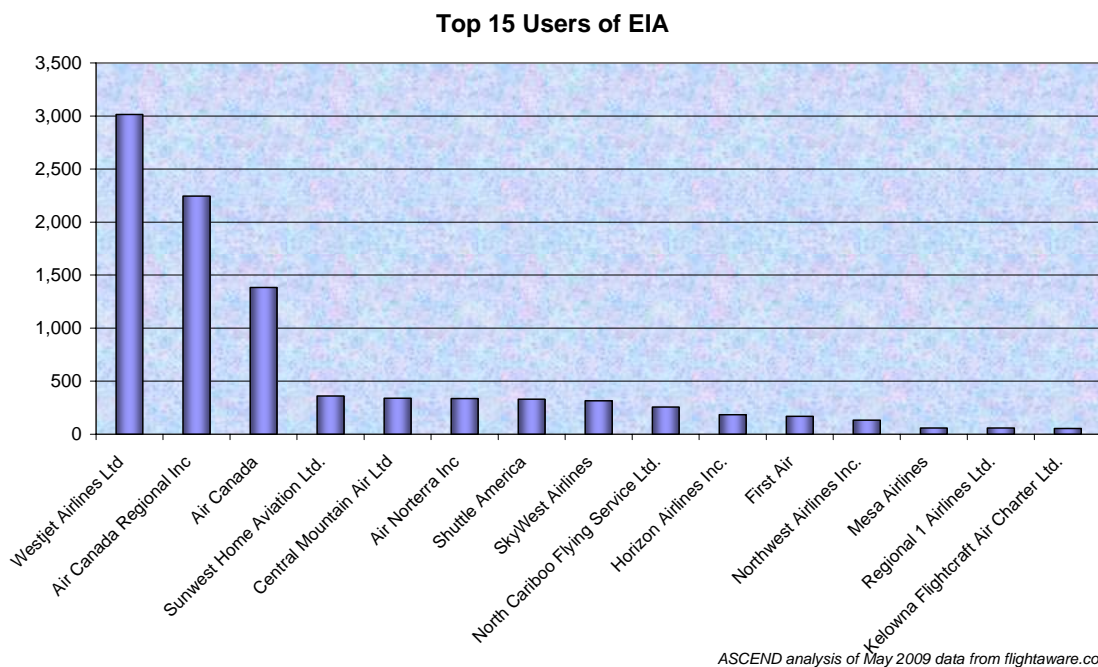
EIA - Top 15 Airports by Monthly Movements



ASCEND analysis of May 2009 data from flightaware.com

Clearly, flights to Calgary dominate the services from EIA. That is followed by longer haul services to Vancouver completing the triangle, and then services to Toronto. A number of other major Canadian cities are also in the top 15. This data is consistent with the aims of the 1995 plebiscite on the future of ECCA. As EIA has increased its passenger growth, it has been able to offer direct long haul flights to places such as Chicago and Seattle.

An analysis of the air operator users of the airport shows similar aggregation.



WestJet and Air Canada (together with Air Canada’s regional operator) dominate operations through EIA. Again, this is consistent with the plebiscite aim of making EIA the ‘gateway to the north’. The developments undertaken have ensured that Canada’s two major airlines now use the airport on a regular basis, and clearly provide a link from Edmonton to the rest of Canada.

And, it seems, it also provides a link for passengers from the north of the province to the rest of Canada and the world too. By flying to EIA, these passengers are able to transfer at the airport to other destinations.

4.2 ECCA

However, an equivalent analysis of the traffic into ECCA shows a more nuanced picture. When people from surrounding communities wish to travel to Edmonton itself, they fly to ECCA. What we are observing is the exercise by passengers of their consumer choice given the range of air service options available. The original plebiscite did not exclude this option – arguably it encouraged it. In the case of smaller community markets which cannot justify a scheduled service, the access to ECCA provides a welcome option not only for business travellers but leisure travellers as well.

ATCO

"The Edmonton City Centre Airport is a unique asset that, if removed, can never be recreated. Its value will increase as the city grows and our status as the economic hub of the North is further established."

On the next page is the comparison of destinations served in May 2009 from the two airports (ECCA and EIA), and a list of the operators that flew from ECCA.

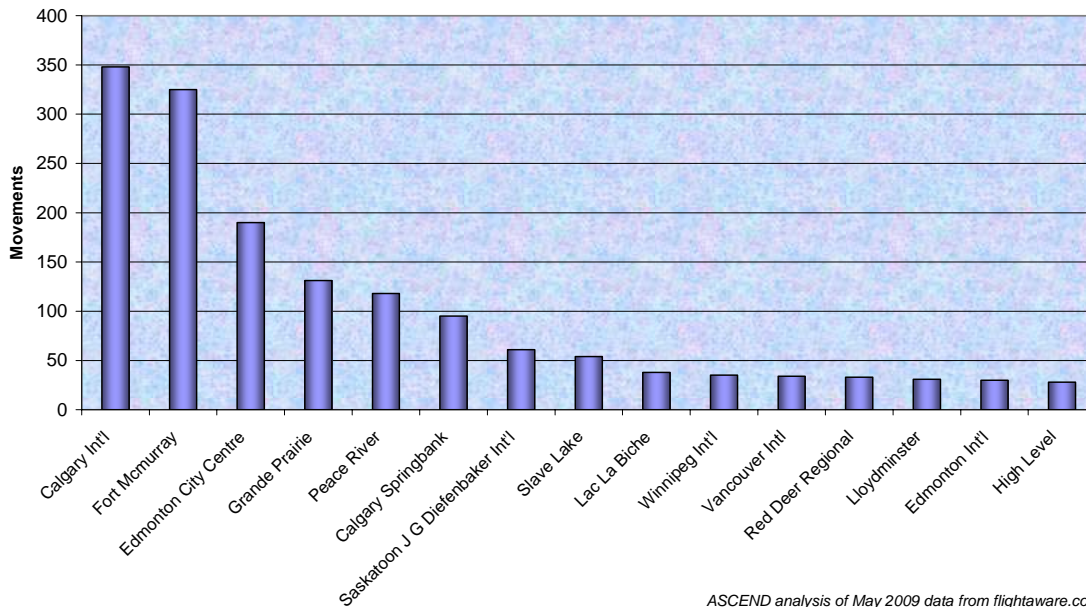


ECCA Owner/ Operators	ECCA Destinations	ECCA Destinations
Air Canada Regional Inc Air Great Wall AirSprint Alberta Citylink Alberta Government ALT TERRA SURVEY Bar Xh Air Inc. Blocked by owner Canada - Transport Canada Canadian Armed Forces Church Fenton Ftu Cityflyer Express Compagnia Generale Ripresearee Spa DOHERTY TRACY Empire Airways GM LEASING CO LLC HARRISON TERRY Kenn Borek Air Ltd. MORRIS SALLIE RODEHEAVER North Cariboo Flying Service Ltd. Northern Thunderbird Air Ltd. Northern Air Saskatchewan Government Air Ambulance Service Saskatchewan Government Executive Air Service SKYLINE AVIATION II LLC Sunwest Home Aviation Ltd. SUTTERFIELD STANLEY J Syncrude Canada Ltd UNITED STATES DEPT OF THE INTERIOR Unknown Owner WELLS FARGO BANK NORTHWEST NA TRUSTEE West Wind Aviation Inc.	Abbotsford Airdrie Anchorage Intl Athabasca Boeing Field Intl Bonnyville Boundary Bay Brandon Municipal Buffalo Narrows Calgary Int'l Calgary Okotoks Air Park Calgary Springbank Campbell River Camrose Casper/Natrona County Intl Castlegar Chetwynd Churchill Cold Lake Cold Lake Regional Colorado Sprgs Muni Consort Cranbrook Cut Bank Muni Dawson Creek Dekalb-Peachtree Drumheller Municipal East Texas Rgnl Edmonton City Centre Edmonton Int'l Edmonton Josephburg Edmonton Villeneuve Edson Estevan Fairview Fort Chipewyan Fort McMurray Fort Nelson Fort Simpson Fort Smith Fort St John Fort Vermilion Fresno Yosemite Intl Glacier Park Intl Grande Cache Grande Prairie Great Falls Intl Hamilton High Level High Prairie High River Hinton Jasper Hinton Innisfail Inuvik Mike Zubko Kamloops Kelowna Kenora Kincardine	Lac La Biche Lester B. Pearson Intl Lethbridge Lloydminster Mackenzie Manning Masset Mc Carran Intl Meadow Lake Medicine Hat Nanaimo Nelson Norman Wells North Battleford Olds Didsbury Oliver Owen Sound Billy Bishop Rgnl Palm Springs Intl Peace River Penticton Pierre Elliott Trudeau Int'l Pitt Meadows Prince Albert Glass Field Prince George Provost Quesnel Rainbow Lake Red Deer Regional Red Earth Creek Regina Int'l Rocky Mountain House Rocky Mtn Metropolitan Salmon Arm San Bernardino Intl Saskatoon J G Diefenbaker Int'l Slave Lake Smithers Spirit River Spokane Intl St Paul Sudbury Sundre Swan Hills Swift Current Terrace Teterboro Thompson Thunder Bay Valleyview Vancouver Intl Vernon Victoria Intl Wabasca Wainwright Westchester County Wetaskiwin Whitecourt Whitehorse Intl Windsor Winnipeg Int'l Yellowknife

Source: Ascend analysis of Flightaware data, May 2009

The table shows the wide range of operators and destinations that ECCA offered in May this year. We believe this compares favourably in terms of local accessibility with the 41 scheduled destinations (only 24 of which are offered daily service or more) offered by EIA.

ECCA - Top 15 Airports by Monthly Movements



What this chart shows is that when passengers want to travel to/from Edmonton city, to do business, or for whatever other reason, they fly to/from ECCA. If passengers from Fort McMurray and other cities to the north wish to make long haul journeys to other places in Canada (and beyond) they fly to EIA. At EIA they make an on-line transfer to their WestJet or Air Canada flights. There are good airport flow reasons for that choice.

For the sake of completeness, we should point out that the third highest destination for flights from ECCA is ECCA itself. These are likely to be flying school flights, joy flights and medevac services – an important part of the service that ECCA offers to the community.

The fundamental point from these figures is that customers choose the airport that best suits their needs.

This is also borne out from an analysis of the top 15 users of the airport. This is a much wider spread of operators, offering in many cases charter and bespoke services to meet particular needs. Canadian Regional flies one service on week days to Fort McMurray. Interestingly, both the Provincial Government and Transport Canada also base aircraft at ECCA.

iNovia

"Alberta does not have the density of opportunities comparable to locations such as silicon valley wherein a fund can focus on a single metropolitan area. Thirty percent of the companies we work with, about fifty per year, are based in the Edmonton area. I make more than thirty trips per year into the City Centre Airport using a private aircraft which rivals public transportation via Westjet for cost, yet takes me from home in Springbank to downtown Edmonton in about 75 minutes. Far from elitist, this simply allows me to effectively "bring together" a large enough market to compete while coaching my son's soccer in the evening!

The City Centre Airport is an incredible asset to Edmonton's economic prosperity. Like a highway or any other transportation infrastructure, it cannot be measured simply by comparing operating cost to direct revenue! Please keep the airport open and support its natural growth".

4.3 Analysis of daily traffic patterns

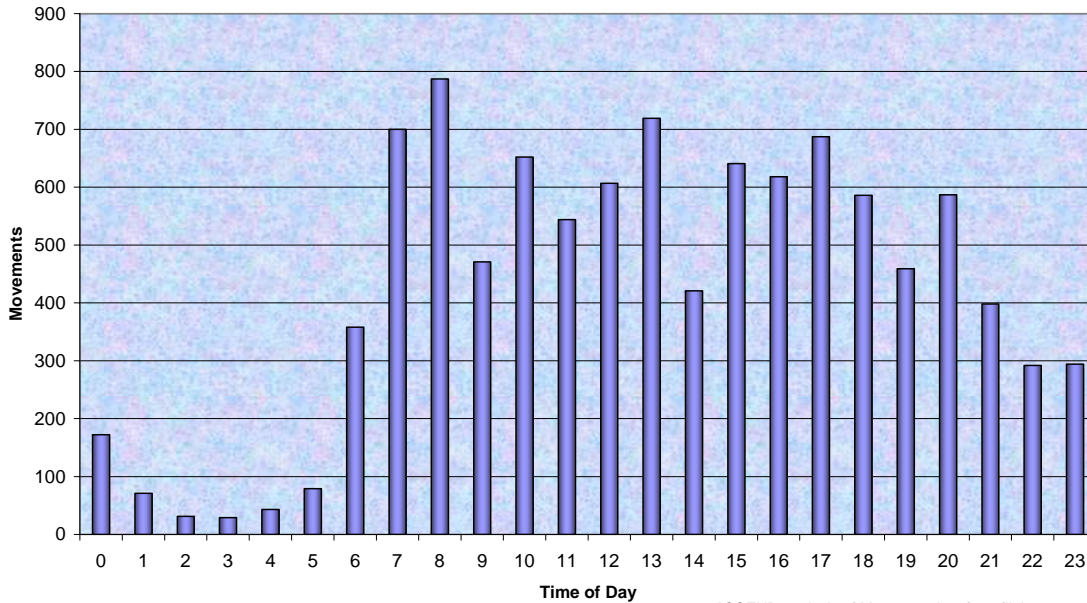
All other things being equal, one would assume that business travellers are looking to maximise their business day. That means that for short haul flights, business passengers look to depart from their home airport early in the day to arrive for the start of the working day, and then depart at the end of the working day. For long haul flights that pattern is reversed – business passengers prefer to travel overnight, so as not to lose a working day.

For leisure passengers, time sensitivity is less of an issue, whereas price sensitivity increases. Consequently, more holiday travellers depart in the middle of the day on flights that are not as attractive to business passengers, and are priced accordingly.

An analysis of the traffic pattern though the day at both airports is completely consistent with the classical business travel model described above.

It shows that the traffic that travels to ECCA is largely business traffic, choosing to fly to/from Edmonton on short haul journeys to be able to transact business during the day. On the other hand, traffic flows into and out of EIA are more complex, with a big mix of both leisure passengers (travelling in the middle of the day) and long haul business travellers (travelling overnight). What it does not show as clearly, however, is a steady short haul business traveller single day pattern. One possible explanation for this is the cost and effort of travelling to Edmonton for one day (including the transfer costs) discourages this behaviour.

EIA - Monthly Movements by Time of Day

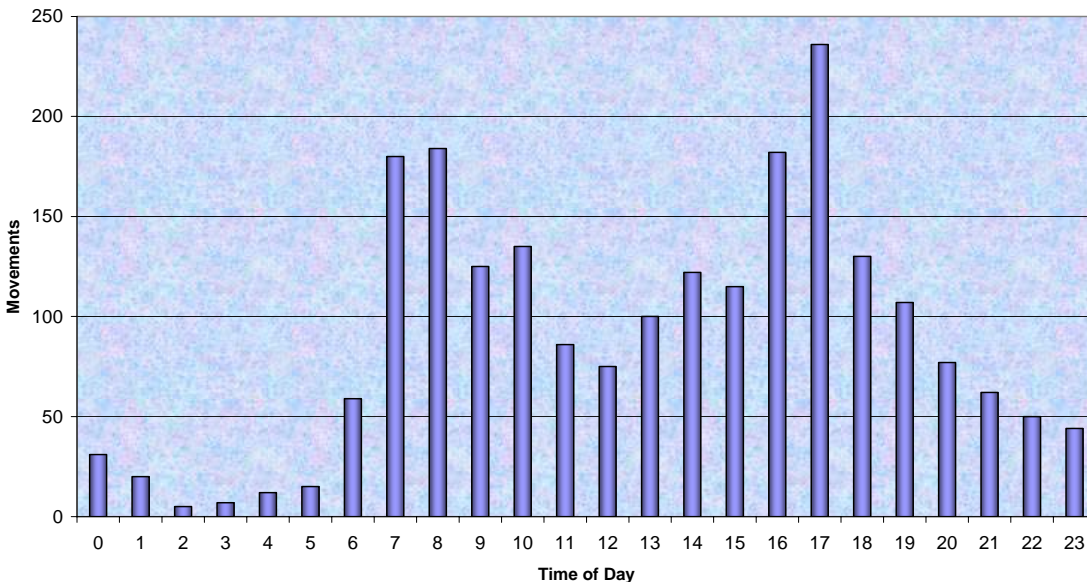


ASCEND analysis of May 2009 data from flightaware.com

This chart shows that whilst there are a number of passengers that travel early in the day, there are a significant number throughout the day – classically these are likely to be leisure and cost sensitive passengers, rather than business passengers. Furthermore, there is a steady flow of aircraft late into the evening, typical of long haul flights.

This needs then to be compared with the situation at ECCA.

ECCA - Monthly Movements by Time of Day



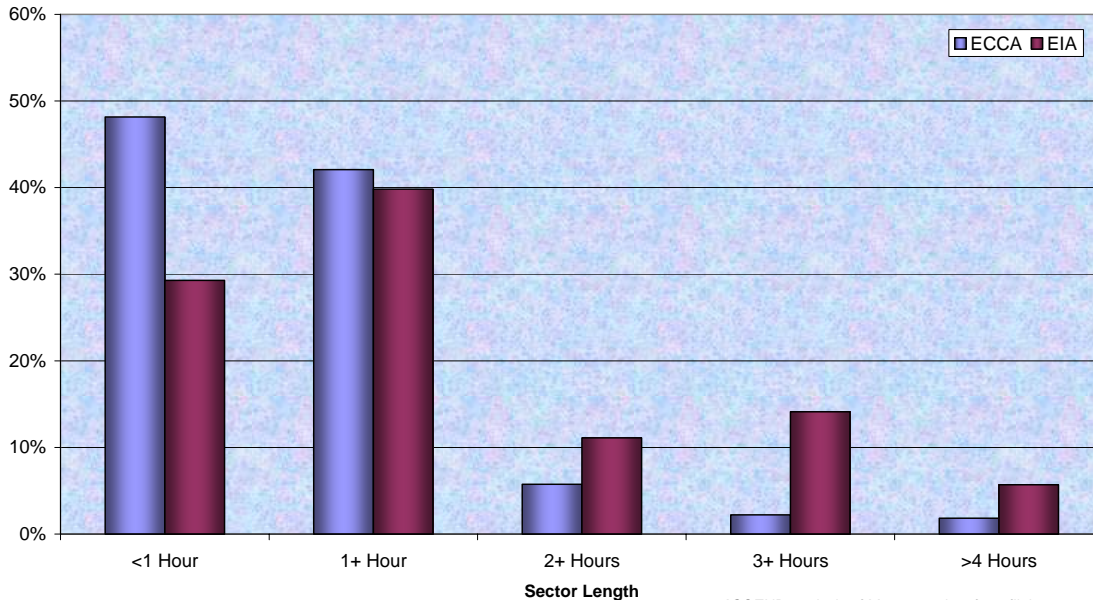
ASCEND analysis of May 2009 data from flightaware.com

This shows a classic short haul business airport pattern of movements.

4.4 Short haul and regional vs Long haul

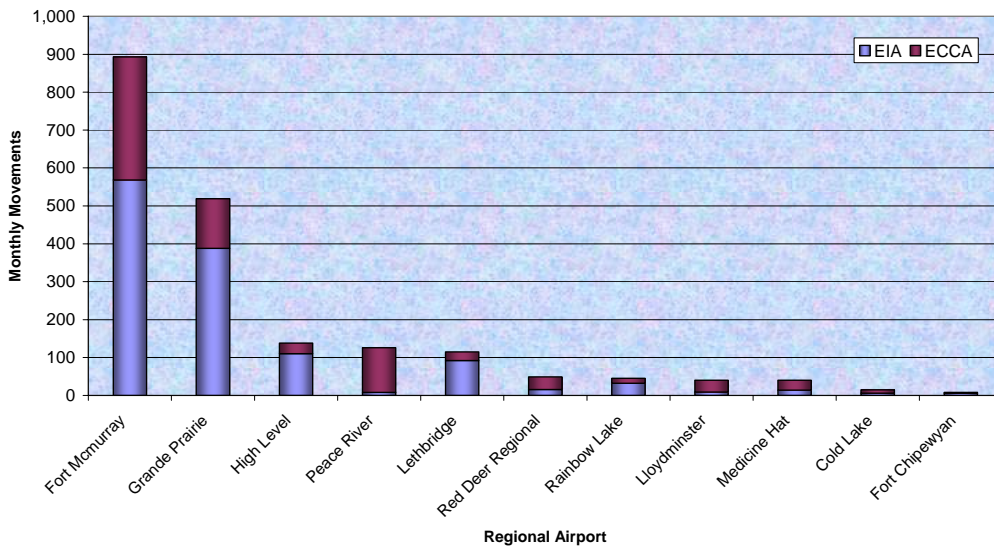
Consistently with this analysis, it is interesting to look at the flight sector lengths of the two airports.

Sector Length Breakdown



In other words, 90% of ECCA's flights are less than two hours in duration. They are flights to a number of regional airports surrounding Edmonton, as well as to Calgary itself. Only 70% of EIA's services are of less than two hours. The vast majority of those are to Calgary. When the Calgary flights are excluded, the passenger choice for regional flying to and from Edmonton becomes more apparent.

ECCA Continues as an Attractive Alternative to EIA Despite Restrictions



This graphic illustrates to us the current market environment and customer preferences for flights between these towns/cities and Edmonton. Any decision to force passengers to use services to EIA will result in a loss of choice and both current and future customer benefits.

Bruce Pennock

"We have major clients in Calgary, Lloydminster, Peace River, Phoenix and Fort McMurray who all make use of the ECCA due to its convenience for accounting, legal, banking and other business purposes."

Indeed, it is our contention that what would serve Edmonton air travellers best would be to encourage active competition for passengers between ECCA and EIA.

4.5 Medevac Services

Finally in this section it is important to briefly consider the medevac services that ECCA offers. These are vital, safety of life services, of clear and undisputed value to the community. So important are they that Council acknowledge that any redevelopment of the ECCA site would need to continue to offer such services.

Their proposal is to install a heliport at the site.

With respect to Council, that is an idea that does not stand up to analysis. Helicopters as medevac providers have a number of significant short falls.

First, helicopter have a significantly shorter range (and lower speed) than fixed wing aircraft. Both of those factors are vital in medevac situations. Secondly, helicopters are generally limited to operations in the hours of daylight and to good visual conditions. Again, that is a fundamental shortcoming in a medevac situation. Helicopters are also very loud, making the quality of life for nearby residents more difficult than the equivalent fixed wing operation.

Adlair

"For critical medevacs, we provide our Lear 25 jet to save precious minutes and bring these patients to Edmonton, rather than Yellowknife. The closure of the Edmonton City Centre Airport will worsen the survival rate as the ground transport time will drastically increase."

Finally, study after study shows that helicopters are certainly no more reliable, and in fact generally more prone to technical and mechanical failure. Their safety record is not as impressive as the service records of fixed wing aircraft.

We have examined detailed data on the air traffic movements seen in May 2009 at EIA and ECCA. This leads us to believe that the two airports are serving two complementary markets, both in terms of journey purpose and in terms of market size and distance. The closure of ECCA will reduce the available options for air travel significantly, particularly for business users on short haul services to/ from Edmonton city core.



5 The benefit of two competing airports in Edmonton

Over and above any economic study of business aviation and airports and the benefits they bring in general, there is a real question in this case about ECCA and the benefits that it can bring Edmonton. The question is not just what the economic value of ECCA is – although InterVISTAS, working on behalf of EIA, has indicated that at \$388m this is substantial.

It goes without saying that travel, and air travel specifically, are of particular importance to all Edmontonians. That is to be expected. But the requirements of all travellers are not the same (and may not be the same for any particular traveller on two separate days). For leisure travellers key motivations are price and date of travel. For business travellers, the factors change – the relevant issue increasingly becomes total elapsed time of travel, given their much higher value of time. That is reflected in elements such as frequency, location of both the airport of destination and departure, time to get through the airport and ease of access.

That in turn leads to a bigger, wider question: what would be the benefit to Edmonton if ECCA were allowed to operate in a way that saw it attempt to address these differentiated requirements for travel without the current cloud of uncertainty and doubt that overshadows it.

This question is thrown into stark contrast when ECCA is compared with a number of other business and city airports within Canada.

5.1 A review of other Canadian city and business airports

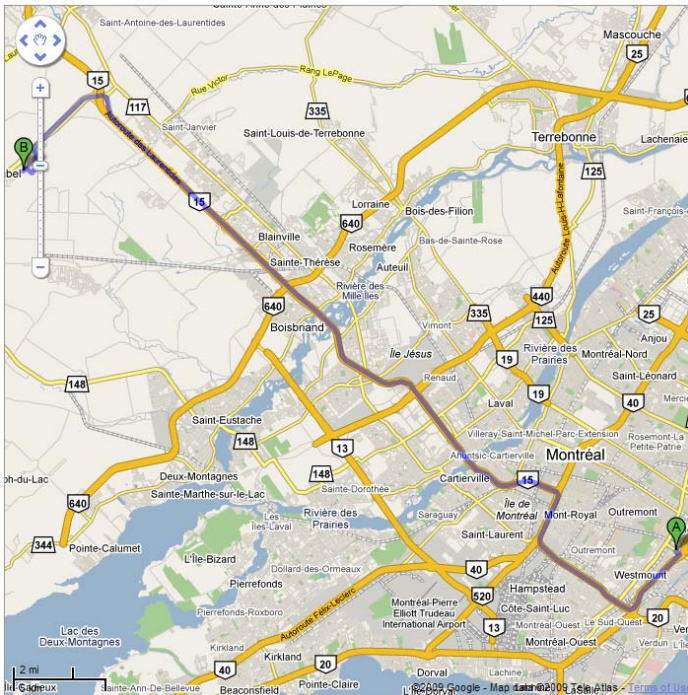
A Montreal

Montreal remains perhaps the world's seminal text book example of the interface between dogmatic and doctrinaire town planning and customer preference working itself out through the market. The plan in the 1970s was to force international airlines and passengers to Mirabel, located some 40km from the city centre.

The inconvenience cost and uncertainty of the access journey dramatically affected demand to use the airport. There was a major migration of international travellers demanding to connect through Toronto, or to avoid Montreal altogether.

Traffic growth slowed, and then actually declined, ultimately resulting in the move of all passenger services back to Dorval. Toronto was the great winner, gaining both business traffic and connecting traffic. It is perhaps the most potent world airport example of how air travellers will use options that work for them, and cannot easily be 'forced' to choose difficult options.

It is interesting to note that Mirabel and Dorval had a common owner, which was determined to use that power to force passengers and operators to comply.

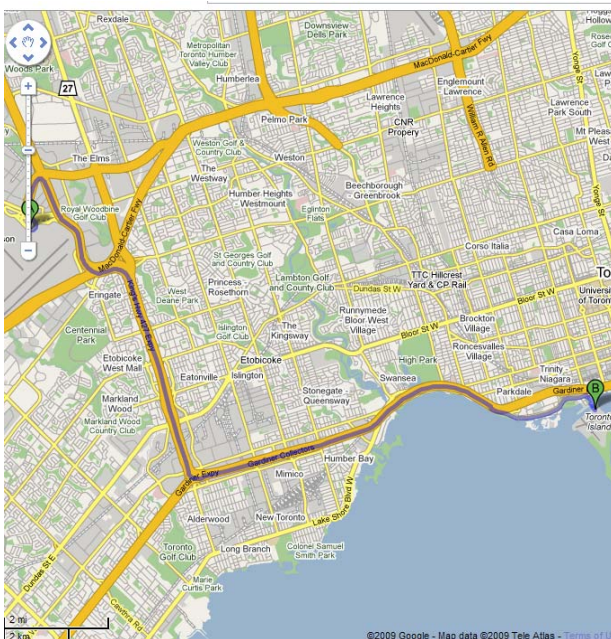


Lessons learned:

- The customer has a choice and will use it
- Air transport is a service industry, and the action of forcing passengers and airlines was a very costly and doomed experiment – for the airport authority and the city of Montreal
- Notwithstanding the wishes of the common owner of the airports, they were unable to force changes that the public did not want

B Toronto

While Pearson Airport is reasonably close to the city, The city airport is even more accessible. While limited to smaller aircraft the Porter Airline operation has profited in the downturn. At the same time, the market from Pearson has also developed. It is also interesting to note that the city centre airport is not operated by Toronto International Airport. It has been able to compete on price, time and accessibility, subject to the city’s limits on operations.



Lessons learned:

- Business travellers and Toronto’s business benefit from good air access to/ from the centre of the city
- The two airports target different markets and extend the range of product offering.
- Separate airport management /ownership has been beneficial to develop the strengths of each airport.
- Before the latest growth the airport was regarded as ‘failing’.

CASE STUDY- SUCCESSFUL CITY AIRPORT IN TORONTO

JUNE 10, 2009, 2:45 P.M. ET

Canada's Business Travellers Choosing Porter Over Rivals By Monica Gutschi Of DOW JONES NEWSWIRES

TORONTO (Dow Jones)--Canada's two biggest airlines have been losing business travellers as the country's economy slumps, but upstart commuter carrier Porter Airlines appears to be attracting more and more of them.

Air Canada (AC.B.T) saw its premium traffic slide sharply in the first quarter, and WestJet Airlines Ltd. (WJA.T) Chief Executive Sean Durfy suggests the top 10% and bottom 10% of flyers have disappeared in the recent economic downswing.

That doesn't seem to be the case at Porter, a privately owned airline that was launched in 2006. Chief Executive Robert Deluce says demand for his commuter service on Bombardier Inc. (BBD.B.T) turboprops has grown so much he's adding flights between Toronto and Ottawa - the most popular route, and between Toronto and Montreal. He's also beefing up his New York schedule and says the new Toronto-Chicago route is gaining traction after a slow start.

"The majority of our passengers seem to be business travellers," he says, pointing to the rapid growth of the airline's frequent-flyer plan, which now has 200,000 members. While that is a fraction of the 6 million who belong to Air Canada-affiliated Aeroplan, Deluce says he knows there are mixed loyalties: "We see the (Aeroplan) Superelite tags on their luggage."

WestJet predominates in the Western Triangle of Calgary, Vancouver and Edmonton, but has reduced the number of flights in the Eastern Triangle of Toronto, Ottawa and Montreal.

Cameron Doerksen, airline analyst at Versant Partners, recently estimated Porter now holds 24% of the Toronto-Ottawa market and 20% of the Toronto-Montreal market.

Although the Eastern Triangle makes up only a small percentage of Air Canada's or WestJet's overall network, it is the country's most important business market and comprises a relatively large share of premium traffic.

"In terms of a product that serves the needs of business travellers, (Porter) is perfect," says Debra Ward, an Ottawa-based independent airline analyst. With its base at Toronto City Centre Airport, it is far more convenient for those who work in the city's high-rise office towers and live near the subway system than the Pearson International Airport in suburban Mississauga.

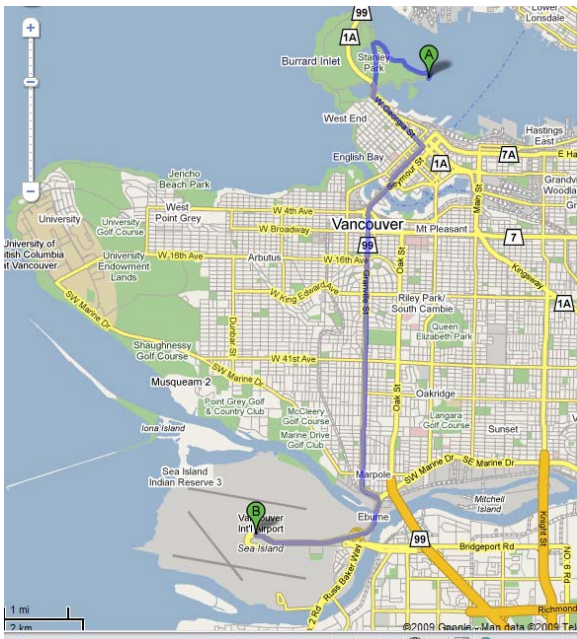
Richard Fogler, managing director of money manager Kingwest & Co., now chooses Porter for both business and personal travel. Once he left his downtown office at 5 p.m., went to his midtown home and packed, and by 5:40 p.m. was at the island terminal to catch his 6:05 p.m. flight. "It's heaven," he says.



C Vancouver

Whilst the main international airport is relatively close to the downtown area there is still a market for services to the city centre from multiple points on Vancouver Island. In fact the air service to the city centre water harbour airport from Victoria is the most frequent in Canada. Interestingly commercial services from Victoria Island serve both the harbour and the island airport – both are needed by the market.

The airport is not owned by Vancouver International Airport.



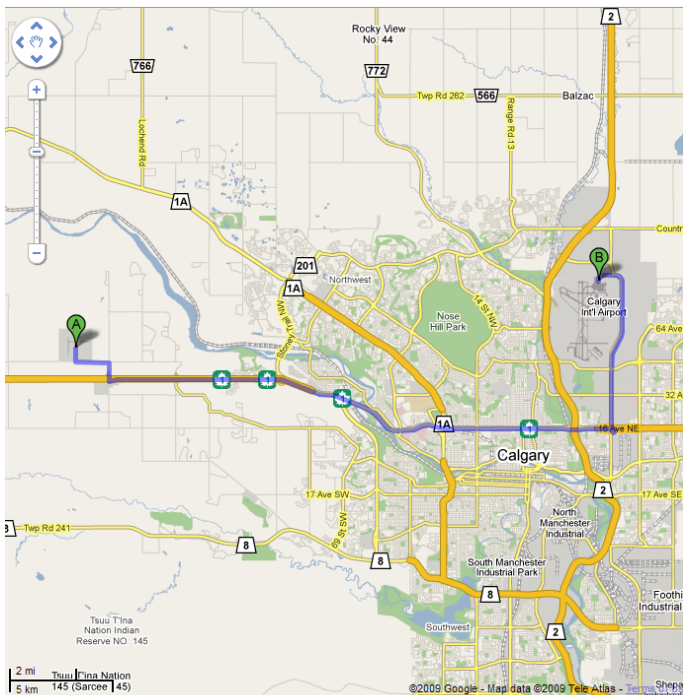
Lessons learned:

- The city airport meets a clear market need for good access and can support high frequency services and competition
- We are not aware of any plans to close the city centre airport as 'unnecessary'
- The airports do not have common ownership

D Calgary

Calgary does not have a 'downtown' city airport, with the main airport being about 10km from the centre of town. It does have a second, GA airport, Springbank. There are two issues of particular note in the Springbank example. First, the airport is not close to downtown Calgary. It sees its role as a necessary stand-by and overflow airport from Calgary International, but it does not see itself as servicing the business community for downtown Calgary. That is a customer base that it does not have – yet it is still confident of steady growth.

Secondly, Springbank is owned by the owners of Calgary International. The airport is clearly seen to be complementary. That could equally be the case in Edmonton, in different circumstances. In Springbank, a considered and consensual local community development plan is in place. It predicts traffic growth for the ten years of its planning horizon of 2.3% pa.



Lessons learned:

- o Calgary has a connectivity advantage against Edmonton with its main airport only 10km from the centre.
- o Demand for business aviation warrants long term investment at Springbank.

And there can be no doubting community support for ECCA. The AEG and many others have shown, quite comprehensively, that there is support from all walks of life for ECCA. The results of a recent survey [See Appendix Section 8] by KBA show over 70% of respondents would prefer to retain the airport rather than use it for further housing development.

Gasland

"I have been in contact with many others who share my opinion in regards to the ECCA."

5.2 Inter-Airport competition

There was a time when it was thought that airports were natural monopolies. Competition between airports would therefore be impossible. Those days are gone. Modern economic theory supports the proposal that it is possible for airports to compete.

We have seen airport competition in a number of different ways. Vancouver International, for example, competes with Seattle for flights arriving across the Pacific. Vancouver can offer such a long haul flight access to its facilities (including the ability to clear US customs and immigration) before offering flights across North America.

In a situation somewhat analogous to the Vancouver Harbour example, Belfast Bay Airport in Northern Ireland has recently been allowed to compete with Belfast Airport. The results have been remarkable and attracted new growth.

The most recent, and comprehensive study on the issue of airport competition was conducted by the UK Competition Commission, in the context of its inquiry into the UK airport company BAA plc. In that study, the Competition Commission was in no doubt that airports can compete, and that there were significant public benefits in facilitating that they do so.

Specifically, the Competition Commission agreed that it was possible to have competition between airports, provided that there are suitable alternative airports with capacity available. That is the case in Edmonton.

Airports can compete on the services they offer to the airlines, the services they offer to the passengers and the prices charged for these services. Furthermore, the Competition Commission found in the BAA case that the fact of common ownership itself was a deterrent to BAA's airports providing competition as between themselves on these criteria.

The report notes that the extent of competition was likely to be limited only by hard physical constraints such as runway length and surface access. As discussed below, that issue is of particular interest to ECCA, and to Edmonton, as new generation business aviation aircraft, in particular the very light jet category (VLJ) can operate from shorter runways than aircraft in the past.

The continuing and increasing competition between airports delivers benefits to airport customers. Airports have been experiencing a continuing downward pressure on charges, for example. Marketing activity has also increased, making potential passengers aware of their choices. Airports are increasingly working closely with airlines on marketing, seeking to ensure that all avenues were explored at each end of the route.



In short, airports set free to compete do so, with predictable results – better services, better suited to the customer demands, and at reduced cost – which in turn is better for the users of the airports, whether they be passengers or airlines. Edmontonians do not need to be told of the benefits of competition – fares to London rapidly skyrocketed when Zoom left the market.

And, it should be noted, the Competition Commission is of the view that its findings are relevant to business aviation as much as they are relevant to traditional scheduled passenger services.

Indeed, the Competition Commission does not accept, from a competition perspective, that airports can or should be categorised as a particular sort of airport by reference to its airline users. It notes that it is by being open to opportunities to meet new markets and new business models that airport competition can be strongest.

5.2.1 Preventing competition in Edmonton

The Competition Commission also notes that one of the most comprehensive and deadening restraints on competition is regulation. In the ECCA case, there are currently two regulatory burdens on the airport. The first is as a result of the 1995 plebiscite and the restriction on providing scheduled services. The second is the current moratorium on further development work.

Foster Aircraft Maintenance

"ECCA could become what Springbank is if it wasn't being strangled by the airport authority."

[N.B. In a survey carried out by ASCEND in June 2009 among AEG Members, 74% believed that ECCA would be a better and more successful airport if run by a new owner]

The restriction on most scheduled passenger services has had two impacts on Edmonton: first, it means that ECCA has not been able to compete with EIA, allowing EIA to grow without the restraint and pressures that competition would bring. EIA has, as a result of this, a substantial degree of market power. This substantial degree of market power has allowed the airport to impose costs (such as the new building levy) without restraint.

At the same time, the restriction on scheduled passenger service has also meant that EIA is not threatened by competition from Calgary, or any other Canadian airport, for Edmonton's passengers. This has had a negative impact on the services that Edmontonians are being offered.

The second area where regulation has meant that there has been a reduction in competition is as a result of the current moratorium on development at ECCA. As a result of the moratorium, we are aware of a number of developments that have been

shelved. These developments would have included hangers and other airport infrastructure.

Even allowing for the plebiscite restriction to remain in place, it is possible to imagine a situation where EIA and ECCA compete with each other for GA and business aviation. As new technology and new business aviation business models come onto the scene, that is likely to become increasingly competitive area, if allowed to develop.

However, as the Competition Commission notes, consistently with economic theory generally, this competition is harder to imagine in a situation of common ownership.

There are clear reasons for this – it is difficult to manage even-handedly two entities that are likely to compete in the same market. Market sensitive information, business plans and other data is shared in a way that prevents true competition. Some times a clear favourite emerges. That can have clear implications for the other managed entity. An airport that was once called a business airport is suddenly referred to as a GA airport, for example.

The question for Edmonton Airport Authority is what might be the best model to ensure clear competition, freeing up ECCA to perform in a way that starts to deliver the clear benefits of competition. It would seem to us that there are a range of options that they could consider. These options range from major structural changes to internal options.

It is a question worth asking why these options appear not to have been canvassed previously. It is clear that EIA's management (to whom ECCA report) have no interest in keeping the airport. They see no value in it – of itself a strong argument for putting in place management that does see value, and is prepared to create that value. Assuming that they have no interest in any particular alternative use of the airport they should be welcoming of any proposal that allows them to focus on their major airport.

The first option is to create a new airport authority for ECCA, replicating the work done at the time of the corporatisation of Canada's airports. This is a major step, involving several layers of government. It will be a major piece of work and difficult to do quickly.

The second option would be for EIA to put ECCA into a different corporate entity and to manage the airport in a holding company structure, with complete autonomy. Such a proposal might at least see EIA support ECCA as a profit centre. To make that management truly independent, it would need to have the power to recruit its own management and personnel.

A variation on this option would be to completely outsource the management of ECCA to an entity prepared to take on its management. It is no argument against this proposal that EIA or Council is unaware of such a person if the truth is that they have not tested the market to see if such a group might be available.

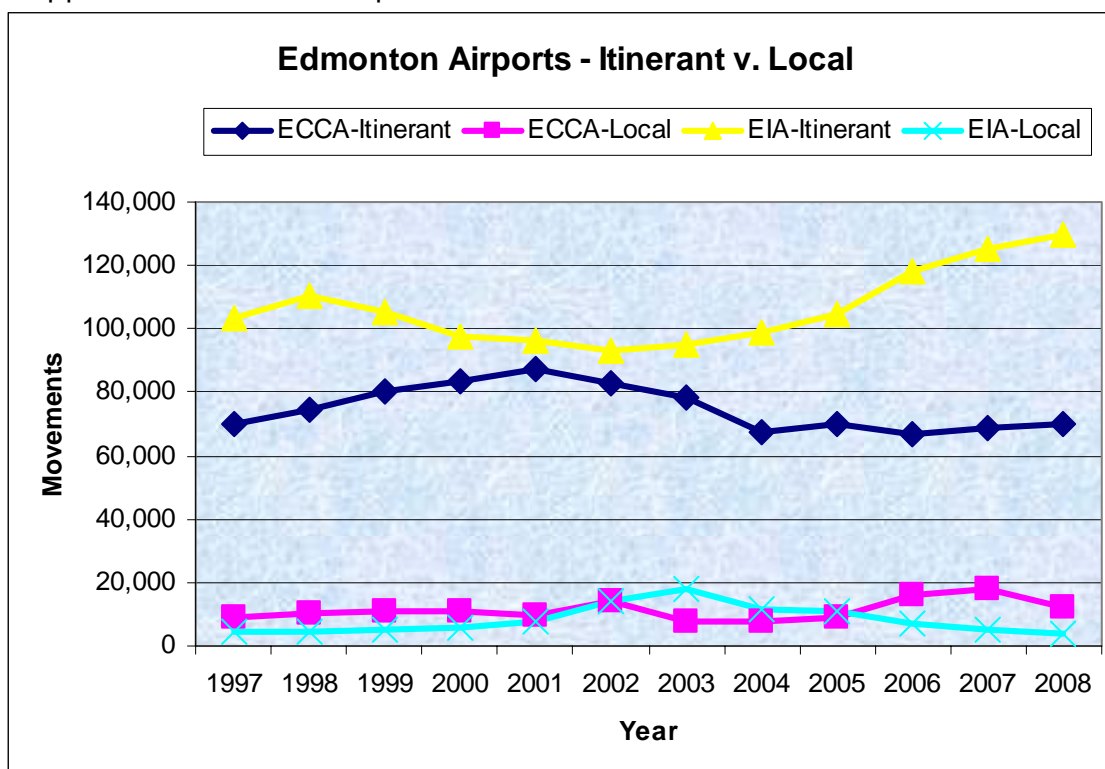
A third option would be to sell ECCA as a going concern. Council acknowledges now that it must pay commercial terms on the remainder of the lease on ECCA before it can do any of the works that it is proposing. If that is the case, the reserve price for the airport is already known. A sale by tender may return an offer price significantly higher than that for EIA.

EIA has a legal duty to manage ECCA as well as it possibly can, in the context of the group of airports it is responsible for. There are clear economic reasons why it is unlikely in a situation of common ownership that an airport in the position of ECCA will be allowed to operate as well as it could, or be of the value that it could be to the people of Edmonton. But that is no reason to stop others from doing so.

5.3 Two airports for two core markets

Leaving aside the ownership issues, it is our opinion that there are opportunities for a competitive airport situation in Edmonton focused principally on the business market and high value services such as medical transport.

Statistics from StatCan's database show that EIA's 'itinerant' traffic (flights that do not return to the airport – largely scheduled flights) has undergone significant growth, particularly from 2004 and the start of the business boom. Some of that traffic appears to be at the expense of ECCA.



Source: Statistics Canada

There are two significant observations to make. First, the vast majority of this growth has been in large scheduled aircraft, flying long haul routes, some of them international. As is clear from the figures quoted in Chapter 4 above, even today, few flights operate to EIA from regional airports, or meet the particular requirements of short haul business.

Secondly, ECCA has not lost ground during the economic boom years. Furthermore, it is not unreasonable to assume that if ECCA was refurbished and given a mandate to expand, it would expect a considerable share of this growth. Such growth can become self-serving – spurring additional traffic and investment. That may of itself explain EIA's determination to shut this airport.

In fact, when analysed, it is clear that there is nothing for EIA to boast about in these figures. Given the recent economic boom in Edmonton, this growth was to be expected. Furthermore, despite the operational restrictions and investment freeze, ECCA has managed to maintain a significant level of movements – which to us suggests the robustness of its market demand.

5.4 Problems with merging ECCA traffic to EIA

As noted above in the Eurocontrol study, from an airport operational logistical perspective, mixing business and scheduled aviation can be quite complex. It is most unusual to find an airport that is successful in mixing scheduled passenger travel and business and GA traffic. That already appears to be the case in EIA, and in our opinion, is only likely to be exacerbated should ECCA be closed.

There are a number of practical issues that need to be considered. One is the necessary terminals and infrastructure. Business and general aviation have an altogether different set of requirements to that of scheduled airlines. EIA will need to develop and expand their facilities to accommodate the ECCA traffic.

Slot allocation becomes difficult. Slots are take-off and landing access rights. Airlines (and thus the airports) generally follow rules set up by IATA in relation to the allocation and utilisation of slots. Not surprisingly, these rules are biased in favour of the scheduled airlines. They favour regular users of slots, daily users of the same slot over all. That is clearly of advantage to the regular scheduled carriers. There are also grandfather rights for users of slots in one season into the next corresponding season.

From an air traffic control viewpoint, mixing aircraft types (as with scheduled airlines' large jets against business and GA) uses significantly more slot space. Furthermore, from an airport operator's business perspective, it is inevitable that business and scheduled aviation is in conflict. Business aviation likes to offer trouble free transit through the airport – with no interference from shops and such like. Airports run on strictly commercial terms are not likely to find room to welcome business passengers if they are not able to profit from their presence.

One interesting contrary example of this is Geneva, which realising the importance of business aviation to the community, deliberately portioned a third of its available resources and slots (which are under considerable pressure) for the use of business aviation in its remarkably close to the downtown airport. It should also be noted that the airport is in fact owned by the city and Canton of Geneva, allowing this sort of pragmatic, wider interest decision to be made.

EIA is not downtown, it is not in a 'business focused' location (unlike, for example, Geneva) so providing such facilities at EIA would not address this concern. Nor does it have ownership directed at boosting the overall interests of the community at its centre.

Lyle Best

"...if you were given a blank slate and wanted to design a new city, wouldn't it include an airport that is in close proximity to the city core? Convenient and close to services such as hospitals, universities and government buildings? Look around North America for a start and then move on to Europe and you will find countless examples of just such a thing."

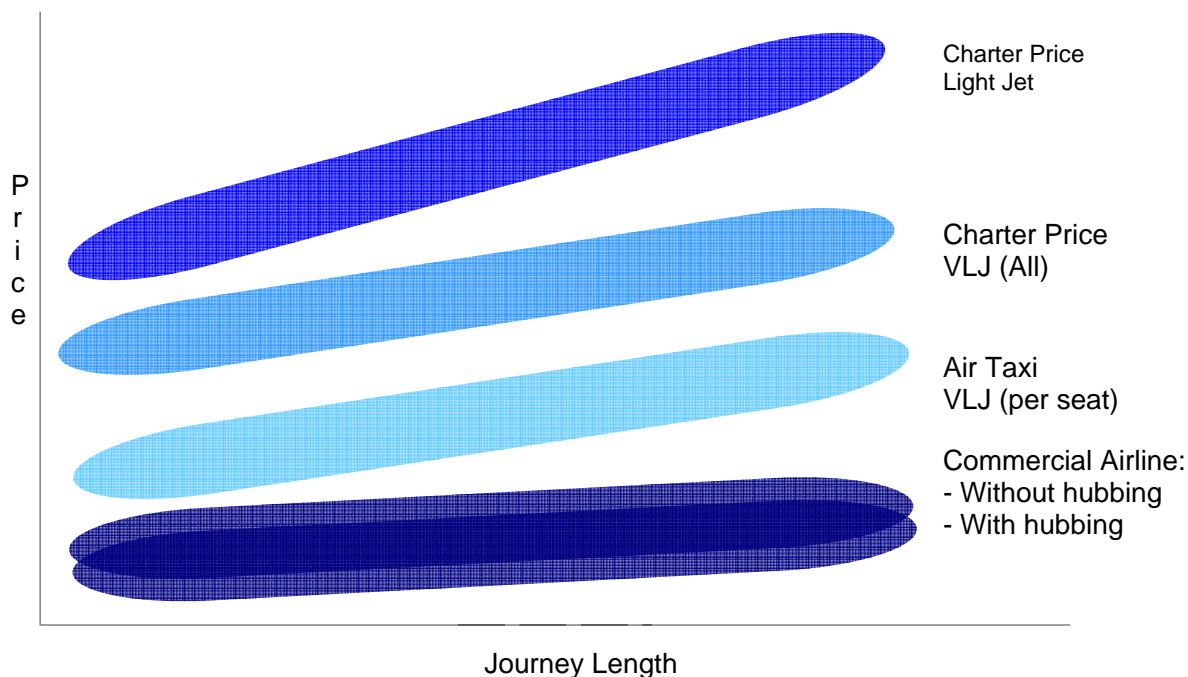
5.5 New business models on the horizon

Airports such as ECCA stand in an extremely interesting position in relation to a number of new business models and scenarios that are likely to unfold in air transport with relation to Business Aviation.

The best known example is that of the Very Light Jet (or VLJ) class of aircraft (small jets, with a Maximum Take-Off Weight in the vicinity of 10,000lb or less and a typical maximum range of approximately 1,100 nautical miles), which have entered the market in recent years. Seating between three and eight passengers, they have generated very strong interest for use in 'air taxi' services — the key attraction being that their size and sophisticated technology dramatically reduce both the capital cost and operating costs compared with larger business jets.

The graphic below highlights the way in which new options due to VLJ's will offer a wider customer choice at a rather lower cost than chartered corporate jets.

ASCEND



Source: Embraer: Market position for VLJ service

We believe that VLJ's would be ideally suited to the ECCA environment, allowing trips from Edmonton to/from city centres as far afield as San Jose, California (1,000 nautical miles). Such aircraft also offer to opportunity to land on runways of under 1,000m and at a capital cost of less than half of equivalent jets today, offer many exciting possibilities even in the area of Emergency Medical Services. What that would mean is that even with the continuing plebiscite restrictions in place airports such as ECCA would be ideally placed to be extremely competitive in the business aviation market in the future.

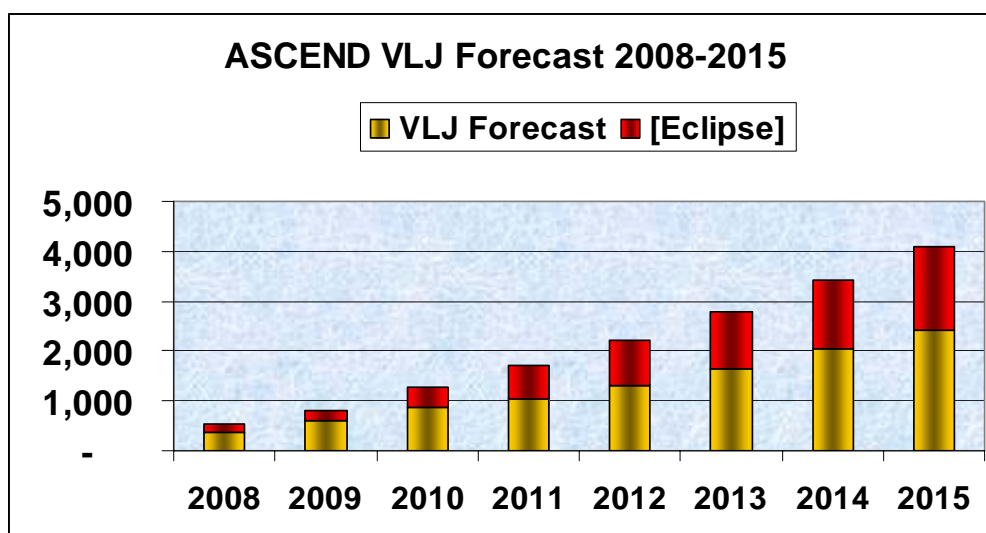


We should note that recent forecasts for VLJ fleet growth have assumed the continued presence of the Eclipse 500, but with Eclipse Aviation now facing liquidation, it is as yet unclear as how that projected demand will evolve. However, Cessna's Mustang is firmly established, and Embraer's Phenom 100 has entered service; these two types are expected to be the dominant types for the foreseeable future and the primary beneficiaries of Eclipse's demise. Honda's HondaJet is the most likely next entrant, and there are a number of other prospective types in

various stages of development, underscoring the expected strength of demand for VLJ types.

The market is also likely to extend to a wide range of travellers, including lower price business travel and leisure travellers according to a study by Velocity Group. "About 40 million domestic passenger trips a year cost \$0.25 to \$0.35 per passenger mile for full-fare coach, business class or first class service," Bernstein said. "Approximately 13 million trips are made annually on corporate jets and turboprops with costs ranging from \$2 per passenger mile to over \$30 per passenger mile, depending on aircraft type and passenger loads. Air taxis will provide a new option for \$1 to \$3 per passenger mile. We anticipate a good market for Very Light Jet sales with market demand by all users to be in the 600-700 aircraft per year range."

Even excluding all Eclipse aircraft the growth in VLJs is expected to be significant, and ideally suited to Alberta's terrain and needs.



We highlight above the data from our Ascend VLJ global forecast, which reveals the expected growth for this market, which can be compared with the current stock of 28,000 corporate jets and turbo props, and 15,000 Commercial jets. We expect 2,000 VLJ deliveries globally, comprising some 20% of all corporate jet deliveries, to 2015. The vast majority of VLJ deliveries will be within North America, which continues to be the dominant business jet market (high growth rates in other geographic regions notwithstanding).

The FAA have made a VLJ forecast just for the US. Despite the challenging economy and the uncertainty surrounding the future of Eclipse, the forecast assumes that about 200 VLJs will enter the active fleet in the US over the next two years and then increase to a rate of 270 to 300 aircraft a year for the balance of the forecast, totalling 4,875 aircraft by 2025. For a market such as Edmonton interested in US traffic, this is an interesting opportunity which ECCA can take up, and which EIA would find difficult to service.

In other words, there is a huge potential for ECCA to capitalise on future business aviation trends and new light jet/air taxi services. It is very close to the business centre of Edmonton, and it is able to offer significantly better security screening and transfer times.

London Air Services

"On a daily basis we serve clientele who live their lives based on maximizing the number of minutes available to them every day. While London air ensures the time spent in the air is minimized, it is the convenience of the location of the ECCA that many comment on as they move in and out of Edmonton."

In this section we reviewed a number of city-airport examples in Canada that we believe show:

- how a centrally located city airport is a transport asset of great benefit to cities and users***
- inflexible attempts to force passengers to use less accessible airports do not appear to work.***
- In a free market passengers will choose the best option for them and due to city access the centrally located airport has high value***

The analysis leads us to consider the value of complementary but competing airports to serve different markets, but which keep each other 'on their toes'. Here there appears to be a benefit from management independence of the city airport, which enables it to focus on development without being biased by any monopoly position.

Airports that serve a particular niche market can also expect to grow and to prosper, given the right leadership and community support .It is clear that ECCA has community support.

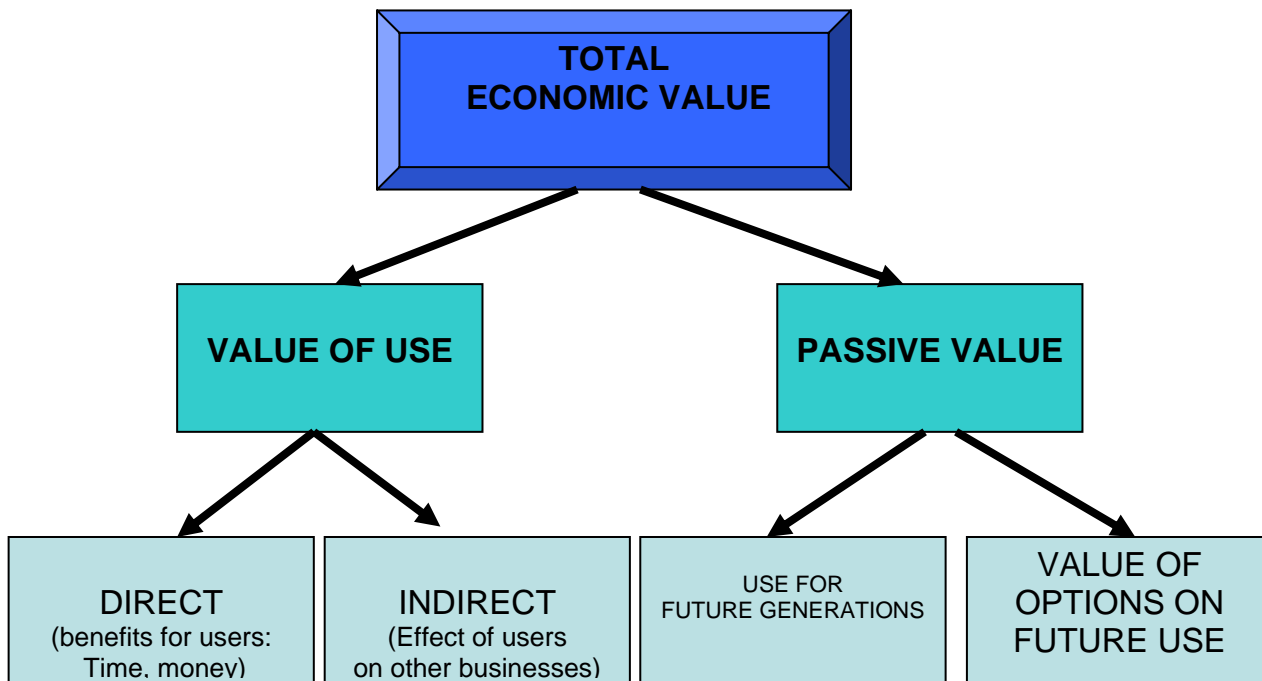
The transfer of services from ECCA to EIA would be complex and significantly and adversely impact on operators, passengers and employees. There will be conflict between the needs of scheduled carriers and business aviation.

ECCA is also well placed to benefit from the growth of new VLJ and air taxi services, which are ideally suited to connect small communities and city centre airports



6 The Value of ECCA to the Business Community

6.1 The Value of an Airport



The graphic highlights how an infrastructure asset such as an airport has value across many markets beyond the direct impact of the airport on current users. This is only one element of value- indirect effects on others and on future choices are also highly relevant.

Alberta Fuel Distributors

"Once we lose this asset, we will never get it back, please consider this as you deliberate further."

Largely unstated in the discussion about shutting ECCA is the false assumption that the traffic currently using ECCA will 'simply' be diverted to EIA. The process will not be simple; it will impose costs on EIA (which must, over time, be passed on to all passengers) and in particular it will impose costs and disbenefits on current ECCA users.

A full cost benefit analysis of these factors is needed but cannot be attempted without further data from EIA. Until these issues are considered there can be no proper judgement of the proposal to shut ECCA. It is important to stress that these costs are over and above the damage that reducing Edmonton's attractiveness to businesses will cause.

John Currie -- Northwest Territories

"In the event that you are considering that aircraft traffic and economic activity will easily and readily divert to that location, please let me disavow you of that perception."

The impacts from closure of the airport fall into three major categories:

1. Increased inconvenience and disruption for operators

- Business decline and failure
- Operating costs- landing, fees etc.
- Taxi time and Runway congestion
- Slot availability and delays

2. Increased costs, hassle and disruption for passengers

- Queuing times
- Security procedures
- Integration of procedures
- Additional Time and money cost for passengers using EIA
- Uncertainty and volatility of journey times

3. Increased operating cost for airport

- Infrastructure Costs
- Operating costs

In order to provide some indication of the significant scale of these factors, we provide below an aggregate calculation of just the incremental direct 'time and money' passenger disbenefits likely to be incurred by current and future ECCA users in the event of closure.

6.2 Potential Loss of Benefits for passengers transferred from ECCA

A full analysis of the loss of benefits which result for users of ECCA is complicated by need for detailed information on the wide variety of factors involved in individual journeys, in terms of price, time and general convenience, both now and in the future.

However, we can provide an indication of the scale of the loss of customer benefits that are likely to be suffered through a calculation based on estimates of the incremental time and cost involved. That can then be applied to the current and future markets.

Mid-American Energy Holdings Company

"Edmonton's City Centre Airport supports the business economy of the entire area. It would be regrettable to lose one of Edmonton's unique features."

If we assume the following, based on discussion with a number of parties using both the airports, and experienced in the alternatives:

1. Additional time cost for using EIA rather than ECCA: 1 hour per one way journey. This takes account of:
 - travel time from the business centre of Edmonton to the airport
 - access time within the airport terminal, including security etc
 - processing time at the airport,
 - parking and walking from the parking to the aircraftIt should be noted that we are focusing here on additional time and we are not allowing for some element of greater inconvenience.
2. Passengers through ECCA who will thus need to spend this additional time: 210,000
 - This is calculated on the assumption of 3 passengers on average per aircraft movement.
3. Growth of passengers per annum: 2.5%pa
4. Value of business traveller time: CAD100/h¹⁰
5. Discount rate for benefits: 10% p.a.
6. We ignore disbenefits to local users of the airport- i.e. those flights which both take off and land at ECCA
7. Additional money cost (cab or bus fares, parking etc.) CAD 25 per one way trip.

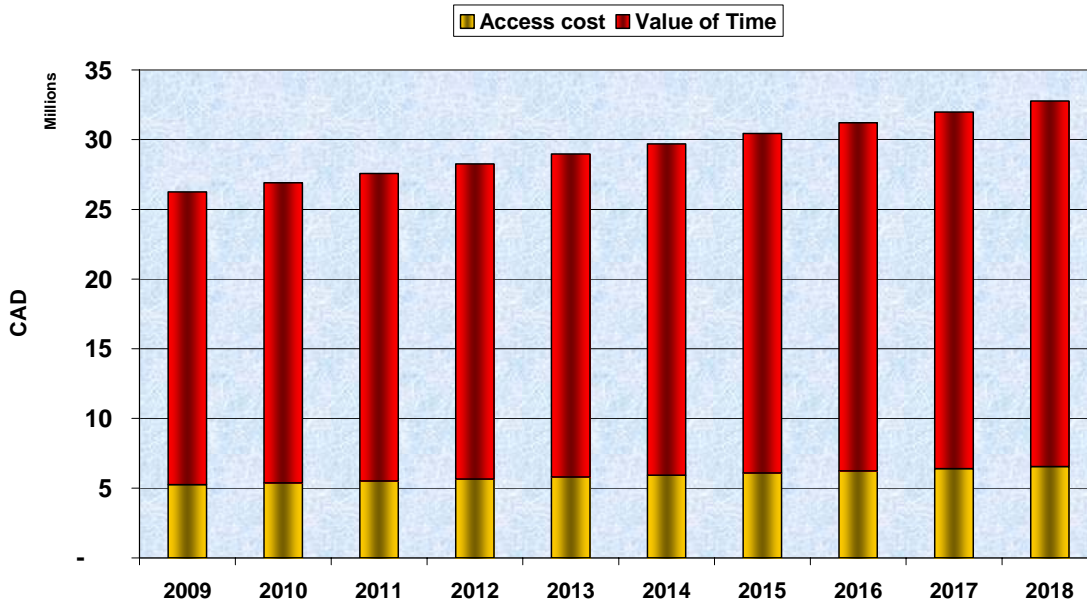
On this basis, we estimate the loss of benefits to potential customers of ECCA, or to put that another way, the cost to passengers currently using ECCA that will be forced to now use EIA to be CAD26m p.a. Over a ten year period this is nearly CAD180m, in terms of 2009 net present value.

If we assume the comparison is with proactive operation of the airport under a new management and in a competitive environment, structure then the estimate of net present value could realistically be put in the region of CAD200m.

A more precise calculation could be made using specific interviews with ECCA users.

¹⁰ See *Transportation Cost and Benefit Analysis II – Travel Time Costs*
Victoria Transport Policy Institute

Estimated Loss of User Benefits from Closure of ECCA

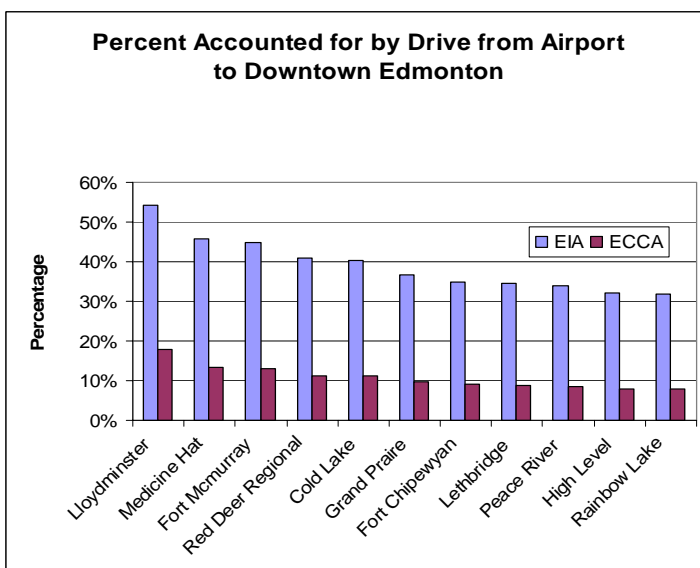


John Ferguson -- Suncor

"Closing the City Centre Airport, especially at this time, would be a grave mistake. Unfortunately, it would be a mistake that cannot be fixed at a later date as this special asset would be lost forever."

6.2.1 Driving time analysis

In terms of comparative drive time as a proportion of travel time, ECCA compares favourably with EIA. For passengers flying to Edmonton from places such as Lloydminster, Medicine Hat and Fort McMurray, this appears a significant additional burden.



6.2.2 Medevac Services

It should be noted that this calculation is specific to business travellers only. A specific further area of major concern to Alberta citizens is the impact on Medevac services of closure of ECCA, which provides easy access to Edmonton Hospitals. While these flights are relatively infrequent they have a very high value in terms of human life and quality of life that is difficult to quantify. Like any emergency service the concern is that this airport remains a key service to be made available to all as needed. For the reasons we set out above, we are of the view that a helipad would by no means provide the range of access that fixed wing aircraft can provide.

Air Tindi

"If the municipal airport was to shut down it would definitely impact the clinical care of the patients and would be at least an hour to two hour delay minimum for each trip which could mean a matter of life and death."

6.2.3 Impact on air service businesses of the transfer

It is also likely some air operators will go out of business if forced to transfer their operations to EIA. This is due to a combination of lower traffic which can be expected as businesses choose not to establish operations in Edmonton, and the higher costs of operating from EIA.

Northern Air

"Another airline commenced scheduled flights the same time we did but instead of catering to the City Centre Airport they flew to the Edmonton International Airport; this carrier had no support from passengers and ceased operations into the International Airport within eight months."

We have not examined this issue in depth, but given the anecdotal evidence we have heard and our experience of similar enforced transfers, this is a likely scenario. We need do no more than review the impact on the aviation businesses in Montreal when forced to transfer to Mirabel to be able to know that there will be some impact.

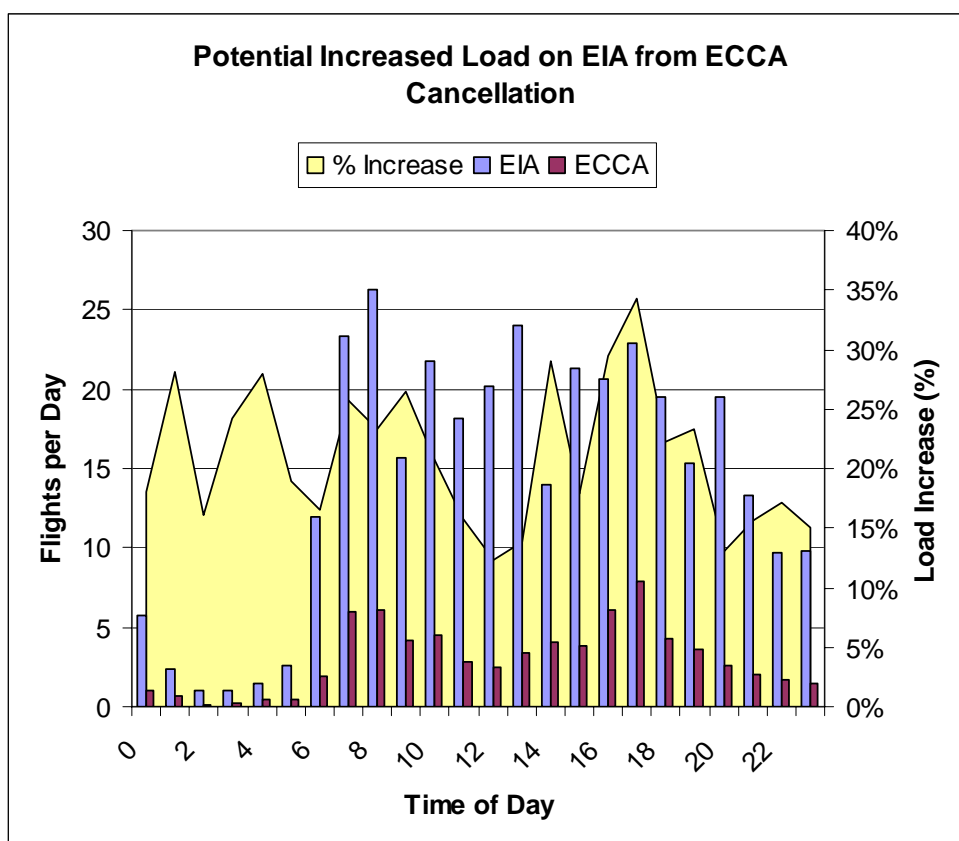
6.3 Limitations on and Cost of Future Growth at EIA

ECCA generates more than eighty thousand aircraft movements a year. Whilst EIA is not a slot constrained airport, and has a certain amount of available capacity, that is still finite, especially at peak times. Even now, EIA increased its passenger handling charge by 20% to assist in funding the cost of building to meet future demand.



A transfer of ECCA traffic will also require substantial investment. And, that investment will be called for at an earlier stage than otherwise would have been the case. Without access to detailed information on the operation of the airport we are not in a position to estimate the full impact on operations and costs on a 'like with like basis', but it is clear that it will be significant.

The following chart shows the increased load on EIA should the ECCA traffic be transferred. What it shows is that for much of the day, EIA will be much more crowded – not helping any of the current users of the airport, let alone those that have transferred from ECCA. It will inevitably put strain, and thus cost, on EIA.



The direct customer disbenefits from closure of ECCA can conservatively be estimated as CAD 180m over a ten year period. In addition to these disbenefits there will be a significant impact on operator businesses, some of which will disappear or downsize – thus reducing travel options in Edmonton.

Last but by no means least the loss of fixed wing air Medevac services to/from ECCA will result in quantifiable damage to individuals and their lives.

Captain Rosella Bjornson
"In 2009 Canada will celebrate the 100th anniversary of flight...Please do the right thing for our citizens and our businesses. Keep it open."

7 A Vision for Edmonton ECCA

Quite properly, Mayor Mandel asks that those who oppose the closure of ECCA come forward with a vision that sets out what the airport could look like. We are happy to do that. Our vision sees Edmonton using its air transport infrastructure in the most effective way possible, to the benefit of both the Province's citizens and its economy. This vision listens to the voice of the business community in and around Edmonton and Alberta.

Edmonton has been blessed with natural resources and is keen to exploit them fully. Edmonton needs to be vibrant, to have a wide base of employment opportunities for its citizens. It needs to be welcoming to newcomers, including new businesses. It also needs to be a good neighbour for the communities around it.

For that the city needs to be connected. It needs to offer options to all so that they can make their way to the city and via the city to their destinations speedily, in a way that meets their needs.

What they do not need is to be dictated to by an airport as to where they can travel, the time they can travel or how they might get there.

By keeping ECCA open, a wider range of flights and air routes are available, at no cost to non users. Shifting operations to EIA puts that at risk – it will certainly cost money. Some connections are likely not to survive the transfer. That is inevitable.

So, what is the image of the airport? ECCA can be a significant contributor to the economy of the city of Edmonton. What it needs to be is set free from the restrictions that currently bind it.

We suggest that a new ownership structure is the first step that the Council must support. Only with the benefits of competition can Edmonton see what ECCA is able to achieve for the entire city. There are a number of options that would deliver that benefit, ranging from new ownership to new management. Council should take the time and effort to investigate how to best deliver value from its scarce resources.

Secondly, we are sure that the new owners will support the building of a number of new hangers and facilities to make the most of the new business models for aviation that are developing. Finally, the city itself must give the airport the certainty that it needs to make these long term investments in the future of Edmonton.

Our vision for Edmonton City Centre Airport is

'Simply good for Edmonton and Alberta's Business'



8 Appendix

Summary

Between March and April 2009 the Kingsway Business Association commissioned a public opinion survey on opinions to ECCA amongst Edmonton residents.

The sample size of the survey was 415 interviews, which is deemed accurate to within +/- 4.81 percentage points, or nineteen (19) times out of twenty (20).

Survey Findings

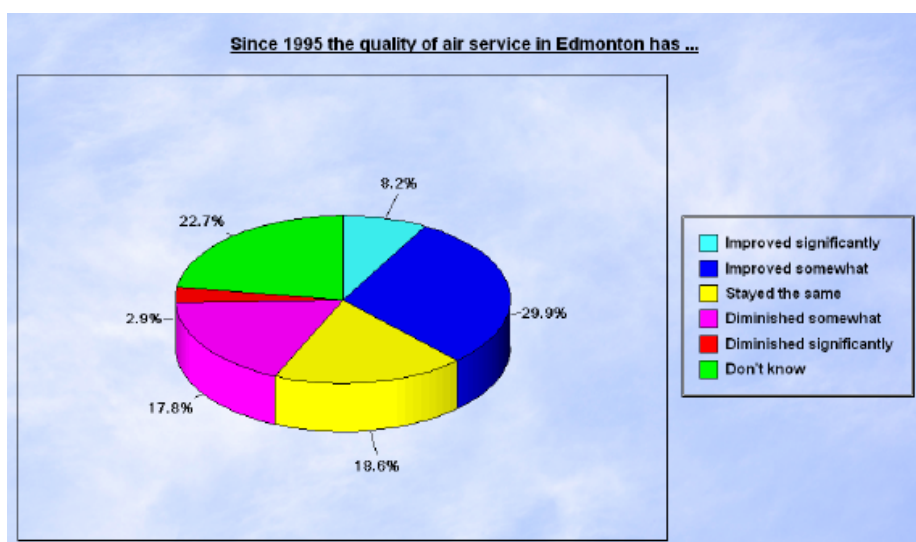
The responses to the survey showed clearly that there is an understanding among the citizens of Edmonton, regardless of their level of usage of the airport or preferences for destinations, that the ECCA is important to the business community of Edmonton. There was also a clear recognition that the airport is a significant part of the transportation infrastructure within Alberta.

Quality of Air Service in Edmonton

A major finding of the survey concerns the quality of air service to and from Edmonton since the plebiscite of 1995. The moratorium that was imposed after the plebiscite was intended to benefit the citizens of Edmonton (and those transiting to and through the city), but public opinion does not indicate that this is the case.

The chart below shows that in fact, only 38% of the respondents believe that air service quality has improved, while 20.7% perceive the quality of air service has diminished.

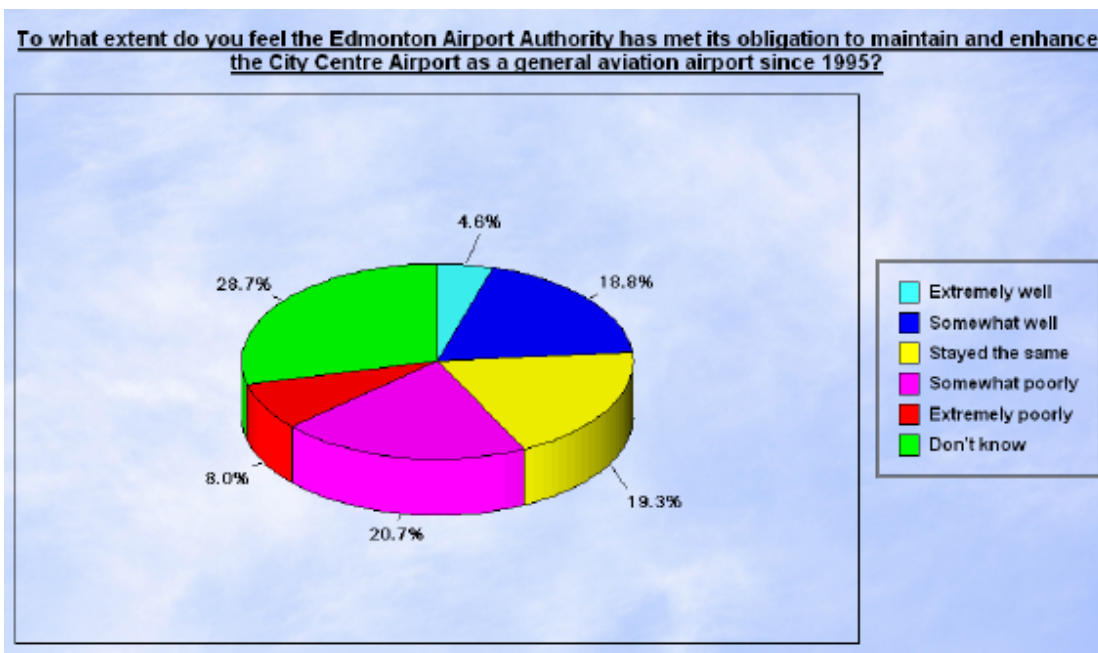
Further, over 39% of respondents stated that air service has either diminished or stayed the same. In other words, there is a significant view amongst respondents that the 1995 moratorium was not successful in improving air service in Edmonton.



The City's Obligation to Maintain and Enhance ECCA

Related to the effectiveness of the city's decision to move certain services from ECCA to EIA is the degree to which Edmonton Airport Authority has met certain obligations to enhance ECCA as a GA airport since 1995.

Only 23.5% of respondents agreed that Edmonton Airport Authority has met these obligations. Respondents believing that Edmonton Airport Authority has failed to meet the obligations to "maintain and enhance" ECCA as a general aviation airport accounted for 48%, or nearly half of the responses.

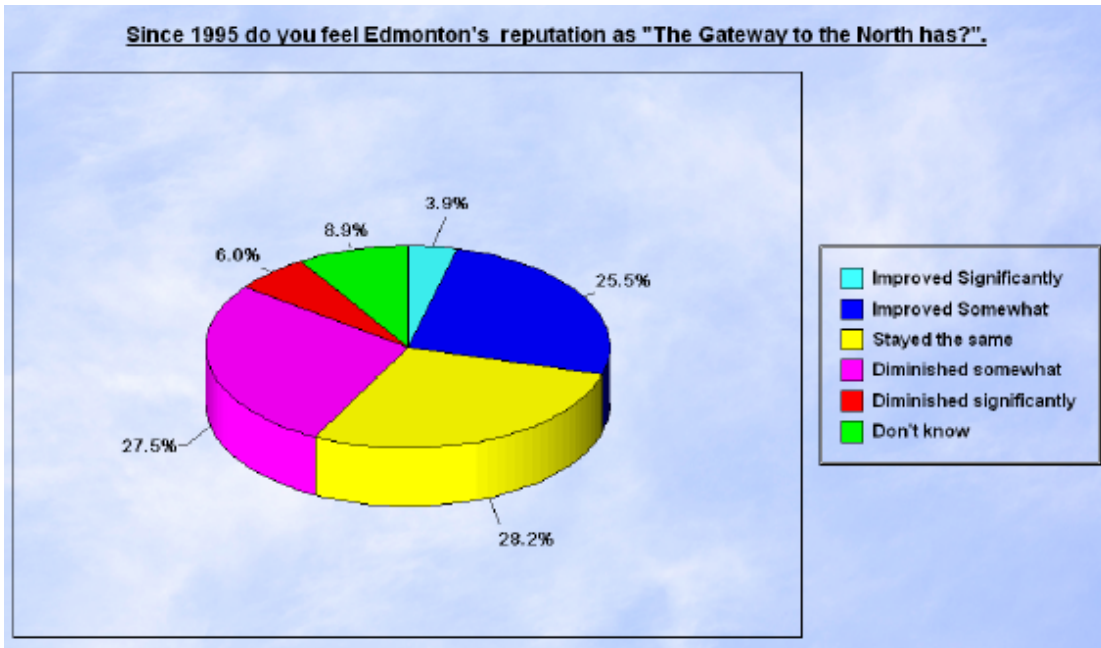


Edmonton as the "Gateway to the North"

As the capitol of Alberta, Canada, the city of Edmonton has long prided itself as "The Gateway to the North", a position that comes with both political and economic responsibilities and benefits.

This survey shows that the citizens of Edmonton view the moratorium which moved certain types of air service from ECCA to EIA as a step backward for the city, or at least as unsuccessful in improving the stature of Edmonton as a transport hub to the North.

The survey shows that while just under 30% of respondents believe that the city's reputation in this regard has improved, 28% believe there has been no change since 1995, and just over 33% believe that the city's reputation has diminished either somewhat or significantly.



Opinions on Course of Action

Respondents were asked for their opinion on whether or not ECCA should be closed and completely turned into housing. Responses to this question were very strongly of the view that the airport should be kept open rather than convert the land into housing. 74% of respondents indicated they would elect to keep the airport in operation.

