

**AIRPORTS CAPITAL  
ASSISTANCE PROGRAM  
EVALUATION REPORT**

**Program Evaluation Branch  
Policy Group  
Transport Canada**

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*The Program Evaluation Branch would like to thank all of the Transport Canada staff and stakeholders who contributed to this evaluation. ACAP Program Management has reviewed this report and we are satisfied with their action plan to address the report's conclusions and recommendations.*

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## EXECUTIVE SUMMARY

Transport Canada's (TC's) Airports Capital Assistance Program (ACAP) was developed and implemented as part of TC's National Airport Policy (NAP), which was announced in 1994 and provides a framework for the federal government's future role in airports. ACAP's objective is to assist eligible airports in financing capital projects related to safety, asset protection and operating-cost reduction. Annual expenditures for ACAP were approved by Treasury Board in 1995 at \$35M, and are funded by lease revenues paid to TC by the operating authorities at National Airport System (NAS) airports. This evaluation examined ACAP in terms of its relevance, success and cost effectiveness. The evaluation was designed to meet the information needs of senior federal officials and complements a concurrent audit conducted by TC's Audit and Advisory Services, focusing on whether or not improvements can be made to ACAP in terms of economy, efficiency and effectiveness.

## OVERALL ASSESSMENT

The evaluation results indicate that there is a requirement for the continuation of ACAP to provide the current level of funding to assist in the costs of safety-related projects at ACAP-eligible airports. These smaller airports have limited access to the revenue-generation opportunities available to larger airports and are often hard-pressed to generate sufficient revenue to cover their operating costs. In addition, there are few other funding sources for capital projects. With an estimated \$187M required by smaller airports for safety-related projects over the next five years, ACAP is an important means of contributing to a safe airport system.

Overall, the logic and intent of ACAP were found to be consistent with TC's top priority — safety — which is also the primary focus of the program. The existing airport and project eligibility criteria are consistent with the program objective and continue to be appropriate given the anticipated requirements in the next few years. The revisions to the program criteria since the program's inception have been positive and are in keeping with the program's original intent and objective.

Of the estimated \$187M ACAP funds required over the next five years, Priority 1 and 2 projects (airside safety and heavy airside mobile equipment) are forecast to be \$122M and \$52M respectively, comprising 93% of the overall demand. With the projected estimated needs in mind, it is our opinion that TC should consider revising the current ACAP cost-sharing formula to require a greater contribution by the airport owner. Such an approach would not be inconsistent with other federal and provincially funded contribution programs in transportation and in airports specifically. It would also better reflect the federal principle of partnership, as recently advocated in the Federal/ Provincial/Territorial Social Union Framework Agreement. Moreover, ACAP would be able to fund more projects, thereby having a greater impact on aerodrome safety throughout Canada.

Should the program continue, there are a number of other areas that should be addressed, including the flexibility to re-profile ACAP funds to accommodate cyclical pressures, provide greater clarity to applicants about eligibility, enhance the transparency of the decision-making process, and develop and implement a performance framework for ACAP.

## KEY CONCLUSIONS

### Relevance

There is a wide consensus among stakeholders and TC ACAP staff that there is an ongoing need for financial assistance to ACAP-eligible airports if they are to continue to be able to meet their safety-related financial needs. The evaluation found that most of the eligible airports have small passenger bases and limited opportunity to generate or obtain sufficient revenue from other sources to cover the costs of

significant safety-related capital expenditures. With the exception of TC's Labrador Coast Airstrips Restoration Program (LCARP), no duplication of airport funding programs exists.

ACAP, in essence, is a form of transfer program insofar as the majority of recipients are airports owned by the provincial/territorial (P/T) (60%) or municipal governments (28%). Moreover, other levels of government indicate that they are either unwilling or unable to fund what they continue to view as primarily a federal responsibility.

The estimated future need spikes in 2000/2001 to approximately \$67M and then drops off to an estimated \$25M in 2004/05. In terms of the mix of program priorities, P1 (airside safety) and P2 (heavy airside mobile equipment) projects combined will account for close to 93% of the demand for these funds. There will therefore most likely be a need for enhanced flexibility from Treasury Board to enable TC to commit ACAP funds yearly to meet the demand up to the overall program funding limit.

### **Program Success**

ACAP has met its objective of assisting smaller airports to finance capital expenditures related to safety, asset protection and operating cost reductions. The program has assisted over 80 airports in financing important safety-related projects. Overall, approximately 134 projects have been funded to date with total program spending of \$80M. To date, the largest proportion of ACAP funds have been spent on P1 and P2 projects, representing 84% and 15.6% respectively. However, while ACAP's design contributes to its safety objective, the actual contribution of ACAP to aerodrome safety levels cannot be determined at present because of the preventative nature of the program, the lack of relevant safety data and the challenges associated with attribution. The evaluation results also indicate that ACAP has facilitated the transfer of non-NAS TC airports to local ownership, generated economic employment, and contributed to the federal presence in small communities in Canada.

Overall, the evaluation concludes that the current program criteria and project priorities are appropriate. While there is merit in retaining the minimum 1,000 passenger criterion, it should be applied by taking into consideration passenger volumes in a risk-based approach to project funding decisions. The evaluation concludes that reliable data on remote airports is needed before the Department can determine the appropriateness of their eligibility for ACAP. In terms of the three revisions to the program criteria since the program's inception, the evaluation results indicate that the revisions have been both positive and in keeping with the program's original intent and objective.

The evaluation found that there is currently a high level of satisfaction with the management of ACAP and TC staff. Most stakeholders think that the combination of TC's expertise (e.g., technical evaluation of safety needs), national perspective and funding responsibility means that the Department should have the final decision-making responsibility. Stakeholder input should continue to be solicited to ensure program effectiveness. A number of enhancements could also be made in this regard, including addressing the clarity of the application booklet, automating the application process, and enhancing the transparency of the decision-making process by more widely distributing the funding decisions among the aviation community.

### **Cost-Effectiveness**

While the evaluation examined a number of project funding alternatives — including multi-modal block funding, an entitlement program, shared funding by different levels of government (similar to the federal Infrastructure Works Program), and regional block funding — the current ACAP program design, which is needs-based and project driven, is deemed the most appropriate to meet the program's objective.

ACAP's approach to cost sharing is based on both the project's priority and the volume of regularly scheduled passenger traffic. Due to the small size of many of the ACAP eligible airports, this cost-sharing

formula results in almost all Priority 1-3 (safety-related) projects being 100% funded by TC, the recipients of which are almost all either P/T or municipally owned airports.

The evaluation found that requiring airport owners to pay a small proportion of the P1-P3 project costs would be consistent with other federal and provincially funded contribution programs in transportation and in airports specifically. It would also enhance the cost effectiveness of ACAP, resulting in more ACAP projects being funded, ultimately increasing the program's impacts, as well as better reflecting a community's commitment to its airports' continued safe operation.

## RECOMMENDATIONS

### Overall Recommendation

If TC continues to view both funding of safety-related capital expenditures at ACAP-eligible airports as an appropriate role for government, and the ACAP contributions program as the most appropriate mechanism to provide this funding to other levels of government, then TC should continue to provide the ACAP program at a funding level of \$187M over the next five years.

In turn, if the program does continue, the following recommendations should be addressed.

### Program Design

- Airport Programs and Divestiture should retain the existing ACAP project priorities that reflect a strong safety emphasis.
- Airport Programs and Divestiture should retain the existing airport and project eligibility criteria and incorporate passenger volume into its future criteria for project priority setting and funding.
- Airport Programs and Divestiture should collect data on remote airports in Canada and within two years conduct a policy review on the future eligibility of remote airports for ACAP.
- Airport Programs and Divestiture should consider revising the ACAP cost-sharing formula for Priority 1-3 projects to require airport owners to contribute a small proportion (5-15%) of the project's eligible costs.

### Program Management

- Airport Programs and Divestiture should seek authority from Treasury Board (TB) to re-profile ACAP funds in order to accommodate cyclical pressures.
- Airport Programs and Divestiture, Aerodrome Safety, Occurrence Data, Analysis and Reports, and the Program Evaluation Branch should examine the feasibility of developing and implementing a performance framework for ACAP that will measure the impacts of ACAP on aerodrome safety.
- Airport Programs and Divestiture should revise the ACAP information booklet to provide greater clarity about eligible projects and the required documentation for submission of an application, and should develop an electronic application document.
- Airport Programs and Divestiture should clarify the potential eligibility of registered airports for ACAP in their ACAP application booklet.

## Executive Summary

- Airport Programs and Divestiture should solicit input from key stakeholder organizations on overall program direction and policy as well as on overall project funding priorities.
- Airport Programs and Divestiture should widely distribute a list of all ACAP projects that are funded.

# 1. INTRODUCTION

The Program Evaluation Branch (ACB) of Transport Canada (TC) undertook an evaluation of TC's Airports Capital Assistance Program (ACAP) at the request of Airport Programs and Divestiture (AHA) in order to meet a requirement of Treasury Board Secretariat (TBS). The evaluation issues and methodology were previously identified in the ACAP Evaluation Framework Report. The ACAP Evaluation Framework was undertaken by Program Evaluation (ACB) in 1997-98 and it, in essence, provided a blueprint for the evaluation. The Framework Report — approved by the Deputy Minister of TC in July 1998 — made recommendations on the scope and methodology to be used in this evaluation.

Concurrent with the evaluation, a separate comprehensive audit was conducted by TC's Audit and Advisory Services to ascertain whether the financial requirements stipulated in contribution agreements were adhered to and whether expenditures claimed by TC regions pertained to the projects listed. The scope of the audit included TC Headquarters, regional operations and a selection of 15 airport sites. The audit incorporated a value-for-money approach, which provides for an independent and systematic examination, for the purpose of providing objective information to indicate whether improvements can be made in economy, efficiency, effectiveness and environment of its operations and resources.<sup>1</sup>

## BACKGROUND

The National Airports Policy (NAP), which was announced in 1994, provides a framework for the federal government's future role in airports. The primary objectives of the NAP are to

- define the federal government's role in airports;
- propose a national airport system that is safe, effective, efficient, secure and viable for the long term;
- shift the cost of running Canada's airports from taxpayers to users;
- impose market discipline on the development and operation of airports and make all airports more responsive to the needs of their customers and communities; and
- ensure that the Canadian air traveller continues to be protected by appropriate federal safety and security standards.

The NAP itself was an element of TC's wider Program Review, a key element of the government-wide initiative to rationalize federal government programs and policies.

Under the NAP, the federal government's role is defined through two main levels of federal involvement in airports with scheduled passenger traffic.

- National Airport System — the federal government retains ownership of the 26 major airports identified as part of the National Airport System (NAS).<sup>2</sup> These NAS airports are being leased to Canadian airport authorities, which are responsible for their financial and operational management. TC will assume a landlord role and will continue its regulatory role in safety and security.

<sup>1</sup> Detailed audit findings are presented in the ACAP Audit National Report (Draft), 1999.

<sup>2</sup> NAS airports include those in the national and provincial and territorial capitals as well as airports that handle at least 200,000 passengers each year. Combined, these NAS airports handle 94 per cent of the traveling public and cargo in Canada. National Airports Policy, Transport Canada, 1994, p.9.



- Non-NAS TC airports — these airports handle scheduled passenger traffic but are outside the criteria for the NAS; they are viewed by the federal government as important in terms of their regional or local significance. As such, TC will offer ownership of Non-NAS regional and local airports (71 airports) and small airports (31 airports) to provincial and local governments, airport commissions, private businesses or other interests (in that order). The federal government also began removing its operating subsidies from these airports over a five-year period, beginning April 1, 1995. In addition, the NAP states TC's commitment to continue to support remote airports that currently receive federal assistance and to review its long-term role at remote airports.

The NAP also announced that existing program contributions for airport capital projects would be terminated and that ACAP, a new program, would be created to support safety-related capital expenditures at smaller airports in Canada that have scheduled passenger traffic.

### **Objective of ACAP**

ACAP's objective is to assist eligible airports in financing capital projects related to safety, asset protection and operating-cost reduction. ACAP is intended to assist eligible airports that do not have the revenue generation or financing capabilities to fund the major capital expenditures necessary to maintain the required level of safety for operation of regularly scheduled passenger traffic.

Annual expenditures for ACAP of \$35M were approved by Treasury Board; the program is funded by lease revenues paid to TC by the operating authorities at NAS airports.<sup>3</sup> In 1996, TBS approved an amendment to ACAP's terms and conditions, and ACAP's scope was expanded to include TC airports that had been transferred to local ownership but that still received a TC subsidy.<sup>4</sup> In addition, three new project priority areas (Priorities 2, 3 and 4) were added.

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<sup>3</sup> Transport Canada, National Airports Policy, July 1994.

<sup>4</sup> TC subsidies to transferred airports are being phased out over a five-year period and will be eliminated as of March 31, 2000.

### ACAP Eligibility

In order for airports to receive ACAP funding, certain conditions must be met by the applicant and by the proposed project. Eligible airports are those that

- are not owned by the federal government;
- meet the requirements of Canadian Aviation Regulations (CARs), Part III, Aerodromes and Airports, Subpart 2 - Airports with respect to certification,<sup>5</sup> and
- have regularly scheduled passenger service.<sup>6</sup>

As of March 1, 1999, 194 airports are eligible for ACAP. It is important to note, however, that the ACAP eligibility list is in a constant state of flux as an airport's eligibility can change from year to year. By the end of 2002, an additional 20 non-NAS TC airports are expected to become eligible for ACAP upon transfer to local communities.

Contributions are then considered for the following types of projects in descending order of priority.

- **Priority 1** — Safety-related airside projects (e.g., the rehabilitation of runways, taxiways, aprons, associated lighting)
- **Priority 2** — Safety-related heavy airside mobile equipment projects (e.g., runway snowblowers, plows, sweepers, spreaders)
- **Priority 3** — Safety-related groundside/air terminal building projects (e.g., sprinkler system, asbestos removal)
- **Priority 4** — Asset protection/refurbishing/re-lifing or operating cost reduction (e.g., air terminal building, groundside access projects)<sup>7</sup>

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<sup>5</sup> Transport Canada, TP 312 - Aerodrome Standards and Recommended Practices, 1994.

<sup>6</sup> An airport shall be deemed to be served by scheduled passenger service if in each year of the most recent three-year period an airport handled annually a minimum of 1,000 regularly scheduled commercial/scheduled charter passengers as reflected in TC official passenger statistics. The scheduled passenger restriction does not apply to any "TC Remote Airports", as designated in the NAP.

<sup>7</sup> Transport Canada, Airports Capital Assistance Program: Information to Program Applicants. June, 1996, p.2.

### ACAP Design and Logic

Figure 1 presents a logic model for ACAP. This model describes the key objectives, clients, activities, outputs and impacts of the program, and it identifies possible external influences on the program's impacts.

The intended impacts of the funded initiatives vary by the type of project but they can be grouped into three major categories: safety, cost effectiveness and other. The program may also have some other impacts, such as maintaining a federal presence, facilitating the transfer of TC's Non-NAS airports to local entities and contributing to economic prosperity.

In creating the program, TC officials recognized the constraints and challenges associated with capital financing that face smaller airports in Canada. To better understand the underlying logic of the program, a brief description of the unique business aspects of airports — and in particular — smaller airports, is necessary.

Airports generate income from two primary sources: aeronautical revenues (revenues that arise from the operation and landing of aircraft, passenger or freight) and non-aeronautical revenues (revenues generated from non-aircraft-related commercial activities in the terminal and on airport land).

Doganis provides some relevant data on airport costs — and their approximate percentage of operating costs:<sup>8</sup>

- staff or labour costs (42%),
- capital costs associated with interest paid and depreciation (22%),
- services (12%),<sup>9</sup>
- other operational costs (11%),
- maintenance (9%), and
- administration (4%).

An analysis of TC Non-NAS airport costs for FY 1994-95 reveal that staff related costs (i.e., personnel and benefits) also represent the largest proportion (47%) of an airport's expenditures, while average capital costs represent 18% of an airport's expenditures.<sup>10</sup>

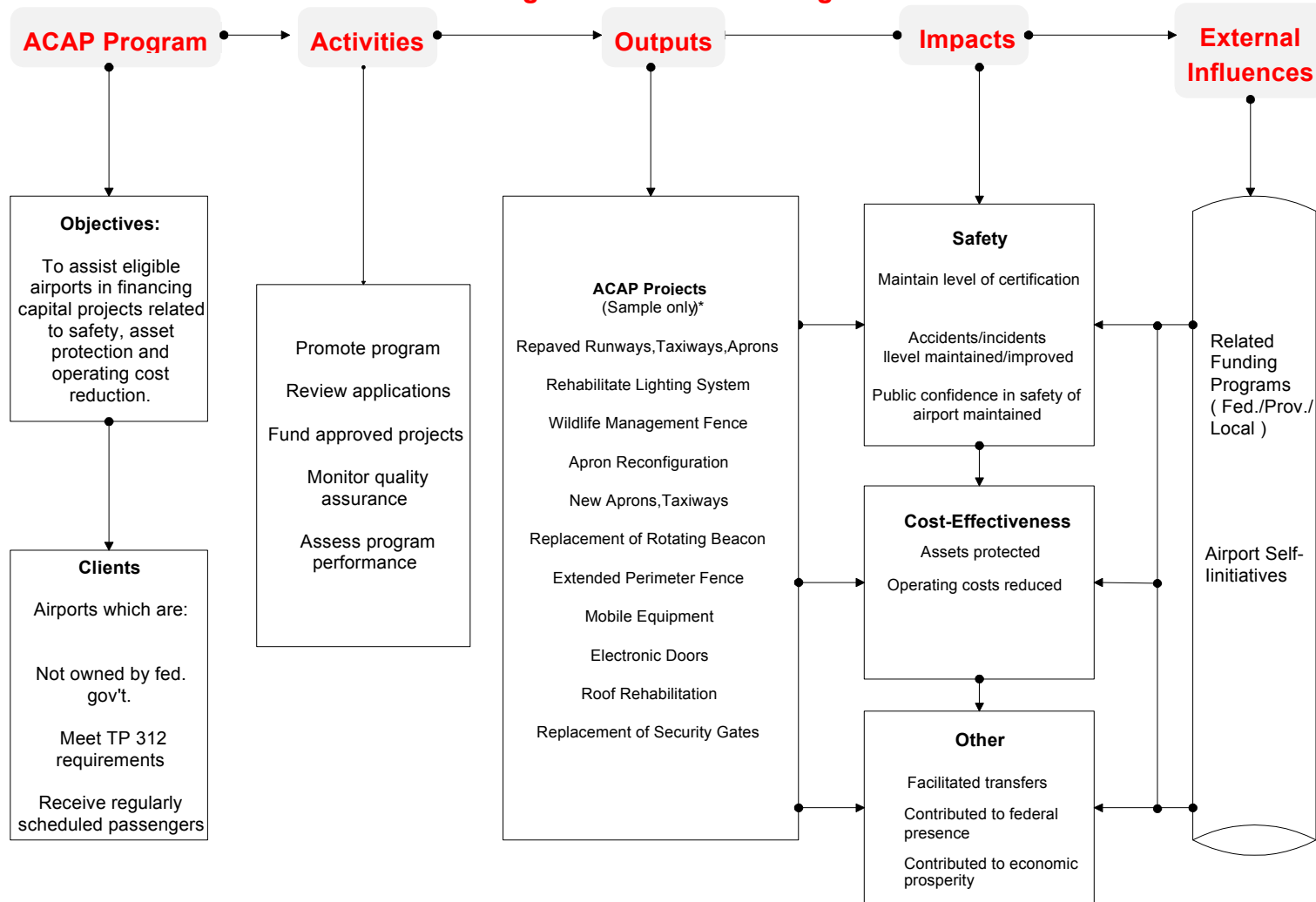
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<sup>8</sup> R. Doganis, "The Airport Business", Routledge, London, 1992, p. 46

<sup>9</sup> Includes, for example, water, electricity, equipment, and supplies.

<sup>10</sup> Average cost proportions were derived from a small sample of 19 TC Non-NAS ACAP eligible airports for which costing information was complete.

**Figure 1**  
**Logic Model - ACAP Program**



There are a number of relevant cost constraints unique to small airports that underlie the rationale and logic of ACAP.

- The ability to raise revenues is limited in smaller airports as there are fewer opportunities for pursuing high revenue generation opportunities (e.g., attracting international passengers) and for maximizing revenue from concessions and parking fees.
- Although larger airports benefit from marked economies of scale, smaller airports have high unit costs per passenger<sup>11</sup> and demand for passenger travel is very price sensitive.
- Major capital programs (e.g., runway rehabilitation) dramatically raise unit costs and, as a result, additional sources of revenue must be found.

Maximizing revenue generation is made more challenging by the unique problem facing airport managers, as noted by Doganis:<sup>12</sup>

“Airport managers face a unique problem. They must plan and undertake huge capital investments in large and immovable assets, which have no alternative use, to satisfy a demand over which they have little control. It is the airlines and not the airports who decide where and how the demand for air transport will be met. Maximizing revenue generation in such a situation is a particularly demanding task.”

Airports must also plan for large capital safety expenditures through life-cycle management. For example, at some point in a runway's life-cycle<sup>13</sup> (between 10 and 20 years), it will require a major overlay, the average costs of which is estimated to be \$1.26M at small airports.

To finance major capital expenditures, airports, like any other business, have to seek funds from alternate sources. For safety-related capital projects, such as a runway overlay, this is made more difficult by the limited and uncertain revenue generation potential of smaller airports, as well as by the fact that these kinds of preventative capital expenditures do not result in increased capacity and revenue.

Given their higher unit costs, their limited ability to generate significant amounts of new revenues and the challenges associated with obtaining capital financing, TC designed ACAP to assist smaller ACAP-eligible airports by providing funds for safety-related capital expenditures required to maintain TC-mandated safety regulatory airport requirements at airports with a minimal amount of scheduled passenger traffic.

ACAP is not intended to provide funds to assist smaller airports to increase their capacity through the expansion or construction of new air terminal buildings (ATBs) or through the expansion of runways. Unlike past TC airport contribution programs, these expansionary or capacity-building infrastructure projects are ineligible for ACAP funding.

### **ACAP Management**

The ADM, Programs and Divestiture is responsible for ACAP; however, it is delivered through TC's five regions: Pacific, Prairie and Northern, Ontario, Quebec, and Atlantic. As such, the majority of program activities take place at the regional level, with HQ responsible for overall program management, policy and funding. Approximately 18.8 FTEs are involved in the program's management and operation. To address ongoing program management issues and to enhance coordination, semi-annual national meetings are held for HQ and regional program staff.

<sup>11</sup> R. Doganis, “The Airport Business”, Routledge, London, 1992, p. 50.

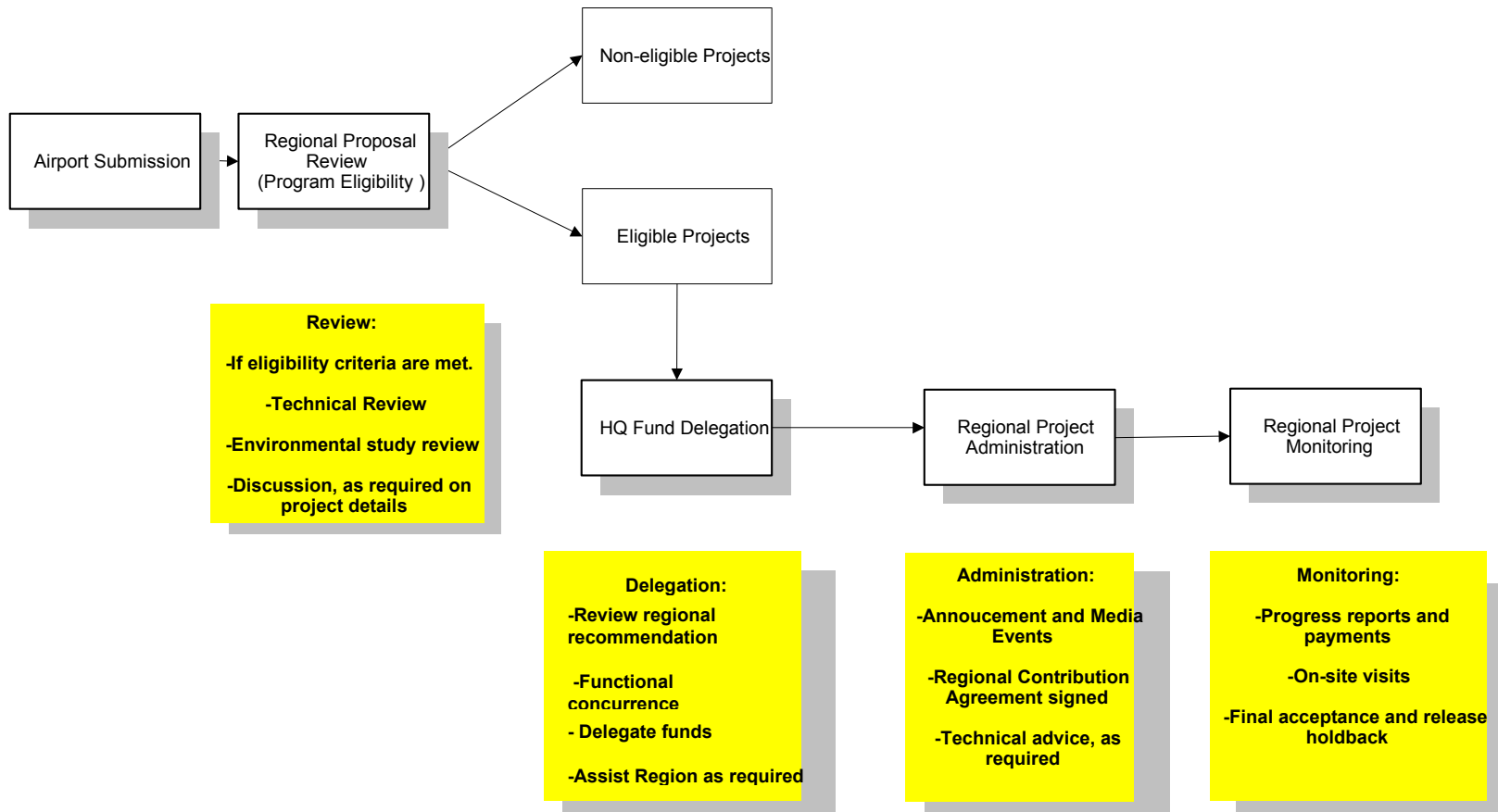
<sup>12</sup> Ibid, p. xii.

<sup>13</sup> Based on an average of the estimated costs for an overlay of a runway over 4,000 feet in a northern and southern region, with the overlay costs being slightly higher in the North.

Figure 2 describes the ACAP management process, which is comprised of four major steps.

1. Airports submit their proposal to a TC Regional Office for a program eligibility assessment. Through preliminary discussion, an assessment is made as to whether the airport and the project will meet the program's basic eligibility criteria: does it fall within the listed priority, does it meet accepted engineering practices and is it justified on the basis of current demand.
2. If the eligibility criteria are met, an environmental screening study is completed by the applicant. If the project qualifies for ACAP funding, the Regional Office submits its recommendations to HQ for funding approval.
3. The ADM, Programs and Divestiture, reviews the regional recommendation and, if he/she concurs, delegates funds to the region. Successful applicants are then informed by the Regional Office and a Contribution Agreement is signed.
4. The Regional Office monitors through on-site visits, progress reports and post-project assessments. Progress payments are made according to project milestones, with final payment made after confirmation that the recipient has fully complied with the terms and conditions of the Contribution Agreement.

**Figure 2**  
**ACAP Management Process**



## EVALUATION ISSUES

During the conduct of this evaluation, we examined the overall relevance, success and cost effectiveness of ACAP. A total of ten questions were identified as relevant to this evaluation; they are grouped under three main headings.

### Program Rationale and Ongoing Need

- Is ACAP consistent with federal government and TC objectives and directions?
- Is there an ongoing need for ACAP?
- What is the estimated future demand for ACAP over the next five years?

### Program Success and Impacts

- Has ACAP assisted in financing capital projects related to safety, asset protection and operating cost reduction?
- What has been the impact of the revised airport eligibility criteria?
- Which airports and projects should be eligible for ACAP?
- Has ACAP been managed effectively to support program objectives?

### Cost-Effectiveness

- Does the ACAP funding approach provide the most cost-effective means of achieving program objectives?
- Is ACAP's current cost-sharing formula appropriate and cost-effective?
- Should TC continue to provide ACAP?

## METHODOLOGY

The evaluation was conducted in-house by the ACAP Evaluation Team of the Policy Group's Program Evaluation Branch. As with the ACAP Evaluation Framework, a collaborative and inclusive approach was used to conduct the evaluation. ACAP staff at HQ and in the regions assisted in the development and refinement of the evaluation methodology and data collection instruments. Input was solicited from a variety of TC staff and external stakeholders through the various methodologies. Finally, comments on an earlier draft of this report were solicited from ACAP management, as well as from the Federation of Canadian Municipalities (FCM), the Canadian Airports Council (CAC), the Air Transport Association of Canada (ATAC) and the Transport Association of Canada's (TAC's) Aviation Committee.

Four methods were used in the ACAP evaluation (see Annex A for further details on the methodology).

- **Analysis of ACAP and other administrative data** — The evaluation conducted an extensive review of ACAP program data to determine overall funding levels and the distribution of funding by project and airport types. Data on airports from TC and Natural Resources Canada's (NRCAN's) Canada Flight Supplement (CFS) was also used to identify the eligibility of airports and to review potential capital needs and costs at eligible airports. In addition, information was collected on other federal, provincial and territorial funding programs and on TC safety data.
- **Survey of airport operators** — Airports were consulted through a detailed census survey of all ACAP-eligible airports. Eligible airports were identified in consultation with ACAP regional staff, using October 1998 as an eligibility cut-off date. A detailed 16-page questionnaire was designed that addressed airport experiences with ACAP, opinions about the program criteria and operations, and the need for safety-related capital improvements. Follow-up faxes and telephone calls were made to encourage a high response. Overall, responses were received for 175 out of a possible number of 179 airports – a response rate of 98%. The list of airports surveyed, as well as the marginal responses are included in Annex A.



- **Consultations with external stakeholders** — In-depth interviews were conducted with 45 stakeholder organizations during the evaluation. The stakeholders were identified in consultation with ACAP HQ and regional staff. Organizations consulted include provincial and territorial governments, municipalities, air carriers, aviation councils and regional industry associations in all five of TC's regions. National stakeholders interviewed were ATAC, the CAC, the FCM, the Canadian Owners and Pilots Associations (COPA), and the Canadian Business Aircraft Association (CBAA). Most of the consultations (80%) were conducted in person; where in-person interviews were not possible, the consultations were conducted by telephone. A complete list of stakeholders consulted is included in Annex A.
  
- **Consultations with TC staff** – Consultations with ACAP staff and other TC staff were conducted on a number of issues throughout the evaluation. Formal consultations about the evaluation issues were conducted with ACAP staff in each region during regional stakeholder consultations. A structured interview guide similar to the one used for the external stakeholder interviews was used in these consultations. In addition, interviews were conducted with TC staff from the Safety and Security Group (Civil Aerodrome Safety). A complete list of TC staff consulted is included in Annex A.

### REPORT CONTENT AND STRUCTURE

The remainder of this report consists of the following three separate sections, each of which focuses on an issue area and includes related recommendations:

- Program rationale and ongoing need
- Program success and impacts
- Cost effectiveness

There is also a final chapter that presents the evaluation's recommendations organized under three key headings: program continuance, program design and program management.

Refer to Annex A for detailed evaluation methodology and Annex B for a detailed program profile of ACAP.

## 2. PROGRAM RATIONALE AND ONGOING NEED

The evaluation found that the rationale behind — and the delivery of — ACAP are consistent with TC's top priority, safety. Due to the unique circumstances faced by smaller airports in Canada and the fact that, other than TC's LCARP, no other similar airport-funding programs exist, the evaluation found that there is an ongoing need for smaller airports to receive financial assistance to help enable them to meet their safety-related financial needs. The five-year estimated demand for ACAP is approximately \$187M,<sup>14</sup> with the estimated future need spiking in 2000/2001 to approximately \$67M and then dropping off to an estimated \$25M in 2004/5. P1 (airside safety) and P2 (heavy airside mobile equipment) projects combined will account for close to 93% of the demand. TC will probably require enhanced flexibility from Treasury Board (TB) in order to continue to meet cyclical program demand within the overall funding level.

### IS ACAP CONSISTENT WITH CURRENT GOVERNMENT OBJECTIVES AND DIRECTIONS?

The evaluation found that ACAP, as a contribution program with a strong emphasis on airport safety, is consistent in logic and intent with TC's top priority, safety. By providing funds to eligible airports for safety-related capital projects, TC assists smaller airports in maintaining the necessary standards for a safe airport system.

The evaluation also examined the policy rationale for the funding of these smaller airports rather than other small airports in Canada. As noted in the NAP, ACAP-eligible airports are those that are not owned by the federal government, that are certified and that have a minimum of 1,000 scheduled passengers per year. The latter two criteria are designed to ensure that ACAP focuses on airports with at least a minimal number of scheduled passengers. This evaluation views this as consistent with the premise of the NAP, which states that it is no longer a federal role to finance airports that serve solely recreational flyers or general aviation activities.

However, the evaluation found that one of the underlying rationales for ACAP, that of recognizing the role that regional/local airports play relative to the NAS, may be overstated. As stated in the NAP announcement:

“Passengers originating or concluding their travel at regional/local airports contribute to the revenues of larger national or international airports as they pass through these larger facilities. ACAP provides an indirect means of returning revenues to the regional/local airports because lease revenues paid to the federal government, by Canadian Airport Authorities (CAAs) operating the larger airports, will fund the ACAP program.”<sup>15</sup>

The NAP also indicated that TC's regional/local airports, which now comprise approximately half of ACAP-eligible airports, served 6% of the total annual passenger/ cargo traffic in Canada.<sup>16</sup> Although many stakeholders and TC staff mentioned the importance of ACAP-eligible airports to the NAS, the evaluation determined that to date there has only been one study that has examined this: the B.C. Airports Revenue Study conducted by TC in 1996.<sup>17</sup> Although the study is restricted to B.C.'s regional/local airports, the findings do provide some insight into the extent to which non-NAS feeder airports provide traffic to CAAs.

Data on Vancouver International Airport's (YVR's) Originating and Departing (O&D) passengers indicate that traffic from all 17 regional/local airports in B.C. comprised 7% and 6%, respectively of total YVR

<sup>14</sup> This estimate is based on a sound methodology that includes estimates from ACAP-eligible airports, which have been verified by ACAP staff. However, in the event that the future demand for P1 and P2 projects is consistently over and above the evaluation's future demand's estimates, TC will have to decide at that time whether to seek TBS approval for an increase in ACAP funding.

<sup>15</sup> Transport Canada, B.C. Airports Revenue Study, 1996, p. 2.

<sup>16</sup> Transport Canada, National Airports Policy, 1994.

<sup>17</sup> Transport Canada, B.C. Airports Revenue Study, 1996.

O&D traffic in 1993 and 1994. As such, although O&D passenger traffic to YVR comprises a significant portion of traffic from regional/ local airport traffic, the evaluation found the overall contribution to YVR traffic to be quite small. However, based on 1993 and 1994 VIAA revenue data of approximately \$107M and \$128M respectively, and using the conservative estimate of 6.5% from the B.C. study, the Non-NAS revenue contribution to VIAA would be approximately \$7M and \$8M respectively. When applied across all NAS airports, the data suggests that ACAP-eligible airports do contribute financially to NAS airports.

Given the shared view on the importance of ACAP-eligible airports as feeders to NAS airports, TC would benefit from conducting a more comprehensive and current study of the actual contribution of these airports to NAS airports.

The evaluation found that although ACAP's mandate is safety, it is also consistent with TC's strategic objective of contributing to Canada's prosperity through selective funding of key elements of the system, in this case, ACAP-eligible airports. Furthermore, although TC eliminated a number of subsidy programs through the Program Review process, the Department continues to provide subsidies through a number of current contribution programs and, as such, ACAP is generally consistent with TC's approach in other key areas of the transportation system. As described in TC's 1998-1999 Estimates,<sup>18</sup> TC's main contribution programs are

- **Strategic Capital Investment Initiatives (SCII) - Highways** — Approved in 1992 at a funding level of \$500M, the Highways SCII provides funds for work on provincial highways and federally owned infrastructure such as highways in national parks.<sup>19</sup> Planned program spending for 1998-99 was approximately \$203M.<sup>20</sup>
- **Ports Divestiture Fund (PDF)** — Ports Divestitures provides funds to a wide range of projects in support of the transfer/sale of ports currently owned by TC. The PDF is set at \$125M over six years (1996-97 to 2001-02). Planned program spending for 1998-99 was \$42M.<sup>21</sup>
- **Safety Improvements for Highway/Railway Crossings** — Railway Safety funds up to 80% of crossing improvement projects that will allow for the improvement, closure or relocation of a public crossing in the interest of safety.<sup>22</sup> Planned program spending for 1998-99 was approximately \$7.5M.<sup>23</sup>

It is important to note that during the transfer process of Non-NAS airports and Non-CPA ports, a number of municipalities raised the question of why TC has taken different funding approaches with the PDF and ACAP. Non-NAS airports owned by TC are eligible to apply for ACAP once they have been transferred, whereas Non-CPA ports are eligible to apply to the PDF to assist during the transfer process. No additional TC funds are available to Non-CPA ports once they are transferred. Programs and Divestiture staff indicated that the objectives of the two programs are quite distinct: ACAP is designed to assist regional/local airports with safety-related capital expenditures required to maintain/attain TC-regulated safety standards and is not a transfer instrument; in contrast, the PDF is designed to assist Non-CPA ports with significant transfer-related costs.

The evaluation also revealed a long tradition of TC airport contribution programs to assist airports. Recent airport contribution programs include

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<sup>18</sup> Transport Canada, 1998-99 Estimates, Part III - Report on Plans and Priorities, 1998.

<sup>19</sup> Auditor General of Canada, Report of the Auditor General of Canada - Transport Canada Investment in Highways, 1998.

<sup>20</sup> Transport Canada, Highway Program Forecast, 1998

<sup>21</sup> Transport Canada, 1998-99 Estimates, Part III - Report on Plans and Priorities, 1998.

<sup>22</sup> Transport Canada, Crossing Safety Financial Assistance Booklet, Railway Safety, undated.

<sup>23</sup> Transport Canada, 1998-99 Estimates, Part III - Report on Plans and Priorities, 1998.

- **Local/Local Commercial Airports Program** — Established in 1981-82, this program provided financial assistance toward airport planning and capital improvements at local/local commercial airports. The aim of these contributions was to increase safety and support economic development at existing airports, or to construct new airstrips. Eligible applicants were provinces, municipalities and other groups as directed by the Minister of Transport. The annual ceiling was increased to \$20M in 1988, and the program was terminated on March 31, 1995.
- **Nouveau-Québec Program** — This program was established in the mid-1980s to construct gravel airstrips in 12 Inuit communities along the northwest coast of the province of Quebec. Completed in 1993-94, the program was cost-shared between the federal government (60%) and the province of Quebec (40%).
- **Labrador Coast Program** — This program ran from the late 1970s to late 1980s. It provided for the construction of gravel airstrips in 14 permanent communities along the Labrador coast. Prior to the construction of airstrips along the Labrador coast, air service was provided by aircraft equipped with floats during the summer and skis during the winter. This service was not reliable, and it was subject to prolonged disruptions due to weather conditions.
- **Labrador Coast Airstrips Restoration Program (LCARP)** — Recently renewed until 2002/03 up to an amount of \$3,749,500, the LCARP provides contribution funding to the Province of Newfoundland for restoration and maintenance of 14 airstrips on the Labrador Coast.<sup>24</sup>
- **Strategic Capital Investment Initiatives** — The bulk of the expenditures under this program were oriented towards highways; the airport portion was relatively minor. The program ran from 1994-95 to 1997-98 and expenditures were made in Ontario and the Northwest Territories. The contribution portion of the program was approximately \$12.5M.
- **Economic Regional Development Agreements (ERDA)** — A number of these agreements were signed in 1983/84 between the provinces and the federal government to promote regional economic development. Two of these ERDAs involved airports. The Quebec ERDA was for a relatively small amount and it covered only a few airports. The Manitoba ERDA committed the federal government to spend \$101M on various airport projects in Manitoba, with an additional \$2.08M to construct a new air terminal building in Churchill. Funding for airport-related ERDAs came from TC's existing airports capital program and, where necessary, additional contributions.

The evaluation did find, however, that ACAP and the LCARP are the only TC contribution programs that provide regulated entities (i.e., airports) with funds to assist in maintaining/attaining compliance with TC's regulatory requirements. ACAP applications for priority 1-3 projects and LCARP are reviewed by TC staff in light of their impact on the airport's ability to maintain/attain an appropriate level of safety as per TP 312.

### IS THERE AN ONGOING NEED FOR ACAP?

Two questions are central to the issue of the ongoing need for ACAP:

- whether ACAP-eligible airports have the financial capacity to maintain safe facilities and equipment, and
- whether there are alternative sources of funding upon which these airports can rely.

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<sup>24</sup> TC's Labrador Coast Airstrip Program was created in 1982 to assist the Province of Newfoundland to build and maintain airstrips located on the isolated Labrador Coast. Total program funding between 1983 and 1997/98 was \$3,194,800.

The evaluation concluded that there is an ongoing need for financial assistance to ACAP-eligible airports if they are to continue to be able to meet their safety-related financial needs.

The financial capability of an airport is largely dependent on the revenue it can generate from its passenger and cargo activities. Exhibit 1 provides a breakdown of ACAP-eligible airports and average daily passenger levels. The majority (88%)<sup>25</sup> of ACAP- eligible airports have annual scheduled passenger traffic levels of less than 50,000.

For these airports, the corresponding average daily passenger traffic ranges from 13.7 for airports with less than 5,000 passengers (pax) to 137 for airports with 49,999 pax.

**Exhibit 1  
ACAP Airports Passenger Levels**

Scheduled commercial and/or scheduled charter pax	Average daily passengers	No. of eligible airports	Percentage of eligible population
less than 5,000	13.7	74	38%
5,000 - 19,999	14 to 55	79	40%
20,000 - 49,999	55 to 137	20	10%
50,000 - 99,999	137 to 274	13	7%
100,000 -149,999	274 to 410	5	3%
150,000- 199,999	410 to 548	2	1%
Greater than 200,000	548 and over	1	> 1%

The vast majority of ACAP-eligible airports have a small passenger base upon which to draw sufficient revenues to cover their operating costs. The survey results indicate that the majority of ACAP-eligible airports’ aircraft movements are from scheduled traffic (51%), with cargo/freight and other traffic representing 20% and 33% respectively. Furthermore, as noted previously by Doganis, smaller airports have limited opportunities to pursue other significant revenue-generation opportunities available to larger airports. These factors make it difficult for ACAP-eligible airports to cover the costs of significant safety-related capital expenditures.

Given the revenue generation constraints and higher unit costs facing smaller airports, it

is not surprising that Doganis’s research indicates that many of the smaller airports are “loss-makers”:

“Moreover, while the capital city or largest airports in many countries appear to be making profits, many of the secondary or regional airports are loss makers. This is the case for instance in Canada, Australia, Sweden, or Malaysia.”<sup>26</sup>

The evaluation further examined the revenue generation potential of ACAP-eligible airports by considering the pre-NAP financing of Non-NAS ACAP-eligible airports that were once owned and operated by TC. Discussions with TC officials and analysis of pre-NAP (1994-95) financial data for these airports reveals the following:

- Of the 60 airports studied, the average annual TC subsidy to cover costs plus 10% of their base capital was \$809K.

<sup>25</sup> Based on passenger levels averaged over three years (1995-97).

<sup>26</sup> R. Doganis, “The Airport Business,” Routledge, London, 1992, p.6.

- Even after TC implemented significant cost reductions and raised landing and terminal fees, the average deficit in FY 1997-98 for the remaining Non-NAS airports was approximately \$653K.
- Further cost increases were not considered viable by TC officials due to the limited revenue generation opportunities of these smaller airports and the sensitivity of air travel demand to further price increases.

### **Representative Stakeholder Comments**

Airports are being more aggressive and creative to meet their O&M expenses but ACAP is critical for these airports to meet their ongoing safety needs if they are to remain financially viable.

ACAP is the only game in town; other federal funds (e.g., infrastructure and regional economic development funds) are difficult to access and can't be used for ACAP-eligible projects.

The northern remote and isolated sites have virtually no means of raising revenue for large-scale expenditures.

ACAP-eligible airports were also asked in the survey how important ACAP was to finance ACAP-eligible projects. ACAP was viewed as a very important source of funding for ACAP-eligible capital projects by 96% of respondents, regardless of airport size and ownership.

The importance of ACAP for safety-related capital expenditures was also echoed by all stakeholders, including TC staff. Stakeholders indicated that smaller airports are hard pressed to generate sufficient revenue to cover their operating costs and that they do not have the capacity to fund significant safety-related expenditures.

### **An Examination of Other Funding Sources**

Although it is not surprising to find that stakeholders of a government contributions program such as ACAP view it as an important source of funds, an examination of additional or alternate funding sources suggests that, indeed, ACAP is “the only game in town”.

### ***Differences/Duplication between LCARP and ACAP***

As noted previously, there have been a number of TC funding programs for small airports. However, all of these have been phased out, with the exception of the current LCARP. Recently renewed until 2002-03, up to an amount of \$3,749,500, the LCARP provides contribution funding to the Province of Newfoundland for restoration and maintenance of 14 airstrips on the Labrador Coast.<sup>27</sup>

The evaluation examined the extent of duplication between the LCARP and ACAP. An analysis of the airport and project eligibility of these two programs reveals the following:

- Of the 14 LCARP airports, 12 meet the ACAP airport-eligibility criteria.
- With the exception of projects for structural repairs of equipment shelter buildings outside normal operation and maintenance, all of the other five project types are also eligible under ACAP.

<sup>27</sup> TC's Labrador Coast Airstrip Program was created in 1982 to assist the Province of Newfoundland to build and maintain airstrips located on the isolated Labrador Coast. Total program funding between 1983 and 1997/98 was \$3,194,800.

Therefore, although the evaluation found that there is considerable duplication of the project-eligibility criteria between the LCARP and ACAP, TC officials indicated that the LCARP must be viewed as separate from ACAP. The program has been in place since 1982 and although the funding levels are confirmed approximately every five years, the underlying agreement is viewed by both TC and Government of Newfoundland and Labrador officials as “ongoing” and separate from ACAP.

The evaluation examined whether there was any overlap between ACAP and the recently ended Canada Infrastructure Works Program (IWP).<sup>28</sup> Of the 18 airport projects funded under the IWP, only one of these projects was found to be at an ACAP-eligible airport and the project in question was not ACAP eligible (i.e., installation of a helicopter pad).

### *Provincial/Territorial Funding Programs*

In examining potential duplication with provincial/territorial funding programs, the evaluation determined that there are provincially funded airport safety programs in British Columbia, Alberta, Saskatchewan and Manitoba. These airport funding programs are almost exclusively targeted at smaller airports that are not ACAP eligible — with the exception of B.C.’s program — and they do not duplicate ACAP. The following is a brief description of these four provincial programs:

- **B.C. Air Transport Assistance Program (ATAP)** — Established in 1978 and currently funded by the B.C. Transportation Financing Authority, ATAP has a current annual budget of \$2M. There are approximately 80-90 airports, heliports and seaplane facilities in B.C. eligible for ATAP, which has project criteria and priorities very similar to ACAP.
- **Alberta Community Airport Program (CAP)** — Established in 1975 and currently funded by Alberta Transportation and Utilities, the Alberta CAP has a current annual budget of \$750,000. There are approximately 77 airports in Alberta eligible for CAP, which has project criteria and priorities similar to ACAP. Airports that are eligible for ACAP are not eligible for Alberta’s CAP.
- **Saskatchewan Airports Assistance Program (SAAP)** — Established in 1988 and currently funded by Saskatchewan Highways and Transportation, SAAP has a current annual budget of \$104,000. There are 41 rural airports eligible for SAAP, which has project priorities different from ACAP. Airports receiving funding for this program are not eligible for ACAP.
- **Manitoba Airport Capital Assistance Program (MACAP)** — Established in 1998 and currently funded by Manitoba Highways and Transportation, MACAP has an annual budget of \$300,000. There are approximately 52 rural airports eligible for MACAP, which has project criteria and priorities similar to — yet broader than — ACAP. Airports in Manitoba that are eligible for ACAP are not eligible for MACAP.

The potential duplication between ACAP and ATAP was further examined in the evaluation. Although there is significant overlap between the two programs in airport and project eligibility, the evaluation found that duplication in funding for a particular project is avoided through ongoing consultation between the ATAP and ACAP program staff in British Columbia.

The evaluation also found that the majority of ACAP-eligible airports are owned by other levels of government.

- 55 (28%) are airports owned by a municipality.
- 67 (35%) are airports owned by a province.
- 46 (25%) are airports owned by a territory.

<sup>28</sup> Industry Canada, Canada Infrastructure Works: Airport Capital Projects, 1998.

- 21 (11%) are airports owned by an “other” entity (i.e., local operating authority).
- 5 (2%) are airports whose ownership status is unknown.

In addition, of these 194 ACAP-eligible airports, 60 are formerly TC owned or subsidized<sup>29</sup> airports transferred as part of the NAP. Over the next few years, an additional 20 Non-NAS airports owned by TC are scheduled for transfer to local communities. According to TC transfer staff, most of these airports will likely be transferred to municipalities. Once the remaining Non-NAS transfers are completed, the ACAP-eligible airport population will be roughly divided into 113 provincially/ territorially owned airports, 75 municipally owned airports, and 26 airports owned by other entities. In essence, ACAP is a form of transfer program insofar as the majority of recipients are airports owned by the provincial, territorial or municipal governments.

The evaluation also considered the extent to which provincial and territorial governments provide funding to their own airports. Although a number of provinces do not own any airports,<sup>30</sup> provincial/territorial governments own a total of 113 ACAP-eligible airports. These airports are broken down as follows:

- 5 ACAP-eligible airports in Saskatchewan are owned by the provincial government.
- 19 ACAP-eligible airports in Manitoba are owned by the provincial government.
- 23 ACAP-eligible airports in Ontario are owned by the provincial government.
- 20 ACAP-eligible airports in Quebec are owned by the provincial government.
- 4 ACAP-eligible airports in the Yukon are owned by the territorial government.
- 20 ACAP-eligible airports in the Northwest Territories are owned by the territorial government.
- 22 ACAP-eligible airports in Nunavut are owned by the territorial government.

Provincial/territorial-owned airports are funded to varying degrees by their respective governments. Interviews with these provincial/territorial government airport officials indicate that, in recent years, their own airport funding has been reduced due to budget pressures and that, now more than ever, they rely heavily on ACAP for the vast majority of their safety-related capital expenditures and for all of their significant safety-related capital expenditures.

Municipalities with ACAP-eligible airports are also a potential source of funding for safety-related capital expenditures. However, stakeholders indicated that many municipalities are already contributing to their airport’s operations through the provision of subsidies to cover deficits, and/or the provision of airport services (e.g., snow removal, public works projects) and the financing of non-ACAP eligible capital projects.

Furthermore, as expressed by FCM and a number of provincial/territorial officials and TC staff, airports are still viewed by many stakeholders as primarily a federal responsibility. As such, municipalities indicated they are unwilling to fund what they still view as a federal responsibility that has been downloaded to their municipality. FCM also noted that the transfer of responsibilities of non-NAS airports has coincided with significant other federal and provincial transfers to the municipalities, placing an additional and significant financial burden on the municipal tax base.

The use of provincial and municipal funds for non-ACAP related capital projects was confirmed in the airport survey. The survey examined whether operators were able to proceed with rejected projects. The results reveal that 57 % of airports with rejected projects<sup>31</sup> were able to carry out the project despite the

<sup>29</sup> Of these 60 airports with former TC involvement, 8 were formerly subsidized and not owned by TC.

<sup>30</sup> Some provinces have owned airports in the past, but have transferred ownership of these airports to municipalities. For example, in recent years, Alberta has transferred all 18 of its provincially owned airports to municipalities.

<sup>31</sup> This figure excludes data provided by the Territories. As their eligibility for ACAP was still under review, they were not considered eligible for ACAP at the time of application. Thus, any projects they



unavailability of ACAP funds. Further analysis of the types of rejected projects revealed that the majority of these projects were expansionary in nature (e.g., runway extension, ATB construction) rather than safety-related, and that they were completed by airports owned primarily by municipalities (11) or provinces (8).

The ongoing need and importance of ACAP to meet the safety-related capital expenditures of smaller airports has been consistently and repeatedly expressed by the CAC, ATAC, TAC and, more recently, by the CBAA and COPA. Although the majority of these national stakeholders view ACAP as too restrictive and/or insufficient to meet the capital requirements of smaller airports, they view ACAP as absolutely essential to assist smaller airports in funding the safety-related capital expenditures necessary if they are to remain financially viable. Indeed, CAC's recent paper on the NAP, which was endorsed by ATAC, called for the federal government to make ACAP a continuous capital funding source.<sup>32</sup>

The evaluation also noted that prior to ACAP's establishment and the transfer of Non-NAS airports in 1995, ACAP-eligible airports had access to federal funds for safety-related expenditures through TC's Local/Local Commercial Airports Program. Several stakeholders specifically mentioned this as an important source of federal funding prior to ACAP. Many stakeholders indicated that the current devolution is a very new one for smaller airports and that they are in a period of adjustment and transition. Several stakeholders indicated that they were not yet ready to stand on their own and that they need continued federal assistance for safety-related capital expenditures.

### *U.S. Funding Approaches*

The evaluation found that smaller<sup>33</sup> airports in the United States rely heavily on federal grants to meet their capital development needs. A recent study by the U.S. General Accounting Office<sup>34</sup> indicates that smaller airports rely to a much greater extent on federal funds than do larger U.S. airports. The FAA's Airport Improvement Program (AIP), a program similar to ACAP but with broader project eligibility, accounts for 50.5% of smaller airports' capital funding sources, compared to 10.6% at larger airports.

### *Revenue Generation Approaches: Large vs. Small Airports*

In addition, the evaluation found that alternate forms of revenue generation or financing available to large airports are not relevant for smaller airports. For example, although a number of smaller airports in Canada have or are planning to implement passenger facility charges (PFCs) or airport improvement fees (AIFs), these fees are for relatively small amounts (e.g., \$5) and are charged to a small passenger base. As indicated by the TC Non-NAS financing data, in many cases, these fees help a smaller airport to break even and cover 10% of their capital costs. Thus, although AIFs may generate sufficient revenue in the larger airports in Canada to cover capital financing, their revenue generation potential in small airports is limited and insufficient to finance significant safety-related capital expenditures.

Similarly, capital financing through the issuance of bonds was not found to be a viable source of capital funds for owners of smaller airports. This is a common source of financing for airports in the U.S. and includes both general obligation bonds, which are backed by the issuing federal, state or local level of

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may have applied for would have automatically been rejected and presumably self-funded by the territorial governments.

<sup>32</sup> Canadian Airports Council, National Airports Policy: Addressing the Viability Crisis at Canadian Airports, 1998, p. 10.

<sup>33</sup> The Federal Aviation Administration (FAA) defines "smaller" airports as those airports which enplaned 1,603,909 or fewer passengers in 1997, and includes small hubs, non-hubs, other commercial service and general aviation airports. As such, the FAA definition of smaller airports is larger than TC's NAP definition of smaller airports.

<sup>34</sup> United States General Accounting Office, Airport Financing: Smaller Airports Face Future Funding Shortfalls, 1999.

government, and revenue bonds for which debt service is paid entirely out of revenues generated by the airport.<sup>35</sup>

In Canada, only one NAS airport — Pearson — has proposed using a bond approach to finance capital expansion. This is not an approach that is used by smaller airports unless it is part of a larger municipal bond issuance to cover a number of public work projects, one of which may be the airport. A few regional stakeholders indicated that issuing bonds was not possible unless they were backed by the government and suggested that this is something TC should consider. However, since bond issuance is not a financing tool used by the Canadian federal government, the evaluation did not view this as an appropriate approach. As such, without some level of government backing, which is highly unlikely, the evaluation found that issuing bonds to owners of smaller airports to cover the costs of safety-related capital expenditures is not a viable source of alternate funding.

### **WHAT WILL BE THE FUTURE DEMAND FOR ACAP?**

The evaluation has determined that the estimated future demand for the next five years is approximately \$187M. However, in the event that the future demand for P1 and P2 projects is consistently over and above the evaluation's future demand estimates, TC will require enhanced flexibility from TB in order to continue to meet program demand.

The estimated future demand for ACAP funding involved a review of the following related issues:

- Capital requirements of airports — the need of airports for facilities and equipment that require capital spending. The evaluation focused only on future capital requirements that would be ACAP eligible.
- The need for ACAP funds and expected program applications — The expectation that airports will apply to ACAP for funds for eligible projects.
- Project costs — The expected costs to complete the eligible capital projects for which applications to ACAP can be expected.
- The expected timing of the capital requirements — Demand for funding within the five-year study period will vary according to the life cycle of existing facilities and equipment and the expected need for repair or replacement within this timeframe.

The forecasts of future demand for ACAP funds presented in this section are based upon the following data sources:

- Submissions of airport operators through the Airport Survey about their capital needs
- A review of the eligibility of the projects identified in these submissions by TC regional staff
- The development of cost estimates by TC staff for eligible projects
- For airports for which airport operators did not provide submissions about capital needs (e.g., the 20 airports that have not yet been transferred ), an estimation of five-year costs was made based on the average estimated costs for all other airports

The specific methodology is discussed in more detail in Annex A.

### **Annual Funding Demand Estimates for FY 2000-01 to 2004-05**

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<sup>35</sup> A. Graham, Airports in the United States, in R. Doganis, "The Airport Business", Routledge, London, 1992, p.192.

## 2.0 Program Rationale and Ongoing Need

For the five-year period beginning in FY 2000-01 and ending in 2004-05, the overall estimate of the demand for ACAP funds, based on the estimated costs for the eligible projects submitted by airport operators, is approximately \$249M.

TC's extensive previous experience with airport capital funding programs strongly suggests that this forecast will overestimate actual demand by approximately 25%. Two factors will have a direct influence on the actual demand:

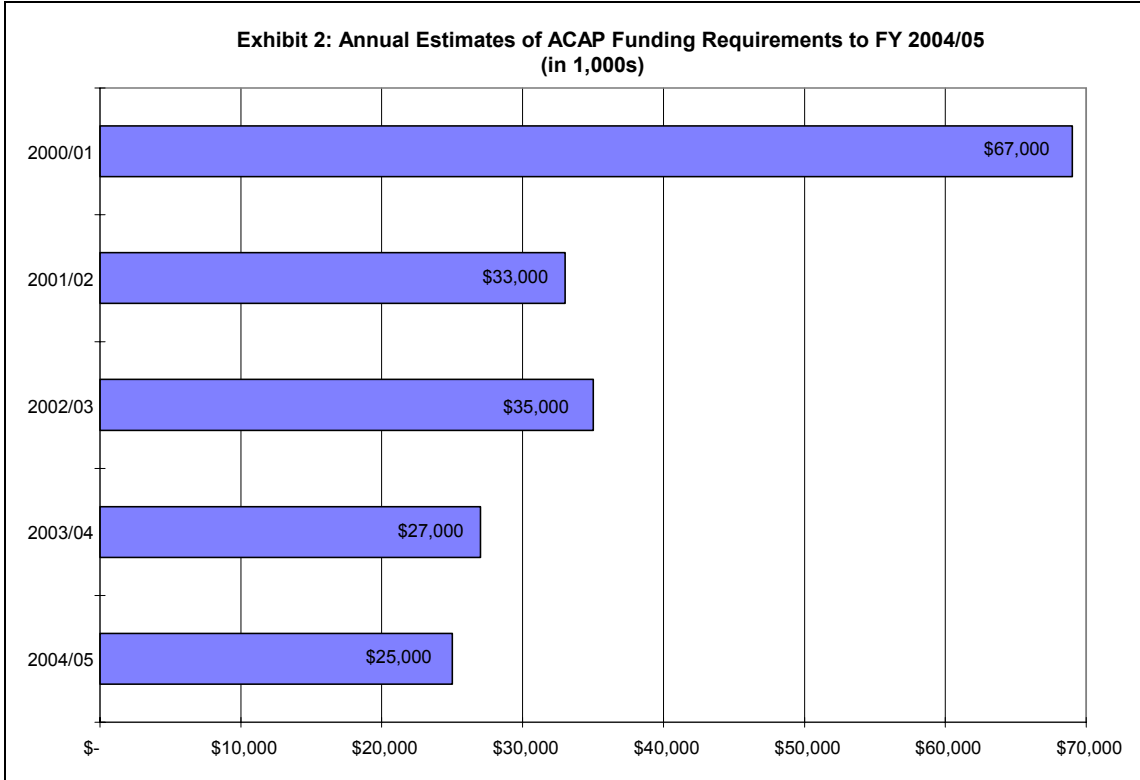
- actual project costs are typically 5% less than the initial estimated costs after competitive tendering; and
- TC staff familiar with airport capital funding indicate that, on average, approximately 20% of proposed capital safety-related projects do not get past the proposal stage. Rather, a more detailed examination reveals that at least in 20% of projects, the project is found to be unnecessary.

As a result, the evaluation forecasts that the future demand for ACAP funding will be \$187M over the next five years. The breakdowns by fiscal year, program priority and region presented in the rest of this section are based on the overall estimate of \$187M.

Over the five-year period from 2000-01 to 2004-05, the \$187M will result in an average of \$37.4M per year. The year-by-year estimates vary from this average, primarily because airport operators identified more safety-related capital project needs in the first part of the five-year study period. These results are presented in Exhibit 2.

While the projected demand for FY 2000-01 is \$67M, TC experts as well as historical data for capital funding projects, suggest that the actual demand for this year is likely to be lower because some projects may be deferred to subsequent years. Possible reasons for these deferrals include:

- It may be impractical or impossible to implement a number of major projects in the same geographic area because the disruptions caused by closing a number of runways and facilities at the same time would be unacceptable.
- Airports may have been overly optimistic or ambitious in predicting the expected timing of their applications to ACAP because preparing submissions for major projects requires significant engineering and technical work that can take time and money on the part of the applicant.
- The ACAP application review and approval process can also take time (e.g., need for revisions or more information).



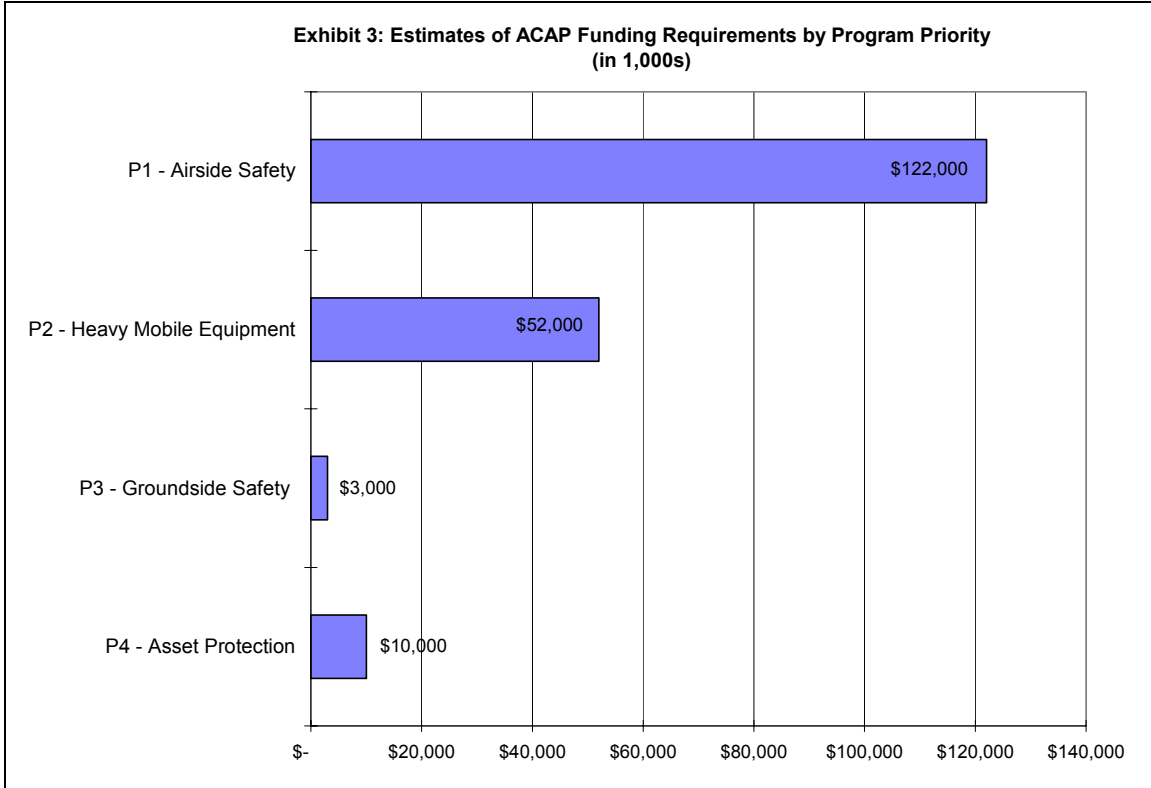
A large year-to-year variance in demand for a major capital program is not unusual. However, it would be important for Programs and Divestiture to have delegated from TBS the appropriate flexibility to re-profile funds, based on P1 and P2 demand levels, within overall ACAP funding limits.

**Annual Funding Demand Estimates by ACAP Program Priority**

To date, the largest proportion of ACAP funds have been spent on airside safety (P1 projects). Since 1996, heavy airside mobile equipment (P2 projects) have also represented a major component of program spending. Future demand estimates confirm this spending pattern for the next five-year period of the program. Priority 1 projects will take approximately 65.2% of the projected total future demand (\$122M over the five-year period). Estimated demand for Priority 2 projects is also very substantial; the \$52M estimate approaches half of the total for P1 projects.

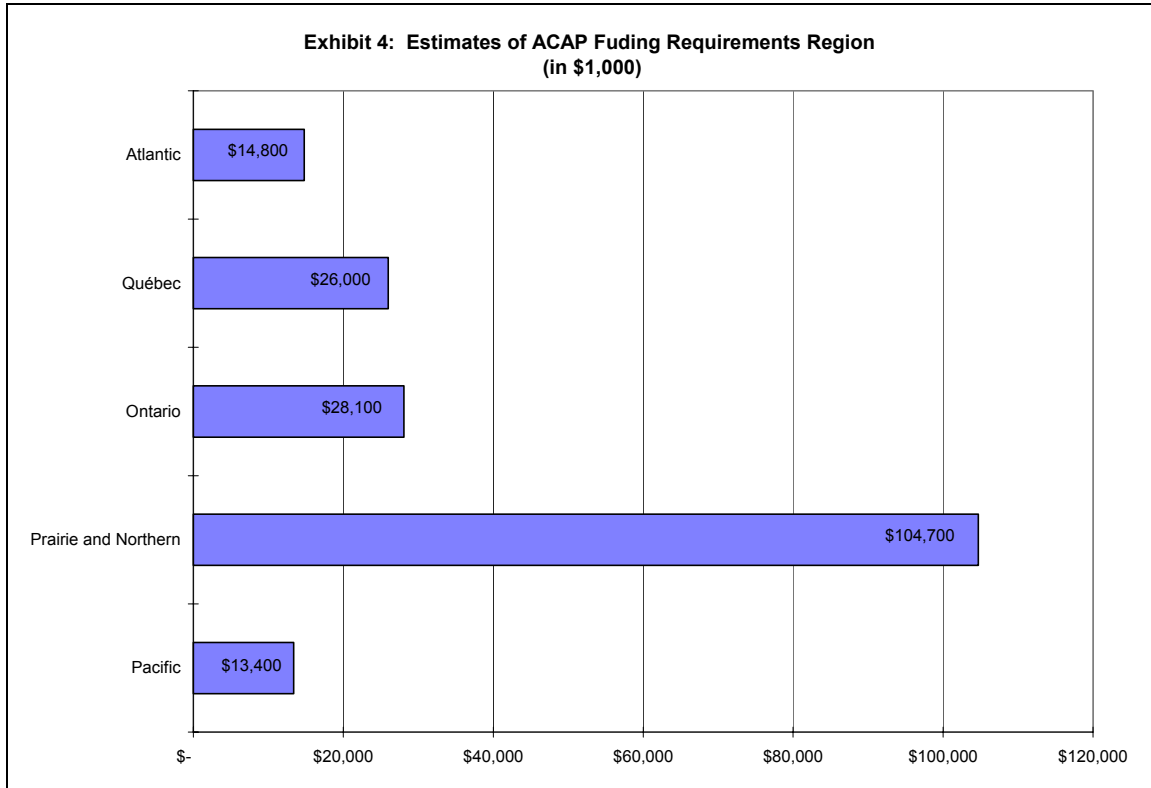
Estimated demand for P3 and P4 projects is much lower (i.e., \$3M and \$10M respectively) for the five-year period. It should be noted that the future demand for these two project priorities is probably underestimated to some extent. Because of the wide variability in the possible types of P3 and P4 projects, and the limited information provided by most airport operators in their submissions, TC staff were not able to assign costs to some P3 and P4 projects identified in the submissions. However, the potential of an underestimate of P3 and P4 project costs should not be a major concern to program management because the priority-setting process under consideration for the next five-year period will ensure that P1 and P2 projects take precedence.

A breakdown of the estimated program demand by the four project priorities is presented in Exhibit 3.



**Annual Funding Demand Estimates by Region**

The overall estimates of future demand by region are presented in Exhibit 4. By far the highest estimate is for the Prairie and Northern Region (PNR), which has a projected five year demand forecast of approximately \$104.7M (56% of the total estimate of \$187M for the country). The reason for the high PNR estimate is that there are significantly more eligible airports in this region: PNR currently has 90 eligible airports, including 44 in the three prairie provinces and 46 in the three Arctic territories. This represents almost half of the total number of 194 eligible airports in Canada. Regional estimates of future demand by year are presented in Exhibit 5.



**Exhibit 5  
Breakdown of Regional Estimates of Future Demand by Year  
(Dollar Estimates in \$1,000s)**

Region	Fiscal Year				
	2000/01	2001/02	2002/03	2003/04	2004/05
Atlantic	\$10,681.0	\$1,099.0	\$548.0	\$436.0	\$2,036.0
Quebec	\$7,254.6	\$4,356.6	\$3,917.9	\$6,350.1	\$4,120.4
Ontario	\$7,479.0	\$2,978.3	\$7,233.8	\$4,479.0	\$5,929.5
PNR	\$38,754.2	\$21,375.8	\$20,635.8	\$13,596.4	\$10,337.6
Pacific	\$3,580.6	\$2,503.7	\$2,005.6	\$2,567.8	\$2,743.8
<b>Total</b>	<b>\$67,749.6</b>	<b>\$32,313.6</b>	<b>\$34,341.5</b>	<b>\$27,428.7</b>	<b>\$25,167.5</b>

**Recommendatio**

It is recommended that

- Airport Programs and Divestiture should seek authority from TB to re-profile ACAP funds in order to accommodate cyclical pressures.

### 3. PROGRAM SUCCESS AND IMPACTS

It is important to point out that the way in which the ACAP objective is stated suggests that by merely funding projects, ACAP has been successful. However, the evaluation chose to interpret the ACAP objective much more broadly and, therefore, examined a range of issues related to the extent and nature of the program's impacts, as outlined in this section.

In the broadest sense, ACAP has met its program objective by assisting over 80 airports in financing 134 safety-related projects, with a total program spending of \$80M to date. Evaluation results show that ACAP has also facilitated the transfer of non-NAS TC airports to local ownership, generated economic employment and contributed to the federal presence in small communities across Canada. However, at present, because of the preventative nature of the program, the lack of relevant safety data and the challenges associated with attribution, it is not possible to determine the actual contribution of ACAP to aerodrome safety levels.

Current program criteria and project priorities are appropriate, and the revisions to the program's criteria since the program's inception have been found to be positive.

There is currently a high level of satisfaction with the management of ACAP and TC staff. Moreover, because of TC's expertise, national perspective and funding responsibility, most stakeholders think that the Department should continue to take the lead. Stakeholder input is important regarding program effectiveness and it can further be enhanced by addressing aspects of the application process and enhancing the transparency of the decision-making process.

#### **HAS ACAP ASSISTED IN FINANCING CAPITAL PROJECTS RELATED TO SAFETY, ASSET PROTECTION AND OPERATING COST REDUCTION?**

The evaluation found that, by funding a total of 134 projects at 81 airports, ACAP has met its program objective of assisting smaller airports to finance capital expenditures related to safety, asset protection and operating cost reductions.

Total ACAP funds spent to date are approximately \$62.8 million.<sup>36,37</sup> As shown in Exhibit 6, the demand for ACAP funds has steadily increased since 1995, with the majority of funds (80%) being spent in the most recent fiscal year (1998-99).

<sup>36</sup> This amount has been calculated by summing fiscal year end totals as presented in the ACAP Program Statistics for years 95/96, 96/97, 97/98 and 98/99.

<sup>37</sup> Although \$62.8 million reflects total ACAP funds spent from April 1/95 to March 31/99, total project amounts which have been 'approved' for funding from April 1/95 to March 1, 1999 exceed this amount. This is because projects can be approved for funding in a given year (e.g., 1998-99) but funds may be partially paid out in a subsequent year (e.g., 1999-00), depending on a project's completion date.

**Exhibit 6**  
**Annual ACAP Expenditures**

FISCAL YEAR	\$'S SPENT <sup>38</sup>	ANNUAL %
FY 1995/96	1.7 million	3%
FY 1996/97	9.4 million	15%
FY 1997/98	22.1 million	35%
FY 1998/99	29.6 million	47%
<b>TOTAL</b>	<b>62.8 million</b>	<b>100%</b>

Since the inception of the program in April 1995, 81 different airports have had projects approved for ACAP funding.<sup>39</sup> This figure represents 41% of the current ACAP-eligible population. Refer to Annex B for a detailed breakdown of ACAP-eligible airports by region, passenger level and ownership.

Of the 81 airports that have applied to ACAP and received funding, 29 have had multiple applications approved. These 81 airports have received funding for a total of 129 projects.<sup>40</sup> The majority of these projects (87) have been airside safety-related Priority 1 projects. Mobile equipment Priority 2 projects also make up a significant share (39) of projects funded. To date, very few (8) Priority 3 and 4 projects have been funded.

Exhibit 7 presents ACAP funds expended to date by project type. As most of the projects that have been funded to date have been airside safety-related projects — which are usually the most costly — it is not surprising that 84% of ACAP funds have been dedicated to P1-type projects. The remaining 16% have been allocated between Priority 2 projects; less than 1% of ACAP funds can be attributed to P3 and P4 projects.

**Exhibit 7**  
**ACAP Expenditures by Project Type (April 1995-March 1999)**

PRIORITY TYPE	\$'S APPROVED FOR FUNDING <sup>41</sup>	% OF TOTAL \$'S APPROVED FOR FUNDING
P1	\$67,421,104	84.0 %
P2	\$12,544,600	15.6 %
P3	\$82,600	<1.0 %
P4	\$298,500	<1.0 %
<b>TOTAL</b>	<b>\$80,346,804</b>	<b>100.0 %</b>

Priority 4 projects ranged from replacement of security gates and airport security equipment to ATB roof rehabilitation and replacement of furnaces and water heaters. Of these, five have been for airports in the Prairie and Northern Region and one for an airport in the Pacific Region. The evaluation found that the small number of projects and lower costs for P4 projects is in keeping with the safety priority of TC. Nonetheless, these projects have contributed to the ACAP objective of assisting airports in funding asset protection and operating cost reduction initiatives.

<sup>38</sup> Dollars are rounded to the closest \$100,000.

<sup>39</sup> From April 1, 1995 to March 1999.

<sup>40</sup> Projects included in this estimation are those that have been approved for funding from the inception of the program until the end of March, 1999.

<sup>41</sup> These figures were calculated by summing all forecast Total Estimated Costs (TECs) and approved TECs, where the former were not available, from April 1995 to March 1999.



Not all submitted projects have been approved for ACAP funding. To date, approximately 48 projects (26% of all project applications) have been formally rejected by TC officials<sup>42</sup> because the project and/or the airport did not meet the eligibility requirements.

TC staff also indicate that a number of projects have also been rejected during informal initial discussions between ACAP staff and potential applicants. However, the exact number of these “other” rejected projects is difficult to quantify as data are not kept.

In order to assess the relative impact ACAP has had in helping airports finance safety-related capital projects, as well as projects related to asset protection and operating cost reductions, it is important to examine whether, in the absence of the program, ACAP-eligible projects would have been able to proceed. To that end, the Airport Survey asked operators to identify ACAP-type projects larger than \$100K that they had undertaken in the past three years and whether or not they had applied to ACAP for funding for these projects. Roughly 220 projects were identified; of these, approximately 68 (30%) were undertaken without ACAP funding. On closer analysis, only 31 of these 68 projects were ACAP-eligible projects. Therefore, 14% of ACAP-type projects were undertaken without ACAP funding.

#### **Contribution to Safety**

The underlying safety-related rationale of ACAP is that by meeting TC’s aerodrome safety regulations and standards,<sup>43</sup> the airport will be able to operate at the desired level of safety commensurate to its passenger traffic level. Ultimately, this should contribute to a “safe” small airport system. Although the evaluation attempted to determine what impact ACAP funds had on airport safety, it found that the preventative nature of the program, the lack of relevant safety data and the challenges associated with attribution made this impossible. However, conceptually, the design and logic of the program supports its contribution to safety, a view which is shared by both TC program and safety staff, as well as stakeholders.

The ACAP program design promotes safety by prioritizing projects within a safety hierarchy. As previously shown, 84% of ACAP approved funds have been for Priority 1 safety-related airside projects. An additional 15.6% of ACAP-approved funds have been for Priority 2 safety-related mobile equipment. Therefore, close to 100% of ACAP funds have been spent on the highest safety priority (i.e., P1 and P2 projects).

Regional Aerodrome Safety Inspectors also play a key role in ACAP. As part of their on-site inspections, these TC staff will identify those areas where an airport is deficient in a particular safety standard, or where a deficiency is likely to occur in the future that requires preventative action (e.g., a runway overlay is necessary to ensure that the safety standards continue to be met). TC Aerodrome Safety Inspectors are also involved in reviewing ACAP applications to assist regional ACAP staff in confirming the need for a particular safety-related project as well as providing input as to whether the proposed project will address the deficiency or potential deficiency. Finally, TC Aerodrome Safety Inspectors are also often involved in the post project ACAP inspection, whereby the completed ACAP project is assessed in terms of whether or not it addresses the safety-related need.

Although the program has been designed to ultimately maintain or enhance aerodrome safety at ACAP-eligible airports, the extent to which this has resulted in the same or lower numbers of aerodrome incidents and accidents cannot be measured at present. Specific performance measures have not yet been developed — nor specific data collected — to assess the contribution of ACAP to airport safety. The development of these indicators and their measurement are made more challenging by the preventative nature of the safety

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<sup>42</sup> Number derived from ACAP monthly statistics 1995-1999.

<sup>43</sup> Transport Canada’s Aerodrome Standards and Recommended Practices (TP312) outlines the standards required by airports to meet varying levels of certification, as stipulated in the Canadian Aviation Regulations (CARs), Part III, Aerodromes and Airports. In general, the level of safety is determined by the extent of air traffic, with those airports with regularly scheduled traffic having to attain/maintain a higher level of safety than those airports without scheduled passenger traffic.

projects (i.e., funds are provided to airports to maintain safety), its relative newness and the lack of a comparative airport population upon which to compare the impacts of ACAP.

With the recent elimination of the Occurrence Information Reporting System for Airports and the current reliance on the Canadian Aviation Daily Occurrence Reporting System (CADORS) as the primary safety data source, the data necessary to assess ACAP's impact may not be available. The tombstone nature of the CADORS data does not lend itself to an assessment of the specific factors that may have led to a particular incident or accident, nor does it provide comprehensive coverage of ground-side safety incidents — a key element of ACAP funding. However, work is currently underway within TC to enhance the coverage of CADORS, and there may be opportunities to include any ACAP-related safety performance measures developed in the near future.

Despite the lack of concrete safety data, TC safety and ACAP staff, as well as stakeholders, view ACAP as critical to maintaining safety at these smaller airports over the longer term. Stakeholders also strongly supported the current P1 and P2 project categories, as they are felt to accurately reflect safety-related airport priorities. As well, ACAP's newly implemented priority-setting exercise reflects the existing P1-P4 safety hierarchy.

#### **Other ACAP Impacts**

In addition to ACAP's safety and financial impacts, the evaluation found three additional areas where ACAP has had an impact. It has

- facilitated the transfer of non-NAS TC airports to local ownership,
- generated economic employment, and
- contributed to the federal presence in small communities in Canada.

Transferring Non-NAS airports to local authorities and community ownership is one of the main components of the NAP. As an element of the NAP, ACAP has been thought to facilitate transfers by providing a source of funds for capital projects that local authorities would find difficult to finance on their own. Program revisions in 1996 extended eligibility to TC-subsidized airports, enabling newly transferred airports to access funds.

Program data suggests that approximately half of the former TC airports have made use of ACAP and that just over half of all ACAP funds have been spent at former TC airports. A question was included on the Airport Survey and questions were posed to most stakeholders during consultations to determine if ACAP contributed to the transfer process. A majority of survey respondents agreed that ACAP facilitated the transfer of their airport, suggesting that it acted as a type of "safety net", and a significant number indicated it was a crucial program which influenced their decision. Numerous stakeholders gave further indication that ACAP played an important role in the transfer process.

In "Securing our Future Together: Preparing Canada for the 21<sup>st</sup> Century" (Red Book II), as well as in the 1997 Speech from the Throne, the government agenda clearly establishes the importance of securing a healthy and growing economy.<sup>44</sup> ACAP not only contributes to "maintaining and creating jobs for Canadians"<sup>45</sup> but also has an impact on the government and TC goals of making "wise and strategic investments in our future."<sup>46</sup>

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<sup>44</sup> Securing our Future Together: Preparing Canada for the 21<sup>st</sup> Century (Red Book II)

<sup>45</sup> Ibid. P.14

<sup>46</sup> Ibid P. 28

Evaluation data was developed to help assess the economic impact of ACAP. Although it is recognized that there are limitations in the use of economic multipliers to calculate the impacts of funding programs, they do provide a rough estimate of economic impacts.<sup>47</sup>

To determine the approximate economic impacts of ACAP, two multipliers were used.

- The Statistics Canada multiplier of 15.56 job/year per \$1 million expenditure was used for Priority 1, 3 and 4 projects.<sup>48</sup>
- A multiplier of 6.77 was used to estimate induced impacts for Priority 2 projects (mobile equipment).<sup>49</sup>

Based on total ACAP funding approved to date,<sup>50</sup> the estimated economic impact of ACAP is as follows:

- Funding of P1, P3 and P4 totaling \$67,802,204 results in a total of approximately 1,055 employment years.<sup>51</sup>
- Funding of P2 projects totaling \$12,544,600 results in a total of approximately 85 employment years.

As such, total ACAP-approved funding of \$80,346,804 has generated approximately 1,140 employment years, indicating that ACAP has had a positive economic impact in Canada.

The evaluation found that ACAP also contributed to the federal presence in small communities. The program has had a wide national scope, contributing to 123 ACAP projects at 81 airports in all five TC Regions. An analysis of media coverage following funding press releases revealed that media coverage occurred in over 75% of the cases, often generating multiple points of coverage through print, radio and television media. As well, the audit found wide compliance with the Contribution Agreement's requirement that airports post appropriate signs to reflect the participation of the federal government in the ACAP project.

## Recommendations

It is recommended that

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<sup>47</sup> For a more complete discussion on the limitations of economic multipliers, see Tyse, L.K. and Tretheway, M., *A Study of Economic Multipliers and their Application to the Economic Impact of the Vancouver International Airport*, 1995.

<sup>48</sup> Statistics Canada does not have a standard economic multiplier to measure public investments in capital works. However, the economic multiplier of 15.56 was developed by Statistics Canada to measure the economic impacts of the federal government's Infrastructure Works Program, a capital investment program similar to ACAP.

<sup>49</sup> Tyse, L.K. and Tretheway, M., *A Study of Economic Multipliers and their Application to the Economic Impact of the Vancouver International Airport*, 1995.

<sup>50</sup> Includes all ACAP projects funded since the program's inception, up to and including projects approved for funding as of March 1999.

<sup>51</sup> One employment year is the equivalent of one person working full-time for one year; it is based on working five days per week for 4.3 weeks per month for 12 months, and is equivalent to 258 working days. One employment year may be divided amongst a number of employees over that year. Source; Heather Buchanan, former Director of Training Programs, Government of Ontario, personal correspondence, Fall 1998.

- Given the hierarchy of project priorities and its strong support among stakeholders and TC staff, Airport Programs and Divestiture should retain the existing ACAP project priorities, which reflect a strong safety emphasis.
- Given the challenges associated with measuring the contribution of ACAP to safety, Airports Programs and Divestiture, Aerodrome Safety, Occurrence Data, Analysis and Reports, the Program Evaluation Branch should examine the feasibility of developing and implementing a performance framework for ACAP that will measure the impact of ACAP on aerodrome safety.

#### **WHAT HAS BEEN THE IMPACT OF THE REVISED AIRPORT ELIGIBILITY CRITERIA?**

Since the program's inception, the program and project eligibility have been revised to expand the eligibility of airports and project types. The evaluation found that the revised eligibility criteria are consistent with the program's objective and have had a positive impact.

Since the original ACAP-eligibility criteria were adopted in 1995, three revisions have been made that resulted in an increase in the number of airports that are eligible for ACAP. In 1996, the newly revised eligibility criteria allowed airports still receiving a subsidy from TC to be eligible for ACAP.

The evaluation found that the impact of allowing TC-subsidized airports access to ACAP has been fairly significant.

- Of the 194 airports currently eligible for ACAP, 60 (31%) are formerly TC-owned airports.
- Of the 81 airports that have undertaken projects since ACAP's inception, 29 have been formerly owned TC airports; they are responsible for a total of 53 projects (40%).
- Funding for these projects has been just over \$44M and amounts to over 50% of the funds approved to date.

The vast majority of stakeholders did not think TC-subsidized airports becoming eligible for ACAP was inappropriate. This is largely because these transferred airports would have become eligible once their TC subsidies had ended in 2000-01; this revision only served to make them eligible sooner. A few stakeholders observed that the revision meant that more airports were competing for the ACAP funds, but since funding availability has not yet been an issue, they did not feel strongly about this eligibility revision.

The second airport eligibility revision took place in April 1997 when it was agreed that ACAP would fund projects necessary to bring a site up to certification standards.<sup>52</sup> This has allowed some "registered" airports to become eligible for ACAP if the project they submit results in the site being brought up to TP 312 certification standards. So far, this provision has had a relatively minor impact on the number of eligible airports; to date, only eight "registered" airports are considered ACAP-eligible.

The third airport eligibility revision was implemented in December 1998. It allowed airports to use a statutory declaration if scheduled traffic was greater than 1,000 passengers per year but was not captured by Statistics Canada.<sup>53</sup> The rationale for this revision was that some airports legitimately have the scheduled passenger numbers required for ACAP eligibility, yet they are not captured by Statistics Canada due to the size of the aircraft using the airport.<sup>54</sup> To date, the impacts of this revision have been relatively minor; less than 10 airports<sup>55</sup> will potentially become eligible for ACAP based on this revision.

<sup>52</sup> Minutes of National ACAP meeting, April 1997.

<sup>53</sup> These airports must also meet the other two eligibility criteria to be considered eligible.

<sup>54</sup> Official statistics are not collected for aircraft below a take-off weight of 15,000 kgs.

<sup>55</sup> This number is based on discussions with ACAP regional staff.

The evaluation also examined the impact of the 1996 project-eligibility revisions that expanded the project priorities to include three additional project types and priorities related to mobile equipment (Priority 2), groundside safety (Priority 3), and asset protection and operating cost reductions (Priority 4).

To determine the impact of these expanded project-eligibility criteria, the evaluation analyzed all projects approved for funding from the program's inception (i.e., April 1, 1995) until March 31, 1999.

As previously noted, a total of 129 projects have been approved for funding to date. Four of these projects were for more than one priority type, for a total of 134 individual project types. The majority of these projects (66%) have been for airside safety-related Priority 1-type projects.

Although these figures demonstrate that airside safety-related projects (P1) continue to make up the majority of ACAP-funded projects, the fact that just over one-third of all projects undertaken to date are P2-P4 type projects also demonstrates that the 1996 eligibility revision has had a fairly significant impact on the type of ACAP projects undertaken. These changes have been particularly significant for Priority 2 projects. Indeed, regional TC staff commented on the increased number of P2 applications received after the project-eligibility criteria were revised.

The evaluation also found that the project-eligibility revisions are viewed positively by most TC staff, stakeholders and airport operators. In the Prairie and Northern Region, stakeholders noted that the inclusion of P2-type projects has allowed airports to purchase much-needed mobile equipment. Although surveyed airport operators did not comment on the eligibility revisions directly, they expressed a high degree of satisfaction with the current project priorities; 98% of survey respondents indicated that they were satisfied with the current P1-P4 project priorities.

A few negative comments were received concerning the 1996 expansion of project priorities. TC staff in one region felt that P3- and P4-type projects added little to the program's safety mandate, and viewed these projects as "superfluous". In addition, concern was expressed by some stakeholders in the Pacific Region that the expansion of priorities could eventually lead to a "watering down" of the safety mandate. Some stakeholders in this region also viewed mobile equipment (P2) projects as less critical and felt that the addition of P2 projects had allowed airports to buy unnecessary equipment. National stakeholders generally viewed the new project priorities positively. However, the CAC and CBAA felt that a maintenance plan should be provided before P3 and P4 projects are funded.

#### **WHICH AIRPORTS AND PROJECTS SHOULD BE ELIGIBLE FOR ACAP?**

The evaluation examined the following five airport eligibility issues:

- whether the minimum 1,000 annual passenger for three consecutive years criterion should be retained,
- whether the TC remote exemption should be retained,
- whether the scheduled passenger criterion should be retained,
- whether registered airports should be eligible for ACAP, and
- whether other safety-related projects should become eligible for ACAP.

#### **1,000 Passenger Criterion**

According to TC staff at HQ, the original rationale for requiring airports to have a minimum of 1,000 passengers annually over the most recent three consecutive years is that it is a reasonable, bare minimum, that amounts to only 2.7 passengers daily or 19 passengers per week. After consultations with airport operators and TC staff, the evaluation finds merit in retaining the minimum annual 1,000 passenger

criterion; however, ACAP should take passenger volumes into consideration in a risk-based approach to project funding decisions.

In the survey of airport operators, the majority of ACAP-eligible airports viewed the current criterion requiring a minimum of 1,000 passengers/yr to be appropriate, with only 33% viewing it as inappropriate. The most commonly cited reasons in the survey for removing the 1,000 minimum passenger criterion were as follows:

- Very small communities have a larger dependence on the airport for their economic viability.
- Very low passenger numbers mean the greatest need.
- Safety is as important a priority for airports with a small number of passengers.

During consultations, the evaluation found some support from the airport operators and TC staff for the removal of the 1,000 passenger minimum criteria. Stakeholders, for the most part, viewed the 1,000 minimum threshold as appropriate, and some even felt that it was on the “low” side. Similarly, some TC officials view the 1,000 minimum passenger criterion as being too low and recommended that it be increased to 10,000. Some TC staff also felt that TC has to be cautious about eliminating this threshold as, in their view, this would allow many more airports to become eligible for ACAP. Furthermore, one region voiced concern that eliminating the 1,000 passenger minimum criterion would make it easier for general aviation airports not currently eligible to implement a single regularly scheduled passenger service and thereby qualify for ACAP.

The evaluation has estimated that the removal of the 1,000 minimum passenger threshold would have a relatively minor impact on program demand. Only an additional nine<sup>56</sup> airports would become eligible for ACAP if this criterion were removed.

Some TC staff have indicated that when the demand for funding exceeds supply, the regional and priority-setting exercise will render the 1,000 passenger criteria moot. That is, in keeping with TC’s approach to risk management, it would make sense to consider the passenger volume at an airport as one of the factors in determining whether a project merits funding for ACAP. The evaluation concurs with this approach but is mindful of the need to ensure that the program continues to serve airports with legitimate regularly scheduled passenger service.

#### **TC Remote Exemption**

Remote airports are defined in the NAP as those airports currently receiving federal assistance that provide the only reliable year-round mode of transportation to the community served by the airport.<sup>57</sup> These TC remote airports are exempt from meeting the minimum 1,000 annual passenger criteria for three consecutive years. Although there are 13 designated TC remote airports, only two of these airports meet the other airport eligibility requirements.

A number of stakeholders, including the Province of Ontario, have questioned why other “remote” airports not owned by TC are excluded from the “remote” exemption. More recently, TAC’s Aviation Committee has struck a Remote Airport Working Group. These provincial/territorial government aviation officials are examining common remote airport issues and they strongly support expanding ACAP’s TC remote exemption to enable other remote airports to become eligible for ACAP. They argue that the characteristics

<sup>56</sup> This figure was determined by looking at all non-eligible airports that have regularly scheduled passengers for the last three years of less than 1,000 and meet the certification and non-TC ownership criteria. It is important to note however, that an additional 11 registered airports could also become eligible for ACAP if this criterion is removed, pending their treatment as eligible airports.

<sup>57</sup> Transport Canada, National Airports Policy, 1994.

of airports designated, as "NAP remotes" are the same as those found at non-NAP remote airports (i.e., they serve as the only year-round transportation link in their community).

The evaluation found that although the use of ACAP as the mechanism by which to provide safety-related capital funds to this small number of TC-subsidized airports is justified, it has created the perception among provincial/territorial officials that the TC remote exemption is inconsistent. As such, it would be important for ACAP staff to reiterate the original rationale for this remote exemption with provincial/territorial officials.

TC staff at HQ indicated that the original exemption for these TC remote airports was to ensure that they continued to have access to funding to meet their safety-related capital needs. These airports, located for the most part in remote native communities, had received an operating subsidy from TC and, through the Local/Local Commercial (LLC) program, could apply for funds to meet their safety-related capital expenditures. With the elimination of the LLC and the inception of ACAP, TC wanted to maintain the access that these airports had to funds for their safety-related capital expenditures. Furthermore, TC staff stated that these other non-TC remote airports receive funding from their respective provincial/territorial governments and are their responsibility.

Currently, the implications of allowing other non-TC remote airports exemption from the 1,000 scheduled passenger criterion is not known. Specifically, the Department does not have data on the number of non-ACAP-eligible airports that would be considered remote and that would meet the other ACAP eligibility criteria.<sup>58</sup> In the short-term, the Department should collect data on the number and characteristics of remote airports in Canada and within 2 years, conduct a policy review on the future eligibility of remote airports for ACAP.

#### **Scheduled Passenger Criterion**

The evaluation also examined whether the airport eligibility requirement for having scheduled passenger traffic should be retained. In 1996, the question of removing the scheduled passenger requirement was discussed as part of the program revision process. At that time, TC officials indicated that they did not support the elimination of the scheduled passenger requirement because one of the premises of the NAP is that it is no longer the federal government's role to finance airports that serve solely recreational flyers or general aviation activities. As such, they argued that requiring scheduled passenger traffic would ensure ACAP funds are more appropriately targeted at the broader traveling public. As well, it was felt that opening up ACAP to these airports would soon deplete the limited funding available under the program.

The evaluation found limited support among eligible airport operators for the removal of this criterion. Only 24% of survey respondents viewed the scheduled passenger criterion as inappropriate. However, the evaluation found strong support among national and regional stakeholders for the removal of the scheduled passenger criterion. Stakeholders who supported the removal saw this as a safety issue and felt that the safety of passengers should not be compromised solely because air transport at a particular airport is not scheduled. Other stakeholders indicated that airports with regular, but unscheduled, service often provide integral services to the community on a daily basis and that the community is dependent on the airport for most of its goods and services and for its economic well being. One suggestion that was made by both stakeholders and survey respondents, including the CBAA, was that ACAP consider counting air movements rather than passenger levels as an alternate criterion for eligibility. TC staff generally viewed the scheduled passenger criterion as appropriate.

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<sup>58</sup> One member of the TAC Remote Airport Working Group has unofficially estimated that there are approximately 150 other remote airports, but the number of these that would meet the other ACAP criteria (i.e., certified and have scheduled passenger traffic) is not known.

The evaluation has estimated that the removal of the scheduled passenger criterion would result in approximately 139 additional sites<sup>59</sup> becoming eligible for ACAP. This constitutes a potential 72% increase in the number of ACAP-eligible airports. Given TC's current focus on passenger safety of the traveling public, and the significant increased demand for ACAP funding that this change would cause, the evaluation found that retaining the scheduled passenger criteria is appropriate.

The evaluation does recognize, however, that the distinction between passengers who travel on regularly scheduled flights and those who travel on non-scheduled flights and those who travel on non-scheduled flights may appear somewhat arbitrary. Further discussion of the merits of this distinction cannot take place until reliable data is obtained on all passenger movements. However, throughout the evaluation, TC staff, airport operators and other stakeholders repeatedly advised us that small airports have difficulty accurately tracking passenger movements and separating these from general aviation and recreational air movements. Further discussion on the regularly scheduled passenger criterion should be deferred until reliable passenger movement data is available.

#### **Other Safety-related Priorities**

During the evaluation consultations, many stakeholders expressed their concerns about the proposed CARS revisions for aircraft firefighting and the increased costs that these revisions would impose on small airports. They believe that if TC regulates a higher level of safety that results in greater costs, TC should provide funds to cover these enhanced costs. As the proposed CFR revisions and their impact on ACAP are still under discussion within TC and with the aviation community, it is not possible for the evaluation to comment further on this.

The evaluation also examined whether ACAP should fund the construction of fire halls and storage facilities to house mobile equipment. The evaluation concluded that eligibility revisions to fund the construction of fire halls and storage sheds to house mobile equipment are not justified. There was very limited support for ACAP funding of fire halls among stakeholders and TC staff. Any support was limited to only funding these projects at sites where fire-fighting equipment is required by regulation.<sup>60</sup> Most stakeholders felt that it was not TC's responsibility to fund these types of projects.

On the question of whether ACAP should fund the rehabilitation or construction of storage facilities in which to house mobile equipment, there was some support from regional and national stakeholders; this support was most prevalent among stakeholders with airports in northern sites. However, it is important to note that most stakeholders who commented on this issue did not feel strongly about having these types of projects funded while other more pressing safety needs exist.

The FCM does support ACAP funding for fire halls and storage sheds:

“P2-heavy airside mobile equipment should also include a fire hall/ maintenance garage. Having appropriate storage is just as essential to safety as the equipment itself. For example, in very cold climates, the mobile equipment can not be stored outdoors and requires appropriate buildings with provision to do maintenance.”

Support from TC staff to fund either fire halls or storage sheds for mobile equipment was limited. TC staff stated that ACAP provides funds for safety-related mobile equipment and that it is up to the airports to fund storage facilities for this equipment. This is a view the evaluation shares.

<sup>59</sup> To determine the number of sites which could potentially become eligible if the regularly scheduled passenger criterion were removed, from the 359 certified airports, the number of ACAP-eligible airports was subtracted, as well as the NAS airports which are not eligible.

<sup>60</sup> Currently, only five ACAP-eligible airports are required by regulation to have fire-fighting equipment on-site. Source: CARS Part III, (Sect. 303).



### Registered Airport Eligibility

The evaluation sought to clarify the eligibility of registered<sup>61</sup> airports for ACAP. As noted in the airport-eligibility criteria, airports must be certified; however, to date, ACAP has funded two registered airports, and a total of eight registered airports are currently considered eligible for ACAP.

TC staff at HQ indicated that if an application is received from an airport that is “reasonably close” to certification, and the proposed work will bring an airport up to certification, then that airport is deemed to be eligible. As such, TC staff assess a registered airport’s eligibility on an individual basis.

The evaluation does not question the program logic of the certification requirement as it recognizes that it is intended to ensure that ACAP is targeted at airports serving the bulk of the travelling public at smaller airports in Canada. However, the ACAP application booklet indicates that no registered airports are eligible for funding. If TC were to clarify the possible eligibility of certain registered airports, these airports could initiate discussions with ACAP staff on actual eligibility.

### Recommendations

It is recommended that

- Airport Programs and Divestiture should retain the existing airport and project-eligibility criteria and incorporate passenger volume into its future criteria for project priority setting and funding.
- Airport Programs and Divestiture should collect data on remote airports in Canada and within two years, conduct a policy review on the future eligibility of remote airports for ACAP.
- Airport Programs and Divestiture should clarify the potential eligibility of registered airports for ACAP in the ACAP application booklet.

### HAS ACAP BEEN MANAGED EFFECTIVELY TO SUPPORT PROGRAM OBJECTIVES?

Although the comprehensive audit of ACAP examined ACAP's management in detail, the evaluation also examined a number of key program management areas with stakeholders and TC staff. The Airport Survey and follow-up consultations with airport operators dealt with program awareness, ACAP promotion and program information, program management (e.g., application processing, funding decisions), and assistance from ACAP staff. The evaluation found that there is currently a high level of satisfaction with both the management of ACAP and with TC staff; however, it identified a number of areas (e.g., communications with stakeholders, documentation) where enhancements could be made to improve program effectiveness. Overall, the evaluation found that ACAP has been managed effectively to support program objectives.

### Program Information and Administration

The evaluation found that ACAP is very well known in the aviation community. In the survey, only one airport operator indicated that he/she had not heard of the program prior to receiving the survey. In consultations with operators and other stakeholders, there was a strong consensus that ACAP is now very well known in the industry. A majority of airport operators (61%) had heard of ACAP by 1995 (the first year of the program), and most of the rest (27%) had heard of it by 1996. Almost half of the airport

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<sup>61</sup> An airport that does not have a certificate requiring the operator to maintain and operate the site in accordance with applicable TC standards. Registered airports are not subject to an ongoing inspection program. Source: Canada Flight Supplement, June 1998.

operators (49%) said that they are very familiar with ACAP (5 on a 5-point scale), with almost all of the remainder (48%) indicating that they are at least somewhat familiar with ACAP.

Direct communications from TC, particularly direct contacts with ACAP staff, were found to be the most frequent means of communicating information about the program (66%). Other important sources of information for learning about the program were found to be as follows:

- Mailings of the ACAP information booklet from Transport Canada (40%)
- Discussions held during the airport transfer process (37%)
- Airport conferences and workshops (26%)
- Discussions with other airport operators and the aviation community (21%)

Airport operators generally were very satisfied with ACAP management and administration. A large majority of operators were satisfied with all of the key elements of program management reviewed in the Airport Survey.

#### Satisfaction Levels

- ACAP information booklet - 69%
- application documentation requirements - 71%
- timeliness of project decisions and receipt of funds - 68%
- decision-making process - 65%
- assistance of ACAP staff - 86%

Almost all airport operators expressed satisfaction with ACAP staff; in fact, 53% said they were very satisfied (5 on the 5-point scale). These high levels of satisfaction were consistent across all regions and across airports with different passenger volumes and ownership. Airport operators who were familiar with the ACAP information booklet (about three-quarters answered questions about the booklet) were satisfied with the information contained in the booklet (69%).

The majority of operators were satisfied with each of seven content areas reviewed in the survey. Operators were most satisfied with the information about the cost-sharing formula (71%) and the payment schedule (70%). They were least satisfied with information about eligible projects (53%) and evaluation criteria (55%). In our follow-up consultations, some stakeholders (in Quebec and the Prairie and Northern Regions) said that they would like more detail in the application booklet. In the Atlantic Region, ACAP staffs have prepared an additional booklet with supplementary information intended to answer applicants' frequently asked questions.

For ACAP application submissions, operators indicated in the survey that they were satisfied with the information they are required to submit for both the airport (66%) and the project (69%). Smaller airports with lower passenger volumes were slightly more satisfied than airports with higher passenger volumes. During the evaluation's follow-up consultations, some airport operators said they found their first submissions to be complicated and somewhat onerous, usually because of their unfamiliarity with the process and the need to get information about their airport on the record, while subsequent applications were usually easier. Airport operators and some other stakeholders had a number of suggestions about ways to improve ACAP management and administration.

Over two-thirds of operators (68%) were satisfied with the timeliness of decisions about ACAP. Satisfaction was highest for the timeliness of receiving the ACAP contribution for approved projects (67%). Satisfaction was somewhat lower for the timeliness of decisions about project approvals (54%). Overall satisfaction with timeliness was lower for operators from larger airports (43%). In the evaluation's discussions with airport operators and other stakeholders, several noted the importance of timely decisions

about projects for northern and isolated airports. Because of the short construction season and the need to order materials a year in advance for some northern airports (i.e., those that receive materials by seasonal transportation links), stakeholders said that these airports need project approvals in time to “get the shovel in the ground” by April 1.

Overall, almost two-thirds of operators (65%) were satisfied with the ACAP decision-making process. The Airport Survey asked operators about four aspects of the decision making process: openness, fairness, transparency and non-partisanship. A majority of operators were satisfied with each of these four aspects of program decision making. In consultations, most airport operators and other stakeholders agreed that the program is viewed as fair, objective, open and transparent. ACAP was compared very favorably with previous federal airport funding programs.

Although there is a high level of satisfaction among ACAP-eligible applicants in terms of program management and administration, the evaluation considered two other stakeholder and staff suggestions.<sup>62</sup>

- The first concerns clarifying project eligibility and application documentation requirements in subsequent revisions to the ACAP application booklet. A number of stakeholders and staff indicated that this is an area that could be improved. The evaluation shares this view because, by making these revisions, airport applicants are more likely to include complete and correct documentation, thereby reducing the additional time spent by TC staff and the applicant in ensuring that the necessary information is provided. In addition, the evaluation concurs with the suggestion that ACAP use an electronic application form; this would facilitate the submission of complete documentation and speed up the application process.
- The second centres on the concern expressed by some airport operators that, as demand for the program grows and funds become more limited, the potentially significant investment made by the airport in preparing an ACAP application may not be recovered if that application is not approved.<sup>63</sup> Although it is recognized that this may occur in some instances, the evaluation found that ACAP should continue to reimburse only the project development costs incurred by successful applicants. If the project in question is of sufficient priority, it has a high probability of eventually being funded, and of having the majority of eligible project development costs recovered.

#### Funding Decisions

The evaluation recognizes that high stakeholder satisfaction with the program is not surprising given the current availability of funds and the high probability that eligible projects will be funded by TC. The challenge for ACAP staff will be to maintain or improve this overall stakeholder satisfaction if increased funding constraints result in more applications being turned down.

Indeed, consultations with stakeholders and national organizations during the ACAP Evaluation Framework development indicated a desire by some stakeholders to be more involved in the ACAP decision-making process; this will become even more critical as demand for ACAP grows. As such, the evaluation examined two aspects of this issue: the rationale for stakeholder input and the most appropriate mechanisms for soliciting stakeholder input. The evaluation reviewed who should be consulted, how consultations should be conducted, when consultations should be conducted (e.g., ongoing consultations, periodic consultations for identifying project priorities), and the level (i.e., national, regional) of consultations required.

Airport operators were asked two questions about the consultation process for ACAP funding decisions:

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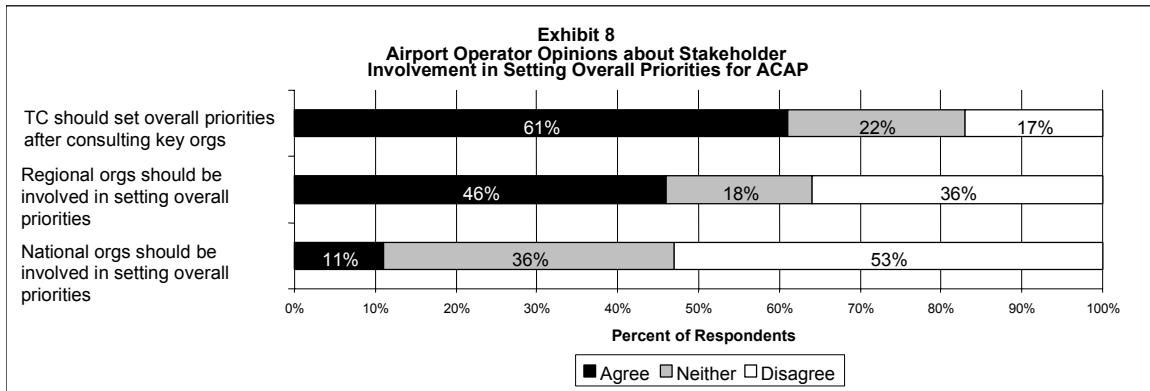
<sup>62</sup> As the ACAP Audit National Report addresses the implementation of a formal two-step application process, this suggestion was not pursued in the evaluation.

<sup>63</sup> Much of the applicant’s submission costs are reimbursed if the project funding is approved.

### 3.0 Program Success and Impacts

- whether national and regional organizations should be involved in setting overall priorities for ACAP, and
- whether TC should set the overall priorities after consulting with key stakeholders.

A majority of airport operators (61%) agree that TC should set the overall priorities for funding after consulting with key external stakeholders. A minority of operators (46%) also agreed that regional organizations should be involved in setting overall priorities for ACAP funding; however, there is little support (11%) for the participation of national organizations. These results are presented in Exhibit 8.



Opinions about the role of different stakeholder organizations and TC are relatively consistent among the airport operators representing different types of airports.

- **Transport Canada** — Airport operators in the Ontario Region (69%) and the Prairie and Northern Region (68%) were the most likely to agree that TC should set overall ACAP priorities after consulting with key stakeholders. In all other regions, 50% agreed with this proposal.
- **National Organizations** — Airport operators in the Quebec Region (83%) were the most likely to disagree that national organizations should be involved in setting ACAP priorities. No more than 16% of operators in any region agreed with this proposal. Operators of provincially owned airports were the most likely to disagree (83%) that national organizations should be involved; they were also more likely to agree (67%) that regional organizations should be involved.
- **Regional Organizations** — Support for the involvement of regional organizations was highest in the Ontario Region (58%), the Prairie and Northern Region (53%), and the NWT/Nunavut (100%). Operators from airports with fewer than 20,000 scheduled passengers per year were more likely than those with more than 20,000 passengers to agree with the involvement of regional organizations (52% as compared to 38%).

Respondents to the Airport Survey provided comments and reasons for their views about involving different organizations in setting overall priorities for ACAP funding. Their comments confirm the scaled responses shown in Exhibit 8. These responses also demonstrate widespread support for increased involvement of municipal organizations and airport operators, owners, and managers.

Most regional stakeholders agreed that TC should be responsible for making the final decisions about ACAP funding. Most think that the combination of TC's expertise (e.g., technical evaluation of safety needs), national perspective and funding responsibility means that the Department should have the final decision-making responsibility. The evaluation team agrees that TC should continue to retain all decision-making authority for ACAP funding decisions. Stakeholders urged TC to maintain the objectivity of the decision-making process, particularly when the demand for funds exceeds the supply. Most strongly

recommended were objectivity and openness in the decision-making process, coupled with stakeholder consultation, as ways to maintain the integrity of ACAP.

Regional stakeholders also said that their input is crucial to the success of the program, both for setting overall program direction and for identifying project priorities in the regions. The idea of a regional advisory group to consult with TC appealed to most of these stakeholders.

Regional stakeholders also tended to be skeptical about the involvement of national organizations in setting program direction or project priorities. While they were not quite as critical of the idea of involving national stakeholder organizations in the ACAP process as airport operators, most said they understood the operators' concerns about not being adequately represented by national stakeholders. Those who supported the involvement of national stakeholders in ACAP said that the national organizations could work closely with regional organizations. A few said that organizations such as CAC and ATAC would be valuable contributors because of the national perspective they would bring to the discussions.

#### **The Priority-setting Process**

These evaluation findings are consistent with the new priority-setting approach developed by Programs and Divestiture and the regions for ACAP. In this two-step approach, TC regional staff would, through consultations with regional stakeholders and using specific criteria, develop a prioritized list of ACAP-eligible projects.<sup>64</sup> These projects would then be considered, along with all other regional priority projects, at a national meeting of ACAP management. Projects would be approved based on the existing ACAP priorities.

With respect to the ACAP regional and national priority-setting process, the evaluation found that most regional stakeholders think it is important to have criteria that are as objective and transparent as possible. While supporting the concept of using objective criteria to establish project priorities, most stakeholders also recognized the difficulty of implementing this in practice. Few could offer any readily quantifiable criteria other than passenger volumes, and most were reluctant to recommend the use of this measure. This lack of objective criteria reinforced to regional stakeholders the importance of regional consultations to identify project priorities and to guide funding decisions.

#### **Input on Funding Decisions**

Most of the regional stakeholders consulted also believe that a wide range of organizations should be involved in providing general advice and guidance to TC on ACAP, including aviation councils, industry associations (e.g., airport manager associations), air carriers and provincial/territorial governments. Several also said that other organizations such as tourism and economic development organizations should be consulted.

National stakeholder organizations generally agree that TC should receive input from the people and organizations affected by ACAP funding decisions. Opinions varied about the best role for the national organizations.

- The FCM supports broad stakeholder consultation but expressed the view that adding more opinions to the decision-making process could make it more cumbersome. The FCM suggested an annual review of the program by a consultative committee that would provide recommendations on changing priorities, alternative cost-sharing requirements, innovative funding arrangements, and emerging trends that could be used by TC to improve the ACAP review and approval process in the following year.

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<sup>64</sup> In May 1998, a draft proposal outlining an approach for prioritizing ACAP projects was developed by Airport Programs. Source: TC, "Airports Capital Assistance Program Priority Setting" May 25, 1998.

- The CAC would like to be consulted on overall policy and program direction. In addition, the CAC would like to have external stakeholders, including the CAC and ATAC, serve as observers to the final TC funding decisions. The CAC believes that this would provide reassurance to applicants and other stakeholders that funding decisions are being made fairly in an open and transparent manner.

ACAP staff generally support the idea of receiving industry advice on overall program direction but do not think that it would be appropriate for stakeholders to be involved in funding decisions. The evaluation team concurs that there is merit in ACAP staff continuing to solicit input from key stakeholders (e.g., TAC, CAC, ATAC, FCM) on overall program direction and policy.

Given the stakeholders' concern regarding the continued objectivity and fairness of the ACAP funding, as well as the growing demand for ACAP, the evaluation agrees that it will be important for TC staff to maintain a high degree of objectivity and transparency in the ACAP decision-making process. The regional priority-setting exercise will assist in maintaining this objectivity because key regional stakeholders will be involved.

The evaluation team agrees with the views of the regional and national stakeholders, as well as TC staff, that ACAP funding decisions should continue to be made by TC officials. The evaluation also recognizes that inviting representatives from national organizations to attend the national ACAP funding meeting as "neutral observers" would enhance the transparency of the ACAP decision-making process. However, the evaluation found that the majority of TC staff were not in favor of this suggestion as it could curtail the open and frank discussion of safety priorities.

The evaluation team recognizes the need to balance transparency considerations with program flexibility. However, there is also a need to dispel the view the evaluation found among some national and regional stakeholders that, because the ACAP decision-making process is not transparent and decisions about which projects are being funded is not well publicized, TC "must have something to hide". Several stakeholders said that it would be beneficial for TC to publish the names of airports that have received ACAP funds along with the projects funded and the funding provided. It was suggested that this information would facilitate networking and sharing of information about ACAP projects and airport operation and development. It was noted by some stakeholders that this is done with municipal grants through the FCM and its regional affiliates.

The evaluation team agrees that ACAP funding decisions could be better broadcast in the aviation community. For example, although all ACAP funding announcements are posted on the TC Web site, the evaluation found that accessing comprehensive ACAP funding information through the ACAP media releases is a time-consuming and less-than-satisfactory process. Similarly, although ACAP staff also indicated that the list of airports receiving ACAP funding is now included in TC's Annual Report, this is not mailed directly to all ACAP-eligible airports.

As such, the evaluation believes that the objectivity and transparency of the ACAP decision-making process could be enhanced in the future by

- using the new priority-setting mechanism to involve regional stakeholders in developing prioritized lists;
- soliciting input from key national stakeholder organizations including CAC, ATAC, and FCM on the prioritized lists from the regions;
- using objective criteria to make funding decisions wherever possible, and making these known to stakeholders in advance; and

### 3.0 Program Success and Impacts

- publishing the annual list of ACAP-funded projects and distributing this list to ACAP-eligible airports, regional and national stakeholder organizations, and provincial/territorial government officials.

Finally, the evaluation finds merit in ACAP staff continuing to solicit input from key stakeholders, such as TAC, CAC, ATAC and FCM, on overall program direction and policy.

#### Recommendations

It is recommended that

- Airport Programs and Divestiture should revise the ACAP information booklet to provide greater clarity about eligible projects and the documentation required for submission of an application, and should also develop an electronic application document.
- Airport Programs and Divestiture should solicit input from key stakeholder organizations on overall program direction and policy and solicit their input on overall project funding priorities.
- Airport Programs and Divestiture should widely distribute a list of all ACAP projects funded annually.

## 4. COST-EFFECTIVENESS OF ACAP

The evaluation found that the current needs-based and project-driven funding approach is the most appropriate way to meet ACAP's objective. However, given the fact that a majority of projects are funded 100% by TC, requiring airport owners to pay a small portion of the project's costs would make ACAP consistent with other federally and provincially funded contribution programs in the area of transportation and, specifically, airports. This approach would also ultimately enhance the cost effectiveness of ACAP, thereby enabling it to increase the number of projects being funded.

### ARE THERE ALTERNATIVE, MORE COST-EFFECTIVE APPROACHES TO ACHIEVING ACAP'S OBJECTIVES?

Under the current approach to ACAP funding, funds are provided to projects that successfully meet the program- and project-eligibility criteria. When demand for ACAP funds exceed supply, eligible projects will be assessed against other projects to determine priorities for funding. The evaluation considered the strengths and weaknesses of this needs-based approach and examined the relative strengths and weaknesses of alternative program models.

The alternative models considered were as follows:

- **Multi-modal block funding** — a single needs-based funding allocation from the federal government based on the total capital needs for infrastructure for all modes of transportation in a particular region.
- **Entitlement programs** — funding from the federal government for all airport capital spending based on a standard funding formula for all eligible airports (e.g., percentage of capital budgets).
- **Shared funding by different levels of government** — shared federal, provincial and municipal funding for ACAP-eligible capital projects (e.g., one-third from each level of government as is the case with the Infrastructure Works Program).
- **Regional block funding** — a modification of the ACAP model in which all regions would receive predetermined blocks of funding for distribution within each region based on applications for safety-related capital needs at eligible airports.

The evaluation team agrees that the existing needs-based approach, based on the current safety priorities and priority-setting process, is the best approach to achieving ACAP objectives. Neither an entitlement program nor a regional block funding approach would ensure that the highest priority safety projects would be funded. Furthermore, an entitlement program to all ACAP-eligible airports would not be consistent with TC's current safety mandate, nor its mandate to move away from subsidizing all aspects of the smaller airport system in Canada.

Two-thirds of airport operators (69%) agreed with the current ACAP funding approach; only 11% disagreed with the ACAP approach. This high level of support for the ACAP funding model is consistent with the high degree of satisfaction with program design and administration (see Section 3 for more information).

More specifically, at least two-thirds of airport operators in all regions support the ACAP funding approach, with the exception of the Atlantic Region (where 42% — or three of a total of seven operators — agreed). Support for ACAP was also consistent among airport operators. Approximately 60% of operators of airports with more than 50,000 passengers and 70% of operators of airports with fewer than 50,000 passengers agreed with the ACAP approach. A majority of operators of provincial airports (86%), municipal airports (71%) and other types of airports (58%) also agreed with the ACAP approach.



## 4.0 Cost-Effectiveness of ACAP

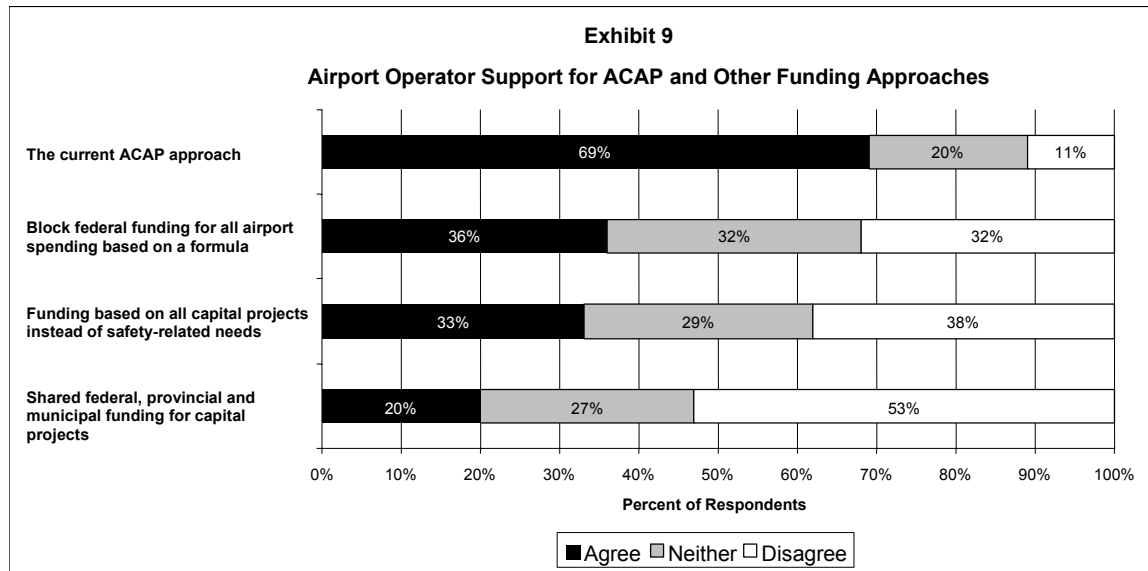
The level of support for the ACAP approach to airport funding was found to be much higher than the support given by airport operators to the other three approaches reviewed in the survey. The results are presented in Exhibit 9. Overall, no more than about one-third of respondents agreed that any of these three alternative funding approaches would be more appropriate.

Many of the respondents to the Airport Survey provided comments and reasons for their support for the ACAP funding model and other funding approaches. Most of the comments in support of the ACAP approach stressed the importance of safety and of providing funding based on need. It was also stated that the existing system is best for small airports with low capital resources.

Comments about the other three funding approaches were more varied. Those who supported block funding tended to focus on assurances of the consistency of capital funding. Those who were critical said that (ongoing) block funding would result in funds not being available for infrequent, but very costly, projects (e.g., re-paving runways).

For shared federal, provincial and municipal funding, almost all respondents said that the federal government should be the lead funding agency. Several also said that off-loading from senior governments to municipalities has left towns and cities with limited funding options.

Airport operators who supported funding for all capital projects view airport development as being in the national interest and think that all capital funding should come from the federal government, with airport operators being responsible for O&M costs. Some others said that many issues other than safety-related needs are part of an operation of an airport and that safety and economic viability, ultimately, are common concerns.



Similarly, the evaluation found that almost all of the regional stakeholders interviewed supported the capital project-based funding approach used by ACAP. The focus on airside safety is strongly supported and stakeholders generally believe that funding for specific capital projects is the best method to achieve the safety objectives. Most stakeholders do not want to see major revisions to the program approach of funding specific safety-related capital projects based on need, although many had suggestions for minor revisions to the model. In fact, most stakeholders believe that the ACAP program model is excellent, and that it could best be improved by increasing the amount of funding and by expanding the scope of the program (i.e., mainly by expanding the airport eligibility criteria).

There was some support for a regional block funding approach. The regional stakeholders who supported regional block funding almost always linked their support for this approach to greater control over the project selection process by local (regional) stakeholders. However, many of the stakeholders who initially advocated this approach in the consultations acknowledged that conflicts among local groups could introduce biases into the decision-making process, making the program vulnerable to local interest groups, and that this could result in a loss of objectivity. They also acknowledged the difficulty of deriving a fair and equitable method of allocating the total ACAP funds among the different regions. Several stakeholders subsequently softened their support for regional block funding and recognized the merits of an open and objective needs-based project approach managed by TC.

National stakeholders were also concerned about the regional distribution of ACAP funds. The FCM urged TC to ensure that applications are treated equitably across all regions so that the distribution of funds is also equitable. The CAC suggested that TC might want to consider some form of regional allocation to ensure that no region receives a disproportionate share of ACAP funds. COPA supports the idea of spreading ACAP funds equally across the country, but did not specifically recommend implementing a formal regional allocation process. Most regional stakeholders were against the idea of changing the ACAP funding approach. Many stakeholders said that the types of smaller airports that are ACAP-eligible are very much in need of both O&M and capital funds. As such, airports would be under great pressure to use the money received annually from any type of entitlement program for ongoing expenses, thereby jeopardizing their capacity to finance infrequent but costly safety-related infrastructure projects.

On the advice of several regional stakeholders, the evaluation examined the funding model used by the U.S. Airport Improvement Program (AIP). The AIP is a large federally funded program designed to promote airport development. In 1992, the AIP awarded \$1.9 billion in funds to 1,434 projects at 971 different airports. The program includes both an entitlement component based on a legislative formula and a discretionary funding component for up to 10 different categories of projects. The rules for applying AIP funds are complicated, with an airport being able to access up to five different components for a single project.

ACAP staff stated that the current needs-based approach is working well and that the “very politicized” AIP funding decision-making process would be detrimental to the objectivity of ACAP decision making.

Similarly, most TC staff does not think that a regional block funding approach is a good alternative. Distributing ACAP in this manner would make it more likely that money would be spent on airport projects that were not necessarily merited. Again, the concern was that the highest priority projects would not necessarily receive the funding.

### **TO WHAT EXTENT HAS THE ACAP COST-SHARING FORMULA BEEN COST-EFFECTIVE?**

Because almost all ACAP projects are totally funded by TC, the evaluation has determined that the current cost-sharing formula should be revised in order to require a greater contribution from the recipient.

ACAP’s approach to cost sharing is based on both the project priority and the size of the airport. For Priority 1-3 projects (safety-related), the applicant is required to contribute to the project according to the number of scheduled commercial and/or scheduled charter passengers, as follows:

- greater than 150,000 PAX annually — 15%
- 100,000 - 149,999 PAX annually — 10%
- 50,000 - 99,999 PAX annually — 5%
- less than 49,999 PAX annually — 0%<sup>65</sup>

<sup>65</sup> Transport Canada, Airports Capital Assistance Program: Information to Program Applicants, booklet, June 1996, p. 3.

For Priority 4 projects, applicants are required to contribute 50% toward the costs of the project regardless of the level of the scheduled passenger traffic. As well, for Priority 2 projects in which the equipment is not totally dedicated to airport use, the federal share is reduced proportionately.

The sliding scale and maximum contribution of 15% by eligible airports is designed to recognize that airports with lower passenger levels are smaller and less able to contribute to major safety-related capital expenditures. For example, a runway overlay is estimated on average to cost \$1,260,000.<sup>66</sup> Based on the cost-sharing formula, this would require a contribution of \$189,000 for projects cost-shared at 15%, \$126,000 for projects cost-shared at 10%, and \$63,000 for projects cost-shared at 5%.

The evaluation’s analysis of passenger levels of ACAP-eligible airports indicates that the vast majority of ACAP-eligible airports are eligible for 100% funding for Priority 1-3 projects. In fact, 89% of the current ACAP-eligible population is not required to contribute to the costs of P1-P3 projects. This is further illustrated in Exhibit 10 in an analysis of the cost-sharing contributions of ACAP projects funded to date, which shows that 110 of the 128 ACAP projects have been totally funded by TC.

**Exhibit 10**  
**ACAP Cost-Sharing Contributions**

Co-payment	Number of projects (P1-P3) <sup>67</sup>
15%	0
10%	2
5%	16
0%	110

**Stakeholder Consultation**

The issue of cost sharing was further examined in the ACAP Airport Survey through two questions. The first question explored eligible applicants’ views on the appropriateness of the existing cost-sharing formula. The second question explored views on possible changes to the current cost-sharing formula.

Key survey findings on ACAP’s cost-sharing formula are as follows:

- Approximately 85% view the existing cost-sharing formula for P1-P3 projects as appropriate.
- There is a lower level of satisfaction with the cost-sharing formula for P4 projects; the P4 cost-sharing formula was viewed as appropriate by 70% of airport operators.
- Overall, there were very few differences among airports that contribute 5-15% of P1-P3 project costs and airports that do not contribute.

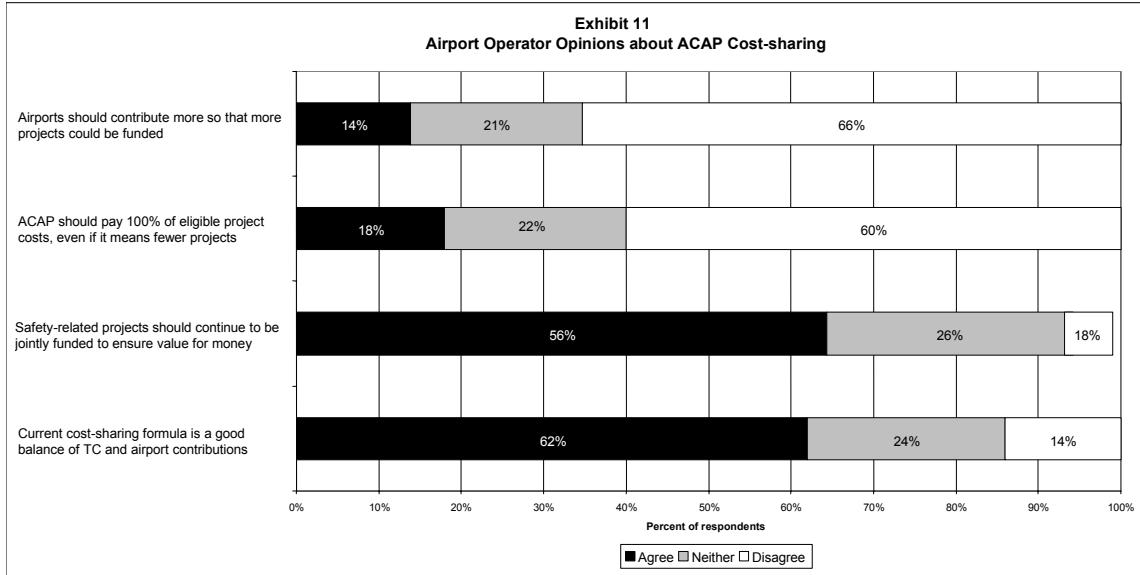
Exhibit 11 presents the additional views of the airport operators on the appropriateness of the current cost-sharing formula. Support for the current cost-sharing formula was highest, with 62% of respondents viewing it as a good balance of TC and airport contributions. Similarly, 66% of respondents disagreed with airports having to contribute more so that more projects could be funded.

Although there is recognition that, in principle, projects should be cost-shared, there is a strong belief amongst airport operators that smaller airports are not able to contribute even a small amount.

<sup>66</sup> Based on an average of the estimated costs for an overlay of a runway over 4,000 feet in a northern and southern region, with the overlay costs being slightly higher in the North.

<sup>67</sup> These numbers exclude the six P4 projects that have been funded at 50% and have been calculated based on a 3 yr. Average of pax levels between 1995-97, rather than on a project by project basis.

## 4.0 Cost-Effectiveness of ACAP



Data analyzed from the stakeholder consultations, including those with TC staff, reveal similar views on ACAP's cost-sharing formula. Although the majority of stakeholders and TC staff expressed support for the existing cost-sharing formula, there was also recognition that ACAP should be a partnership and that airports should contribute something.

### Representative Stakeholder Views

The current cost-sharing formula is appropriate; smaller airports can't afford to contribute to large capital projects.

In principle, ACAP should be a partnership and a 5-10% contribution by the airport seems reasonable.

Larger airports should fund a larger proportion than 15%.

Cost-sharing should be based on an assessment of an airport's ability to pay and this assessment should go beyond a consideration of passenger levels.

The 50/50 contribution for P4 projects is appropriate although some stakeholders view it is as too high for the recipient contribution.

There is, however, a general belief expressed by a number of stakeholders and TC staff that if recipients were required to contribute something to an ACAP project, there would be a reduction in the amount of time spent negotiating "down" a project. As a result, the project eventually approved by TC would represent a more cost-effective approach to addressing an airport's actual need.

In addition, a number of stakeholders and TC staff indicated that the cost-sharing formula should go beyond a consideration of the passenger levels and include a valid assessment of the community's ability to contribute to the financial viability of the airport. In reality, however, this would be very difficult to do, and both stakeholders and TC staff had no concrete ideas on how this should be done.

It is recognized that a decision on the appropriate cost-sharing formula is a policy decision made by management, based on the relevant characteristics and needs of a particular funding program and population. To gain further insight into TC's other approaches to cost-sharing, the evaluation gathered information on cost-sharing formulas used within TC for its main contribution programs. The results reveal a range of cost-sharing approaches.

- **Ports Divestiture Fund** — For pre-transfer feasibility studies, cost-sharing ranges from 33%-100%, with the majority of studies 100% funded by TC.
- **Safety Improvements for Highway/Railway Crossings** — TC provides 80% of the costs of the crossing improvement project, with the balance of funding provided by the province, regional municipality, township or city.
- **Strategic Capital Investment Initiatives - Highways** — TC's cost-sharing with provincial/territorial governments ranges from 50-100%, with 50/50 cost-sharing agreements being the most common.
- **Labrador Coast Airport Program** — TC provides 100% of direct costs, with the Government of Newfoundland contributing indirect (staff resources) costs ranging from 10-25% of the total project cost.

An examination of other cost-sharing approaches used by the federal government and in existing provincial airport funding programs also reveals a wide range of approaches.

- **Infrastructure Works Program** — The cost-sharing formula used was one-third for each of the three levels of government.

- **B.C. Air Transport Assistance Program** — Provides between 75-100% of funding for projects, depending on their priority. For larger cost projects such as runway overlays, the recipient may be required to contribute a greater percentage of the project's costs.<sup>68</sup>
- **Alberta Community Airport Program** — All approved projects, with the exception of runway extensions, are 100% funded by Alberta Transportation and Utilities. For runway extensions, recipients are required to contribute a portion of the costs, which in the past has ranged from 33% to 50%.
- **Manitoba Airport Capital Assistance Program** — All approved projects are cost-shared on a 50/50 basis.

In addition, a review of literature conducted as part of the ACAP evaluation did not reveal any studies specifically examining the efficiency of cost-sharing programs. As such, it is not possible to make comparisons or draw conclusions as to whether the existing ACAP approach to funding represents good value-for-money.

When considering the need for changes to the cost-sharing formula, the evaluation re-examined the original rationale for the current cost-sharing formula. TC staff indicated that the pax-level criteria for cost sharing was based on an airport's ability to contribute, with smaller airports less able to generate sufficient revenues to contribute even a small portion of a project's costs, other than the staff time necessary to oversee the project.

In its business plan, an airport must demonstrate actual financial need and an inability to pay. However, the question arises as to whether it would be more appropriate if ACAP considered the actual owners' ability to contribute, rather than an individual airport's business plan. The majority of ACAP-eligible airports are owned by either provincial/ territorial or municipal governments. As such, although an airport's ability to contribute (based on the airport's annual budget) may be very limited, there may be a greater ability for the owners to contribute.

However, all provincial/territorial government officials interviewed expressed a high degree of reluctance to contribute additional funds to an area that they continue to view as a federal responsibility. The Province of B.C. articulated this strongly held view in a 1995 study it conducted on airport capital financing options:

“The province of British Columbia currently funds some of the smaller airports in British Columbia through the Air Transport Assistance Program. While this program could be used to fund some of the required capital projects at the airports being transferred from the federal government, the Provincial Government is not in a position to step in and take over what was the federal responsibility for capital funding. The Provincial Government can use the existing mechanisms and budgets to assist, but is not ready to accept the responsibilities that were formerly in the jurisdiction of the Federal Government.”<sup>69</sup>

Similarly, altering the cost-sharing formula in any way that would result in increased costs by municipal owners is strongly opposed by the FCM. The FCM argues that as a result of non-NAS airport transfers to local communities, municipalities are now having to contribute to the cost of operating their airports. As such, any additional contributions are viewed as adding to the already significant financial burden being passed on to municipalities as a result of these transferred airports and the downloading of other provincial responsibilities.

<sup>68</sup> B.C. Transportation Financing Authority, Air Transport Assistance Program (ATAP) Guidelines for 1999/2000 Applications, 1998.

<sup>69</sup> B.C. Ministry of Employment and Investment, Airport Capital Financing Options, 1995, p.8.

It is important to note, however, that the majority of ACAP-eligible airports were already owned by the provinces, territories, and municipalities prior to ACAP. Prior to the transfer of TC's non-NAS airports, the ACAP-eligible airport population was comprised of

- 23 (18%) municipally owned airports,
- 65 (50%) provincially owned airports,
- 35 (27%) territorially owned airports, and
- 7 (5%) other ownership.

Assuming that the vast majority of the TC Non-NAS airports will be transferred to the municipalities, the post-transfer ACAP-eligible airport population in 2001 will be comprised as follows:

- 75 (35%) municipally owned airports,
- 67 (31%) provincially owned airports,
- 46 (21%) territorially owned airports, and
- 26 (12%) other ownership.<sup>70</sup>

The evaluation does recognize that prior to ACAP and the transfer of Non-NAS airports, ACAP-eligible airports had relied on federal funding for safety-related capital expenditures through TC's Local/Local Commercial Program.

Despite the original program logic, and strong objections by most stakeholders to revising the current ACAP cost-sharing formula to require a greater contribution by the recipient, the evaluation believes that this proposal has merit. The reasons for requiring a greater contribution by the airport owner are as follows:

- It would better reflect the federal principle of partnership, as recently advocated in the Federal/Provincial/Territorial Social Union Framework Agreement.
- It would better reflect a community's commitment to the airport's continued safe operation.
- It would result in more cost-efficient projects being submitted because airport owners would be more committed to keeping projects' costs down.
- It would allow ACAP to fund more projects, thereby having a greater impact on aerodrome safety throughout Canada and enhancing the program's cost-effectiveness.

### Recommendation

It is recommended that

- Airport Programs and Divestiture should consider revising the ACAP cost-sharing formula for Priority 1-3 projects to require airport owners to contribute a small proportion (15-25%) of the projects' eligible costs.

### SHOULD TC CONTINUE TO PROVIDE ACAP?

<sup>70</sup> Includes 21 airports owned by a local operating authority and whose airports whose ownership status is unknown.

The final question to be addressed in this evaluation is whether TC should continue to provide funding to assist in the costs of safety-related projects at smaller airports in Canada through ACAP. This can only be answered after taking into consideration the key evaluation results presented previously.

- The program is consistent with TC's mandate.
- There is an ongoing need for the program.
- It has been successful in achieving its objectives.
- It is the most cost-effective approach to achieve the program's objectives.

The evaluation concluded the following:

- **ACAP is consistent with the Department's objectives and mandate** — The program rationale and design are consistent with TC's objectives of safety and contributing to Canadian prosperity. Safety, a primary objective of the Department, is also the primary focus of the program. A targeted approach to funding through a contributions program is generally consistent with TC's approach in other key areas of the transportation system. There is no duplication of federal programs —with the exception of the LCARP — and no duplication of other public sector programs.
- **There is a need for the program** — Smaller airports have limited capacity to generate revenues for capital expenditures and there are few other funding sources for capital projects. The demand for ACAP funds is estimated to be approximately \$187M over the next 5 fiscal years.
- **ACAP has achieved its program objectives** — The program has assisted over 80 airports finance important safety-related capital projects. Approximately 134 projects have been funded to date with total program spending of \$80M. A large majority of funding (84%) has been spent on Priority 1 airside safety projects. Although objective data related to program impacts on airport safety are not available, the design of the program was found to be linked to its safety objective. As well, stakeholders and airport operators firmly believe that the program is meeting the objective of improving safety at smaller airports. The program has also contributed to the federal presence in small communities in Canada, facilitated the transfer of non-NAS TC airports, and generated economic activity. As well, ACAP is seen by stakeholders to have been managed effectively and this has resulted in a high degree of credibility for the program in the aviation community. Finally, the current need-based project approach is seen as the best means of achieving ACAP's safety-related objectives.

The evaluation did find that the major beneficiaries of ACAP funds are almost exclusively other levels of government; approximately 95% of ACAP-eligible airports are owned by P/T (77%) or municipal (18%) governments.

#### Recommendation

Should TC continue to view it as appropriate to fund safety-related capital expenditures at ACAP-eligible airports, the vast majority of which are owned by provincial/territorial or municipal governments, it is recommended that

- TC should continue to provide the ACAP program at its current funding level.



## 5. SUMMARY OF RECOMMENDATIONS

The recommendations previously stated are presented again here and organized under three key headings: program continuance, program design, and program management.

### PROGRAM CONTINUANCE

- TC should continue to provide the ACAP program at a funding level of \$187M over the next five years.

### PROGRAM DESIGN

- Airport Programs and Divestiture should retain the existing ACAP project priorities that reflect a strong safety emphasis.
- Airport Programs and Divestiture should retain the existing airport and project eligibility criteria and incorporate passenger volume into its future criteria for project priority-setting and funding.
- Airport Programs and Divestiture should collect data on remote airports in Canada and within two years conduct a policy review on the future eligibility of remote airports for ACAP.
- Airport Programs and Divestiture should consider revising the ACAP cost-sharing formula for Priority 1-3 projects to require airport owners to contribute a small proportion (5-15%) of the project's eligible costs.

### PROGRAM MANAGEMENT

- Airport Programs and Divestiture should seek authority from TBS to re-profile ACAP funds in order to accommodate cyclical pressures.
- Airport Programs and Divestiture, Aerodrome Safety, Occurrence Data, Analysis and Reports, and the Program Evaluation Branch should examine the feasibility of developing and implementing a performance framework for ACAP that will measure the impact of ACAP on aerodrome safety.
- Airport Programs and Divestiture should revise the ACAP information booklet to provide greater clarity about eligible projects and the documentation required for submission of an application, and should also develop an electronic application document.
- Airport Programs and Divestiture should clarify the potential eligibility of registered airports for ACAP in their ACAP application booklet.
- Airport Programs and Divestiture should solicit input from key stakeholder organizations on overall program direction and policy as well as on project funding priorities.
- Airport Programs and Divestiture should widely distribute a list of all ACAP projects that are funded annually.

**ANNEX A - METHODOLOGY**

## ANALYSIS OF ACAP AND OTHER ADMINISTRATIVE DATA

The evaluation used data on ACAP projects as well as ACAP program- and airport-related data to provide information for the evaluation issues. These data were manipulated and in some cases merged to form databases. The data are discussed below under three main headings: Project File Review, ACAP Evaluation Database and Future Demand Database.

### Project File Review

The Project File Review required the retrieval of all ACAP project files for funded and rejected projects from both the regions and HQ. The evaluation undertook a comprehensive review of ACAP project files, the contents of which included information such as project specifics, regional recommendations and contribution agreements. The content of these files provided information for both the audit and evaluation components of this study.

### ACAP Evaluation Database

The evaluation created the ACAP Evaluation Database by amalgamating HQ's ACAP Program Updates data (1995-99), Statistics Canada's passenger numbers data for the years 1992-97, and the most recent (January 1999) Canadian Flight Supplement data on the airports' status, ownership and characteristics. The ACAP Evaluation Database provided a wide range of information that assisted in the determination of program funding levels, number and types of projects funded and rejected, the ACAP-eligible airport population, ownership of ACAP-eligible airports, size distribution of ACAP-eligible airports, and the location of eligible airports.

### Future Demand Database

The evaluation also created the Future Demand Database through an amalgamation of future capital needs data captured in the Airports Survey and costing data provided by the regions on the various capital needs identified in the survey. The Future Demand Database allowed the evaluation to determine the future demand for ACAP funds over a five-year horizon, the future demand for the various project types and the regional distribution of this demand.

## CONSULTATIONS WITH EXTERNAL STAKEHOLDERS

External stakeholders (both users and service providers for the air transportation system) were an important source of information for the ACAP evaluation. The ACAP Evaluation Framework Report identified external stakeholders as the key sources of information for seven of the 13 evaluation issues. These issues are

- ongoing need for ACAP,
- airport eligibility,
- project eligibility,
- facilitating transfer of Non-NAS airports,
- program management,
- contributions of the cost-sharing formula to value-for-money, and
- program alternatives.

A total of 45 stakeholder organizations were consulted during the evaluation. The stakeholders were identified in consultation with ACAP HQ and regional staff. External stakeholders consulted include provincial and territorial governments, municipalities, air carriers, aviation councils, and industry associations. The organizations include national stakeholder organizations as well as regional and local organizations in every region. The major groups of external stakeholders consulted, with the number of

consultations for each group (45 total), are presented in the following list. A complete list of the individuals consulted from the organizations is included at the end of this annex.

- National organizations (CAC, ATAC, FCM, COPA and CBAA) – 5
- Airport managers associations, aviation or regional councils – 8
- Air carriers – 11
- Municipalities/airport operators – 10
- Provincial and territorial governments – 9
- Other organizations (e.g., consultants) – 2

In-person, in-depth interviews were the method used most frequently for conducting the consultations. Approximately 80% of the interviews were conducted in person. At least one trip was organized for every region in order to conduct the consultations. Telephone contacts were made with each organization to identify the most appropriate respondent (if not already known) and to make an appointment for the interview. Letters were sent in advance of the meeting to confirm the details of the appointment. Telephone interviews were completed when it was not possible or practical to conduct in-person interviews.

The consultations were conducted using a structured interview guide. A copy of the guide is presented at the end of this annex. The guide closely follows the issues identified in the Evaluation Framework Report. Some modifications to the guide were made when interviewing different types of stakeholders to reflect their different situations and perspectives on the program.

Notes were prepared for each of the interviews conducted. Drafts of the interview notes were sent to all respondents for their review and comment. After receiving their comments, letters of thanks were sent along with copies of the final interview notes. Several of the organizations consulted also provided written briefs or notes to supplement the notes taken during the interviews.

For the analysis, the qualitative results (notes) were summarized by key variables such as issue and region. These summary files were then used in conjunction with other data collected in the evaluation to conduct the overall analysis of each of the evaluation issues.

## **SURVEY OF AIRPORT OPERATORS**

Airport operators are a special subset of external stakeholders. They are in a unique position with respect to ACAP because they are the project proponents and the recipients of the funds. Many airport operators have direct experience with ACAP as program applicants and funding recipients, and they are able to provide information about the program that other stakeholders cannot. The ACAP Evaluation Framework Report identified airport operators as the key source of information for 11 of the 13 evaluation issues. These issues include:

- the ongoing need for ACAP,
- future demand for ACAP funds,
- program contribution to safety,
- program contribution to airport asset maintenance and operating cost reduction,
- airport eligibility,
- project eligibility,
- facilitating transfer of Non-NAS airports,
- program contribution to the federal presence at airports,
- program management,
- contribution of the cost-sharing formula to value-for-money, and
- program alternatives.

A Survey of Airport Operators was conducted to consult with the operators of all ACAP-eligible airports. The survey was designed and administered by the Program Evaluation Branch (ACB). The methodology for the survey was a courier-out, fax-back survey using a self-administered questionnaire that was sent to all eligible airports.

The survey was a census of all 179 ACAP-eligible airports using October 31, 1998 as the eligibility cut-off date. The list of surveyed airports is included in this annex. The preparation of a list of airports was based on ACAP program data and consultations with HQ and regional ACAP staff. Pre-survey telephone and fax contacts were made with airports to identify the appropriate respondent (usually the airport manager) and to collect or confirm contact information, including mailing address and fax number. The draft final airport list was reviewed again by ACAP program staff for accuracy and completeness.

A detailed 16-page survey questionnaire was designed to collect information identified in the ACAP Evaluation Framework. Draft questionnaires were prepared in both languages by the ACB evaluation team. Two versions of the questionnaire were prepared.

- A general version for municipal and private airports (i.e., operators of single airports).
- A split version for provincial representatives who operate more than one airport (i.e., a general component for the opinion questions and specific questionnaires for information about each of the airports).

ACAP staff at HQ and the regions reviewed the draft questionnaires. After revisions and further review, the questionnaire was pre-tested with four airport operators (two English and two French). After final revisions and review, the questionnaires were formatted for distribution. A copy of the questionnaire, annotated with the survey statistics, is presented at the end of this annex.

The survey questionnaire was distributed by courier to pre-identified respondents at all eligible airports. The questionnaires were sent out during the week of October 12, 1998. Evaluation team members were available to respond to calls and questions from airport operators. Most completed questionnaires were returned to ACB by fax; some were returned by mail in the pre-addressed envelope provided for this purpose.

Two weeks after the initial distribution, reminder notices were sent by fax to all non-respondents. Telephone follow-up calls were also made to all non-respondents after four weeks had passed. As well, some respondents were contacted by telephone to clarify their responses to particular survey questions.

The overall response rate was 97%, with questionnaires being received for 175 of 179 airports. Information for 100 of the 175 airports was provided by representatives of the five provinces and three territories with provincially or territorially owned airports. For operators of individual airports, 75 out of a total of 79 responded to the survey.

An SPSS database was prepared with the results of the survey. All analysis was conducted using SPSS statistical and data analysis procedures.

## **ANALYSIS OF FUTURE DEMAND**

The objective of the future-demand analysis was to develop an estimate of the demand for ACAP funds for the five-year period from 2000-01 to 2004-05. The methodology was based on developing airport-level estimates that would support breakdowns by key variables, including fiscal year, program priority (P1 to P4) and region.

It must be emphasized that the intent of the analysis was to provide an aggregate estimate of the future demand for ACAP funds, including an overall estimate for the five-year period as well as breakdowns by

fiscal year, program priority (P1 to P4) and region. The methodology was not designed to support estimates of future need and demand for ACAP funds by individual airports.

## DATA SOURCES

### *The following data sources were used in the analysis of future demand:*

- Airport Operators — Airport operators provided data on the capital needs of the airports in their responses to the Airport Survey.
- ACAP staff — ACAP staff reviewed the Airport Survey data on airport capital needs and verified the eligibility of the projects submitted. ACAP staff also provided cost estimates for eligible projects. A standardized project-costing model was developed and used by some ACAP staff to estimate costs for common types of projects.
- ACAP administrative data — Program data were used by ACAP staff to verify the capital requirements of airports and to estimate project costs.
- Other TC administrative data — Historical TC capital program spending data was reviewed to develop demand estimates for airports formerly owned by TC for which operators did not provide estimates as well as for Non-NAS TC airports that are expected to become eligible upon transfer.

There is a total sample of 214 airports included in the future demand analysis. The sample of 214 airports consists of

- 172 airports that were eligible at the time the Airport Survey was initiated in October 1998;
- 22 airports that have been added to the eligibility list between October 1998 and March 31, 1999; and
- 20 TC airports that should be transferred in the next two years and that are expected to be eligible by 2002.

## DATA COLLECTION AND ANALYSIS PROCEDURES

The following procedures were used in the collection and analysis of data used in the analysis of future demand.

### **Identification of ACAP-eligible Capital Needs by Airport Operators**

Airport operators were asked to provide details of the capital requirements of their airports for projects that would be ACAP-eligible and for which they expected to apply to the program. For provincially and territorially owned airports, representatives of the five provinces and three territories with ACAP-eligible airports provided submissions to address the expected needs for all the eligible airports in their respective provinces and territories. Question 14 of the Airport Survey questionnaire (presented at the end of this annex) shows the format of the submissions on capital needs.

### **Review of Project Eligibility by ACAP Staff**

ACAP staff reviewed the ACAP eligibility of all the projects identified in the submissions provided by airport operators through the Airport Survey. There were two stages to this review: 1) a first review was conducted by regional ACAP staff; and 2) a second review was conducted by HQ staff.

### Project- and Airport-level Cost Estimation

Two methods were used for developing cost estimates for specific projects. Costs were usually assigned based on staff knowledge and experience with the costs of completing different types of projects at specific types of airports. ACAP staff also developed a standardized costing model that specified costs for major types of capital projects. The model included costs for different types of heavy equipment and for major construction projects such as runways. Variables were incorporated into the model to take into account different types of runway surfaces (i.e., gravel, asphalt), different runway lengths and different locations (e.g., north/south, urban/isolated). ACAP staff used this model as a point of reference for comparison with their estimations of project costs.

At the airport level, overall estimates were based on the sum of individual project costs. For airports for which airport operators did not provide submissions about capital needs (i.e., survey non-respondents and airports that have become eligible since the initiation of the survey), five-year costs were estimated based on the average estimated costs for all other airports. Estimates of the costs for former TC airports for which cost estimates were not provided by operators and for the 20 TC airports expected to be transferred were based on historical TC costing data.

### Estimating Overall Demand

An airport-level capital cost database was created with the project- and airport-level costing data. The database was used to calculate an overall future demand estimate as well as breakdowns by fiscal year, program priority (P1 to P4) and region.

Based on extensive TC experience with capital funding programs for airports, an administrative discount of 25 per cent was applied to the funding demand estimate derived from the airport-submissions operator. The rationale for this discount to the airport operator-derived estimate is based on the following two factors, each of which will have a direct influence on actual demand:

- Actual project costs are typically five per cent less than the initial estimated costs after competitive tendering.
- On average, about 20 per cent of projects (and project costs) do not get implemented in any given year for various reasons. These reasons include cancellation or deferral of the project by the applicant-proponent, determination that the project was not needed or that it could be modified after a technical review, and determination that the project was not eligible for the particular program after a detailed administrative review is conducted.

### CAVEATS AND CAUTIONS

The following caveats and cautions should be considered when interpreting the estimates of future demand for ACAP funding:

- The analysis was not intended to provide accurate estimates for individual airports. The estimates are more likely to approach actual demand at higher levels of aggregation.
- Estimated demand for P3 and P4 projects is probably underestimated to some extent. Because of the wide variability in the possible types of P3 and P4 projects and the limited information provided by most airport operators in their submissions, TC staff were not able to assign costs to some P3 and P4 projects identified in these submissions. Given that P3 and P4 projects represent a minor component of overall program spending, this should not have a significant impact on the overall demand for program funding.

- The demand estimates for airports (excluding those for former TC airports for which data was not provided by operators) for which airport operators did not provide submissions for their capital needs (e.g., airports yet to be transferred, survey non-respondents) are based on the average estimates for all other airports. Year-to-year or regional breakdowns could be affected if any of these airports have unusually high needs. These differences are less likely to have a large impact on the overall estimate at the national level.
- The estimated demand for 2000-01, the first year in the five-year study period, may be higher than the actual demand. While the demand forecast for 2000-01 is \$67M — 36% of the total of \$187M for the five-year period — TC experts and historical data for capital funding projects indicate that actual demand is likely to be lower for several reasons.
  - It may be impractical or impossible to implement a number of major projects in the same geographic area because the disruptions caused by closing a number of runways and facilities for construction at the same time would be unacceptable.
  - Airports may have been overly optimistic or ambitious in predicting the expected timing of their applications to ACAP. Preparing submissions for major projects requires significant engineering and technical work that can take time and money on the part of the applicant.
  - The ACAP application review and approval process can take time. For example, if an application submitted for FY 2000-01 requires revision or more information, the delay could cause all or part of the project to be deferred until the subsequent year.
  - The overall effect is that it is likely that some of the projects submitted by airport operators for 2000-01 will be deferred to subsequent years.



## **ACAP Stakeholder Consultations: Interview Guide**

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Organization: \_\_\_\_\_ Interviewer: \_\_\_\_\_

Date: \_\_\_\_\_ Other Participants: \_\_\_\_\_

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### **Introduction**

- thanks very much for meeting with me/us today
- purpose of the interview is to seek your views on a number of aspects of ACAP
- the evaluation and audit is being done as part of normal program cycle to see how effective the program is functioning
- please be assured that the views and opinions expressed today will not be singled out or attributed to your organization in the evaluation report; rather, we will be presenting the results of the stakeholder consultations in the aggregate
- (if taping, ask) to help in my note-taking, would you mind if I taped our interview?

### **Ongoing Need for ACAP**

Perhaps we could start off by asking about your/your organization's familiarity and involvement with ACAP.

1. I'd now like to ask some questions about the ongoing need for ACAP. In general, how would you rate the capacity of (ACAP-eligible) airports to build and maintain safe facilities and equipment?
2. Besides their own revenue, what other sources of funds are available to airports for capital expenditures (e.g., municipal, provincial, other federal funds or programs)? How much do the airports depend on Transport Canada for these funds?

### **ACAP Eligibility Criteria**

I would like to ask you about the eligibility criteria for ACAP, including airport eligibility, project eligibility and changes made in 1996.

**Airport Eligibility Criteria** — Thinking first about airport eligibility

3. Do you think the current ACAP eligibility is appropriate to meet the needs of airports? Prompt with information about the criteria as required.
  - Certification
  - Regularly scheduled passenger service
  - Minimum of 1,000 scheduled passengers annually (over three years, excluding TC remotes)
  - Not owned by the federal government
4. In 1996, TC-subsidized airports became eligible for ACAP. What kind of impacts did this change have on the program? **(N/A for carriers)**
5. Do you have any recommendations for changes to the airport-eligibility criteria (e.g., in the requirement to have a minimum of 1,000 scheduled passengers)? What would these changes mean: to eligible airports? to other stakeholders?

**Project Eligibility Criteria** — Now, considering the project-eligibility criteria

6. Do you think the current project eligibility is appropriate to meet the needs of airports? Prompt with information about the criteria as required.
  - P1 — safety-related airside projects
  - P2 — Heavy airside mobile equipment
  - P3 — Air terminal building/groundside safety-related
  - P4 — Asset protection or operating cost reduction
7. In 1996, the project-eligibility criteria expanded from the airside safety-related projects only (P1) to include the other types of projects. In your view, what kind of impact did this change have on the program?
8. Do you have any recommendations for changes to the ACAP project-eligibility criteria (e.g., to include fire halls or storage sheds for mobile equipment)? What is the rationale for these changes? What would these changes mean: to eligible airports? to other stakeholders?
9. Given the potential pressures on the ACAP funding limits (i.e., \$35M per year), what do you think should be the program/project priorities?

**Facilitating the Transfer of Non-NAS Airports**

10. How important is ACAP to the decision of airport ownership groups to take over the airport(s) from Transport Canada? How does ACAP fit into their planning?

**ACAP Application Processing (Management)**

11. Based on your knowledge and experience, is the ACAP application process a fair and open one (probe for perceived political influence, ways to make the process more transparent)? Are applications reviewed consistently and fairly?
12. Do you have any suggestions for improving the application and review process?

**Cost-sharing Formula**

13. Do you think that the cost-sharing formula is appropriate for the different types of ACAP-eligible projects? (Prompt as required.)
14. Does the cost-sharing formula lead to the most efficient and effective use of the program funds? Should ACAP provide 100% of the funds, even if it means funding fewer projects? Alternatively, should airports provide a larger share of the project funding so that the ACAP funds could be distributed over a larger number of projects?
15. What do you think is the best approach to project cost sharing?

**Alternative Approaches to Achieving ACAP Objective**

16. What do you think are the strengths and weaknesses of the ACAP approach to providing capital funds to airports (i.e., needs-based project applications with an emphasis on safety-related projects)?
17. Do you think there are alternative funding approaches that would be better? For example:
  - block funding (multi-modal)
  - percentage of operating budgets (based on a consistent formula for all eligible airports)
  - funding shared by different levels of government (e.g., like the Infrastructure Program)
  - Other approaches
18. Should TC regional staff consult with any other regional stakeholders when deciding whether to recommend approval of a project (e.g., regional carriers flying into the airport, other aviation organizations)? What about setting regional project priorities?
19. Should TC consult with any organizations to set overall program priorities? If yes, which organizations should TC consult with? (Probe for proposed consultation process and how involved?)

## Other Issues

20. How well-known is ACAP in the aviation community? Is there a need for better communications?

21. That is all the questions I have. Do you have any other comments about the ACAP program?

Within the next couple of weeks I will send you a draft of my summary from our interview and you can make any corrections or additions that you think are appropriate.

Thank you very much for your time and assistance.

## INDUSTRY STAKEHOLDERS

- ❑ Phil Bluck  
President  
Airport Management Conference of Ontario  
(AMCO)
- ❑ Richard Brouillard  
Directeur général  
Aéroport régional de Val-d'Or Inc.
- ❑ Bob Campbell  
Airports Manager  
Air Nova
- ❑ Pierre Corbeil  
President  
Aéroport Régional de Val-d'Or Inc.
- ❑ Michael Colmant  
President  
B.C. Airport Managers Association
- ❑ Susan D. Dabrensky  
Director, Airports  
Canadian Regional Airlines Ltd.
- ❑ John David  
Airport Manager  
North Bay Airport
- ❑ John Davidson  
President  
Manitoba Aviation Council
- ❑ John Robert Davidson  
Director  
Canadian Owners and Pilots  
Association (COPA)
- ❑ John-David Lyon  
President & CEO.  
Canadian Business Aircraft Association  
(CBAA)
- ❑ Marcel Martineau  
Directeur  
Aéroport de Rouyn-Noranda
- ❑ Tyler Masee  
Airport Manager  
Campbell River Airport
- ❑ Joseph Dion  
Director of Policy and Public Affairs  
Federation of Canadian Municipalities  
(FCM)
- ❑ Dennis Dowling  
Properties Facilities & Contracts  
Canadian Regional Airlines Ltd.
- ❑ George Freisen  
President-elect  
Airport Management Conference of Ontario  
(AMCO)
- ❑ Michel Gagné  
First Vice-President, Operations  
InterCanadien
- ❑ Jim Glass  
General Manager  
Athabaska Airways Ltd.
- ❑ Andy Glover  
General Manager, Airports & Cargo  
Air BC
- ❑ Curtis Grad  
Chair, Airports Committee  
B.C. Aviation Council
- ❑ Richard Jardine  
Airport Manager  
Miramichi Airport
- ❑ Greg Lang  
Assistant Chief Pilot  
Bearskin Airlines
- ❑ Wayne Steel  
General Manager  
Alberta Airport Operators Association
- ❑ David Steer  
President and CEO  
Northern Sky Aviation
- ❑ John Strugnell  
President  
Jonair Consultants

- ❑ Lynn Peters  
Base Manager  
Skyward
- ❑ Brad Pryde  
Vice President – Aviation Group  
Stantec Consulting Ltd.
- ❑ Kevin Psutka  
President & CEO  
Canadian Owners and Pilots  
Association (COPA)
- ❑ Coleen Rogers  
Chair, Operations and Technical  
Affairs Committee  
Canadian Airports Council (CAC)
- ❑ Murry Sigler  
President & CEO  
Canadian Airports Council (CAC)
- ❑ Michael Skrobica  
Vice President, Finance  
Air Transport Association of Canada  
(ATAC)
- ❑ Shawn Sutherland  
Director of Airport Services  
Castlegar Municipal Airport
- ❑ Janice L. Tye  
Vice President, Customer Service  
Canadian Regional Airlines Ltd.
- ❑ Peter Vuillemot  
Executive Director  
Atlantic Provinces Transportation  
Council (APTC)
- ❑ Rachid Ziam  
Director – Customer Services  
Air Alliance
- ❑ Daryl Smith  
CEO  
Pacific Coastal Airlines  
Vancouver Airport South

**GOVERNMENT – TRANSPORT CANADA**

- |   |   |
|---|---|
| <input type="checkbox"/> Bob Bancroft<br>Audit/Inspection Standards<br>Aerodrome Safety                         | <input type="checkbox"/> Karen Everett<br>Funded Programs Officer<br>Ontario Region                           |
| <input type="checkbox"/> Dave Bell<br>Director General, Airport Programs and<br>Divestiture<br>Headquarters     | <input type="checkbox"/> Paul Gallant<br>Regional Superintendent, Elect./Mech.<br>Systems<br>Atlantic Region  |
| <input type="checkbox"/> Jacques Bertrand<br>Manager, Program Administration,<br>P & D<br>Headquarters          | <input type="checkbox"/> Mark Kealey<br>Manager, Funded Programs and Property<br>Management<br>Ontario Region |
| <input type="checkbox"/> Daniel Bleau<br>ACAP Manager<br>Quebec Region  | <input type="checkbox"/> Tony Kwan<br>Senior Engineer, Facilities and Technical<br>Services<br>Ontario Region |
| <input type="checkbox"/> Bill Clark<br>Regional Manager, Facilities and Technical<br>Services<br>Ontario Region | <input type="checkbox"/> Art Laflamme<br>Director General<br>Civil Aviation<br>Headquarters                   |
| <input type="checkbox"/> Rob Clark<br>Manager (A), Professional and<br>Technical Services<br>Atlantic Region    | <input type="checkbox"/> Harvey Layden<br>Director<br>Aerodrome Safety  |
| <input type="checkbox"/> Kim Current<br>A/Director<br>Aerodrome Safety<br>Headquarters                          | <input type="checkbox"/> Ron Lapp<br>Manager, Funded Programs<br>Prairie and Northern Region                  |
| <input type="checkbox"/> Florine Dahms<br>Officer, Funded Programs<br>Prairie and Northern Region               | <input type="checkbox"/> Yvon Levrault<br>ACAP Regional Officer<br>Quebec Region                              |
| <input type="checkbox"/> Rod Dean<br>Director General, Airport Business<br>Management, P & D<br>Headquarters    | <input type="checkbox"/> Jenny Low<br>Senior Program Officer, Funded Programs<br>Pacific Region               |
| <input type="checkbox"/> Don Maclean<br>Regional Director, Programs<br>Ontario Region                           | <input type="checkbox"/> Gilles Turmel<br>ACAP Regional Officer<br>Quebec Region                              |
| <input type="checkbox"/> Bernadette MacNeil<br>Funded Programs Officer<br>Atlantic Region                       | <input type="checkbox"/> Dan Whyte<br>RD, Airports<br>Atlantic Region   |

- Mary Mah  
Regional Manager, Funded Programs  
Pacific Region
- Marc Meunier  
ACAP Regional Officer  
Quebec Region
- Denis Moreau  
Officer, Funded Programs  
Prairie and Northern Region

- Steve Nuytten  
Officer, Funded Programs  
Prairie and Northern Region
- Alfie Yip  
Electrical Systems Engineer, Facilities  
and Technical Services  
Ontario Region

## PROVINCIAL/TERRITORIAL

- Jean Gagnon  
Transportation Analyst  
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- Margaret Grant-McGivney  
Transportation Policy Officer, Department of  
Transportation  
Government of New Brunswick
- Kim Graybiel  
Logistics, Planning and Compliance  
Saskatchewan Highways and Transportation
- Paul Guy  
Manager Arctic Airports  
Nunavut
- Louis Richard  
Manager, Remote Northern Transportation  
Office  
Ministry of Transportation Government of  
Ontario
- David Selby  
Director, Northern Airports and  
Marine Operations  
Manitoba Highways and  
Transportation  
Government of Manitoba
- Murielle St-Pierre  
Transportation Analyst  
Government of Quebec

- Luc Labbé  
Transportation Analyst  
Government of Quebec
- Richard Mackenzie  
Director, Arctic Airports (Nunavut)  
Government of Nunavut
- Ralph Plourde  
Transportation Analyst  
Government of Quebec
- Denis Renaud  
Airport Operations Manager,  
Prince Albert District  
Saskatchewan Highways and  
Transportation
- Marc Tremblay  
Director of Aviation and Marine  
Government of the Yukon
- Jim Winsor  
Director, Arctic Airports  
Government of the Northwest Territories



## MUNICIPAL

- Mark Brown  
Chief Administrative Officer  
Town of Qualicum Beach
- Denis Charron  
Director General  
City of Rouyn-Noranda
- Jack Jensen  
Assistant City Engineer  
City of Prince Albert
- John Komanchuk  
Municipal Work Superintendent  
Medicine Hat
- Denis Lelièvre  
Manager  
City of Trois-Rivières
- Ron R. Liebreich  
Transportation Manager  
City of Prince Albert

## LIST OF AIRPORTS SURVEYED

### A. Atlantic Region

Bathurst Airport	Charlo Airport	Miramichi Airport	Stephenville Airport	<i>Total: 7</i>
Sydney Airport	St. Leonard Airport	Yarmouth Airport		

### B. Quebec Region

Akulivik Airport	Alma Airport	Aupaluk Airport	Chibougamau Airport	<i>Total: 25</i>
Inukjuak Airport	Gaspé Airport	Gethsemanie Airport / La Romaine	Iles-Aux-Grues Airport	
Kangirsuk Airport	Ivujivik Airport	Kangiqsualujjuaq Airport	Kangiqsujuak Airport	
Port-Menier Airport	Kuujuarapik Airport	La Grande Riviere Airport	Montmagny Airport	
Rouyn-Noranda Airport	Povungnituk Airport	Quaqtaq Airport	Roberval Airport	
Tete-a-la-Baleine	Salluit Airport	St. Augustin Airport/Pakuashipi	Tasiujuaq Airport	
Umiujuaq Airport				

### C. Ontario Region

Angling Lake/Wapakeka	Attawapiskat Airport	Bearskin Lake Airport	Big Trout Lake Airport	<i>Total: 51</i>
Cat Lake Airport	Chapleau Airport	Cochrane Airport	Deer Lake Airport	
Dryden Airport	Earlton Airport	Elliot Lake Ontario	Fort Albany Airport	
Fort Frances Municipal Airp.	Fort Hope Airport	Fort Severn Airport	Geraldton Airport	
Hamilton Airport	Hearst Airport	Hornepayne Airport	Kapuskasing Airport	
Kasabonika Airport	Kashechewan Airport	Kenora Airport	Kingfisher Airport	
Kingston Airport	Kirkland Lake Airport	Lansdowne House Airport	Manitoulin East	
Manitouwadge Airport	Marathon Airport	Moosonee Airport	Muskrat Dam Airport	
Nakina Airport	North Bay Airport	Ogoki Post Airport	Pickle Lake Airport	
Peawanuck Airport	Pelee Island Airport	Pembroke Airport	Sachigo Lake Airport	
Pikangikum Airport	Red Lake Airport	Round Lake Airport	Sandy Lake Airport	
Sarnia Airport	Sault Ste. Marie Airport	Sioux Lookout Airport	Toronto Island Airport/City Centre	
Wawa Airport	Webequie Airport	Wunnummin Lake Airport		

### D. Prairie and Northern Region

Aklavik Airport

Bloodvein River Airport  
 Cape Dorset Airport  
 Coral Harbour Airport  
 Edmonton Municipal Airport  
 Fort Norman Airport/Tulita  
 Gjoa Haven Airport  
 Hall Beach Airport  
 Igloolik Airport  
 La Ronge Airport  
 Lloydminster Airport  
 Norman Wells Airport  
 Peace River Airport  
 Prince Albert Airport  
 Red Sucker Lake Airport  
 Sanikiluaq Airport  
 St. Theresa Point Airport  
 Taloyoak  
 Whale Cove Airport  
 York Landing Airport

Arviat/Eskimo Point  
 Brandon Airport  
 Chesterfield Inlet Airport  
 Cross Lake Airport  
 Flin Flon Airport  
 Fort Simpson Airport  
 Gods Lake Narrows Airport  
 Hay River Airport  
 Inuvik Airport  
 Lac Brochet Airport  
 Lynn Lake Airport  
 Norway House Airport  
 Pine Dock/ Arnes Airport  
 Qikiqtarjuaq Airport  
 Repulse Bay Airport  
 Shamattawa Airport  
 Stony Rapids Airport  
 The Pas Airport  
 Whitehorse Airport

Baker Lake Airport  
 Brochet Airport  
 Clyde River Airport  
 Dauphin Airport  
 Fond-du-lac Airport  
 Fort Smith Airport  
 God's River Airport  
 High Level  
 Iqaluit  
 Lethbridge Airport  
 Medicine Hat Airport  
 Old Crow Airport  
 Points North Landing  
 Rainbow Lake Airport  
 Resolute Bay  
 Snare Lakes  
 Swan River Airport  
 Tuktoyaktuk Airport  
 Wollaston Lake Airport

Berens River Airport  
 Cambridge Bay Airport  
 Coppermine/Kugluktuk Airport  
 Dawson City Airport  
 Fort Chipewyan Airport  
 Gillam Airport  
 Grande Prairie Airport  
 Holman Island Airport  
 Island Lake Airport  
 Little Grand Rapids Airport  
 Nanisivik Airport  
 Oxford House Airport  
 Pond Inlet Airport  
 Rankin Inlet Airport  
 Sachs Harbour Airport  
 South Indian Lake Airport  
 Tadoule Lake Airport  
 Uranium City Airport  
 Yellowknife Airport

*Total: 77*

**E. Pacific Region**

Abbotsford Airport  
 Castlegar Airport  
 Kamloops Airport  
 Powell River Airport  
 Salmon Arm Airport

Anahim Lake Airport  
 Cranbrook Airport  
 Mackenzie Airport  
 Prince Rupert Airport  
 Texada Island Airport

Bella Coola Airport  
 Dawson Creek Airport  
 Masset Airport  
 Qualicum Beach Airport  
 Williams Lake Airport

Campbell River Airport  
 Fort St. John Airport  
 Nanaimo Airport  
 Quesnel Airport

*Total: 19*



Transport  
Canada

Transports  
Canada

# *Airports Capital Assistance Program (ACAP)*

## **Airport Survey Marginals**

**Program Evaluation Directorate**



*(Aussi disponible en français)*

**Canada**

## Instructions

1. ***What is this survey about?***

This survey is about the Airports Capital Assistance Program (ACAP). This is a program assisting eligible airports in financing capital projects related to safety, asset protection and operating cost-reduction.

Capital projects related to safety, asset protection and operating cost-reduction are defined as follows:

Safety related airside projects:

Projects such as rehabilitation of runways, taxiways, aprons, associated lighting, visual aids, utilities to service eligible items, related site preparation costs including directly associated environmental costs, and aircraft firefighting specialized vehicle which are necessary to maintain the airport's level of protection as required by regulation.

Heavy airside mobile equipment:

Projects such as runway snowblowers, snowplows, sweepers, spreaders, winter friction testing devices.

Air terminal building /groundside safety related projects:

Projects such as sprinkler system and asbestos removal.

Asset protection or operating cost reduction related projects:

Projects related to air terminal building or groundside access with the aim of reducing operating costs.

We have included the booklet "ACAP Information to Program Applicants" in your survey package should you wish additional details on the program.

2. ***Who is answering this survey?***

The questionnaire is being sent to approximately 180 airports across Canada which are eligible for ACAP.

3. ***Are there any special instructions for how to complete the survey?***

Most questions are multiple choice questions. Please follow the instructions in the survey for circling a number or checking a response. You may use either pen or pencil. We also encourage you to express the reasons for your agreement or disagreement with any statements after the specific question. There is also space at the end of the survey for any additional comments you may wish to make.

4. ***What is the deadline for completing and mailing the survey?***

Please return your completed survey by October 30th. Please fax it to the Program Evaluation Branch at 613-991-1291 as this will ensure we receive your response promptly. Or, if you prefer to send your response by mail, a self-addressed postage paid return envelope has been enclosed for your convenience.

5. ***Why does the questionnaire have an identification number?***  
The questionnaire has an identification number that will be used only to help us track the survey response rate. Please be assured that your responses will be completely confidential. Information about your individual airport or any other individual airports will not be included in any evaluation reports. Also, if you have any ACAP applications currently under review, your responses will not have an impact on these applications, nor any future applications.
  
6. ***Who can I contact if I have any questions about this survey?***  
Please contact Jennifer Birch-Jones, the Evaluation Manager, at 613-998-6515.

**Thank you for your participation.**

## Experience with ACAP

- 1** Since 1995, Transport Canada has assisted eligible airports to finance capital projects related to safety, asset protection and operating cost reduction through a federal funding program called the Airports Capital Assistance Program (ACAP). Have you heard about the ACAP program prior to receiving this survey?

Yes	99%	
No	1%	n = 83

- 2** In what year did you first learn about the ACAP program?

1994	33%	
1995	28%	
1996	27%	
1997	10%	
1998	1%	
Don't Know	1%	n = 82

- 3** How did you learn of the ACAP program? (Check all that apply)

Discussion with Transport Canada officials	66%	
Airport conference/workshop	26%	
Mailing from Transport Canada (ACAP Information booklet)	40%	
From other airport operators / aviation community	21%	
Newspaper / media	4%	
During the airport transfer negotiations	37%	n = 70

- 4** How familiar are you with the ACAP program? (Circle the appropriate response)

	Not at all familiar		Somewhat familiar		Very familiar	
	1	2	3	4	5	n
	0%	3	16%	32%	49%	81

- 5a** Has the airport ever applied to ACAP?

Yes	48%	
No	52%	n = 159

- 5b** Why has the airport not applied to ACAP? (Check all that apply)

Did not know about the program	4%	
No need	25%	
Did not think the airport would qualify	54%	
Process too cumbersome	21%	
Access to other funds	43%	n = 28

**6a** Over the last 3 years (i.e. 1995-1998) has the airport undertaken any ACAP eligible major capital projects or purchases (i.e. more than \$100K) related to safety, asset protection and operating cost reduction? (If you are unclear about these terms, or ACAP eligible projects, please refer to the Survey Instructions on page 2 or the ACAP Information booklet.)

Yes 74%  
 No 27% n = 136

**6b** Please briefly list the projects and indicate if an application was made for ACAP funding.

List of Projects	Applied for ACAP Funding <i>Check (✓) if yes</i>

*Note: If you have never applied for ACAP funding, please skip to Q.9.*

**7a** Were all of the airport's ACAP funding applications (those formally submitted to Transport Canada) approved?

Yes 48%  
 No 53% n = 59

**7b** Which projects were not approved?

**7c** Was the airport able to proceed with any projects that were not approved by ACAP?

Yes 72% \*  
 No 28% n = 61

**7d** Please briefly describe any of the projects you completed without ACAP funding:

\* This figure includes data from the 46 Territorially owned airports, considered ineligible until Fall 1998.

**8** Please indicate the extent to which you are satisfied or dissatisfied with the ACAP program information and administration in terms of: *For each of the following statements please indicate your level of satisfaction with respect to the ACAP Program.*

	Very dissatisfied		Neither		Very satisfied		n
	1	2	3	4	5		
<b>Information contained in ACAP Information booklet regarding:</b>							
a. Eligible applicants (p.1)	5%	14%	14%	26%	41%	58	
b. Eligible projects (p.1-2)	3%	12%	31%	26%	28%	58	
c. Evaluation criteria (p. 2)	4%	7%	35%	31%	24%	55	
d. Cost-sharing (p.3)	0%	3%	26%	35%	36%	58	
e. Application process (p.3-4)	2%	10%	24%	41%	24%	59	



f. Approval process (p.5)	4%	7%	29%	36%	25%	56
g. Payment schedule (p.6)	0%	0%	30%	41%	30%	54

**Type of information required to submit with the application (see ACAP Information booklet) regarding:**

h. Airport-related information (p.4)	0%	7%	28%	47%	19%	58
i. Project specific information (p.4)	2%	7%	22%	48%	21%	58

**Timeliness regarding :**

j. Decisions on project approval	5%	13%	29%	39%	14%	56
k. Receiving ACAP contribution	2%	4%	27%	44%	23%	52

**Decision making process in terms of:**

l. Openness	5%	7%	23%	42%	23%	57
m. Transparency	4%	6%	31%	42%	18%	55
n. Fairness	2%	11%	31%	33%	24%	55
o. Non-partisan	2%	4%	28%	35%	32%	54

**p. Assistance from Transport Canada ACAP staff**

If you dissatisfied with any of these items (any scale ratings of 1 or 2) please identify the items and briefly explain why.

<b>9 Please indicate the extent to which you think the existing program eligibility criteria are appropriate or not appropriate. (Circle the appropriate response for each question).</b>						
	Not at all appropriate 1	2	Somewhat appropriate 3	4	Highly appropriate 5	<u>n</u>
<b>The project eligibility criteria stating projects must:</b>						
a. be essential to maintain or improve safety, protect the asset or reduce operating costs	0%	2%	1%	27%	70%	83
b. meet accepted engineering practices	1%	0%	7%	29%	63%	83
c. be justified on the basis of current demand	2%	6%	34%	31%	27%	82
<b>The airport eligibility criteria stating airports must:</b>						
d. be certified	1%	5%	10%	26%	58%	80

e. receive regularly scheduled passenger service	9%	16%	15%	22%	39%	82
f. receive a minimum of 1000 regularly scheduled passengers for past three years	16%	17%	16%	21%	31%	82

**If you rated any of these criteria as not appropriate (i.e. any scale ratings of 1 or 2) please identify the criteria and briefly explain why.**

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**10 The ACAP cost-sharing formula is based on the level of airport activity. Eligible airports are asked to contribute a portion of the project costs commensurate with their level of airport activity. For projects related to airside safety and purchase of mobile equipment, the airport's contribution is based on the airport's annual passenger activity level (>150,000 E/D passengers = 15%, 100,000 - 150,000 = 10%, 50,000 - 100,000 = 5% and <50,000 =0%). For projects related to asset protection and operating cost-reduction the airport is required to contribute 50% towards the cost of the project.**

**Please indicate the extent to which you think the existing cost-sharing criteria are appropriate or not appropriate. (Circle the appropriate response for each question)**

	Not at all appropriate 1	2	Somewhat appropriate 3	4	Highly appropriate 5	<u>n</u>
a. Airport contributions of up to 15% for airside safety related capital projects	10%	3%	25%	34%	28%	79
b. Airport contributions of up to 15% for heavy airside mobile equipment if totally dedicated to airport use	5%	8%	24%	34%	29%	79
c. Airport contributions of up to 15% for air terminal building if safety-related	10%	6%	25%	35%	23%	79
d. 50% from the airport for asset protection or operating cost reduction related projects	10%	20%	29%	23%	18%	79

	Not at all appropriate 1	2	Somewhat appropriate 3	4	Highly appropriate 5	n
<b>If you rated any of these criteria as not appropriate (i.e. any scale ratings of 1 or 2) please ) please identify the criteria and briefly explain why?</b>						
<hr/>						
<hr/>						
<hr/>						

**11 Please indicate the extent to which you agree or disagree with the following statements about the ACAP project cost-sharing formula. (Circle the appropriate response for each question)**

	Strongly disagree 1	2	Neither 3	4	Strongly agree 5	n
a. ACAP should pay 100% of the costs of all eligible projects even if it means funding fewer projects each year	29%	31%	22%	11%	7%	82
b. The current ACAP cost-sharing formula represents a good balance of Transport Canada and airport contributions	1%	13%	24%	41%	21%	80
c. Airports should contribute a larger proportion of the costs of projects so that more projects could be done with the ACAP funds available	28%	38%	21%	8%	6%	80
d. Safety-related capital projects should continue to be jointly funded by airports and Transport Canada to ensure that projects represent the best value for money	5%	13%	26%	33%	23%	82
<b>If any of your opinions suggest a change to the program, what would be the advantages of the change?</b>						
<hr/>						
<hr/>						

**12 Was the airport formerly owned by Transport Canada?**

Yes 52%  
 No 48% n = 75

**13 Please comment on whether you think the availability of ACAP funds facilitated the transfer of this airport from Transport Canada to the local community?**

## Airport's Needs for Improvement and Upgrades

- 14** To determine future funding demand for ACAP, Transport Canada wants to develop estimates of the future needs of airports for ACAP eligible projects. To help formulate these estimates, we would like to know about the needs of your airport for major capital expenditures (more than \$100K) on purchases, repairs and upgrades to facilities and equipment. Please be assured that if you have any ACAP applications currently under review, your responses to this question will not have an impact on these applications, nor any future applications. We need information on all ACAP eligible projects planned for the airport over a 5 year period, between 2000/01 to 2004/05 (*Note: We will be able to estimate 1999/2000 program demand from the applications submitted in 1998/99*).

**When completing the table below, please consider the following:**

- **Type of project:** If a particular ACAP project type is not already listed, please identify it under "Other".
- **Type of expenditure:** Please indicate whether a particular projects is a repair (R), upgrade (U) or purchase (P).
- **Years:** Please refer to the fiscal year (i.e. April 1 - March 31) in which the funds would be expended by.
- **Eligible projects:** Please refer to the enclosed ACAP Information booklet for project eligibility information.
- **Don't know:** If you are not able to specify any capital requirements at this time, please check "Don't Know".

The example below identifies a runway which requires repairs in 2000/01, and a major reconstruction and resurfacing in 2004/05.

Type of ACAP Projects	2000/01	2001/02	2002/03	2003/04	2004/05	Don't Know
<i>e.g. Runway</i>		<i>R</i>			<i>U</i>	
<b>P1 - Airside safety related capital projects</b>						
Runway 1						
<b>Runway 2</b>						
Taxiway						
Apron						
Edge light						
Precision Approach Path Indicators (PAPI)						
Omni-Directional Approach Lighting Systems (ODALS)						
Other electric lighting system such as signs and beacons						
<b>P2 - Heavy airside mobile equipment (safety related)</b>						
Snow Plow						
Snow Blower						
Sweeper						
Loader						
<b>P3 - Air terminal building/groundside (safety related)</b>						
Sprinkler system						
Asbestos removal						
<b>P4 - Asset protection/refurbishing or operating cost reduction</b>						
Air terminal building						
Groundside access						

**15** To finance ACAP eligible capital projects required by the airport (as listed in question 14) how important will be each of the following possible sources of funding? (Circle the appropriate response for each question)

	Not at all important 1	2	Somewhat important 3	4	Very important 5	<u>n</u>
a. Capital reserves	11%	9%	22%	15%	44%	55
b. Special fees or charges	20%	10%	22%	10%	37%	59
c. Regular budget allocations	8%	8%	22%	23%	40%	65
d. Municipal government	15%	11%	19%	11%	43%	53
e. Provincial government	24%	0%	15%	20%	41%	46
f. Federal government - ACAP	0%	1%	1%	1%	96%	81
g. Federal government - other programs	8%	0%	19%	22%	51%	37

**If you have indicated that government(s) will be an important source of funds, please indicate any specific sources/programs from which you expect to receive funds, other than ACAP?**

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**16** There are some possible alternative approaches to ACAP for funding capital projects for eligible airports. Do you agree or disagree with the following statements regarding different ways for Transport Canada to provide capital funding to ACAP eligible airports? (Circle the appropriate response for each question)

	Strongly disagree 1	2	Neither 3	4	Strongly agree 5	n
a. The current ACAP approach based on project applications and project-specific grants mainly for safety-related capital projects.	0%	11%	20%	33%	36%	81
b. Block funding from the federal government for all airport capital spending based on a consistent funding formula for all eligible airports (for example, percentage of capital budgets).	25%	7%	32%	27%	9%	75
c. Shared federal, provincial and municipal funding for needed capital project (for example, one third from each level of government, like the former federal Infrastructure Works Program).	37%	17%	27%	11%	9%	79
d. Funding based on all capital priorities instead of safety related needs.	20%	19%	29%	21%	11%	80

**If you agree with any of the alternative approaches to ACAP (i.e. scale ratings of 4 or 5 on alternatives b-e) please briefly explain why?**

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**17 Do you agree or disagree with the following statements regarding the consultation process for ACAP funding decisions? (Circle the appropriate response for each question)**

	Strongly disagree 1	2	Neither 3	4	Strongly agree 5	n
a. National organizations should be involved in setting overall priorities for ACAP funding.	37%	16%	36%	4%	7%	75
b. Regional organizations should be involved in setting priorities for ACAP funding.	22%	13%	18%	25%	21%	76
c. Transport Canada should set overall priorities for funding, after consulting with key external organizations.	7%	10%	22%	29%	33%	77
<b>If you agree with any of these statements (i.e. scale ratings of 4 or 5) please identify the organizations Transport Canada should consult with?</b>						
<hr/>						
<hr/>						
<hr/>						

**Airport Characteristics**

*The following questions about the airport will assist us in analyzing your responses about ACAP.*

**18 In which year was the airport built?**

1927-1950	28%	
1951-1970	21%	
1971-1998	51%	n = 146

**19 Based on the last 3 years (1995-98), what is the approximate yearly average of scheduled commercial enplaned and deplaned passengers?**

Fewer than 5,000	32%	
Between 5,000 and 19,999	43%	
Between 20,000 and 49,999	12%	
More than 50,000	13%	n = 146



**20** In 1997, approximately what proportions of the airport activity (aircraft movement) do the following represent?

	<u>x</u>	<u>s</u>	<u>n</u>
a. Scheduled traffic	51	24	133
b. Cargo/Freight	20	18	112
c. Other (e.g. Charter)	33	27	131

**21** From your annual operating budget, approximately what percentage do you allocate to each of the following costs?

	<u>x</u>	<u>s</u>	<u>n</u>
a. Operating and Maintenance	49	18	134
b. Capital	16	18	107
c. Salary and benefits	34	21	130
d. Other	8.2	10.6	68

**22** On average, approximately what percentage of the overall capital expenditure budget is allocated annually to each of the following types of projects:

	<u>x</u>	<u>s</u>	<u>n</u>
a. Airside safety-related projects ( <i>e.g. runway rehabilitation</i> )	43	27	80
b. Airside mobile equipment ( <i>e.g. snowblower</i> )	27	19	73
c. Air terminal building/groundside safety-related ( <i>e.g. sprinkler system</i> )	16	14	67
d. Asset protection or operating cost reduction ( <i>e.g. ATB and groundside access related projects</i> )	13	17	75

**23 Please indicate if the airport owns or leases any of the following airside mobile equipment.**

	Own	Lease	Don't have	<u>n</u>
a. Snow Plow	80%	9%	11%	172
b. Snow Blower				
c. Runway Sweeper	64%	1%	35%	118
d. Loader	75%	19%	6%	173
e. Sand Truck	56%	12%	33%	153

**24 Please describe the airport in terms of:**

a. Number of runways	1 = 78%	2 = 19%	3 = 3%	n = 175
b. Runways (length and width)				
c. Terminal building size (square feet)			5,314	8,918
d. Number of hangars			3	5
e. Number of service buildings			3	3

**25 Who owns the airport?**

Provincial government	57%	
Municipal government	33%	
Privately owned	3%	
Other ( <i>please specify</i> )	7%	n = 175

**Any other comments will be greatly appreciated.  
Please write them here or on a separate sheet.**

**Please check whether you would like to receive a copy of the ACAP Evaluation Report**

- Yes
- No

## **Thank you for your assistance**

Please return your completed questionnaire by fax or in the self-addressed business reply envelope (enclosed) to:

**PROGRAM EVALUATION (ACB)**

Transport Canada  
23rd floor, Tower C, Place de Ville  
Ottawa, Ontario  
K1A 0N5

**Phone:** 613-998-6515

**Fax:** 613-991-1291

**ANNEX B – PROGRAM PROFILE**

## PROGRAM OBJECTIVES

The Airport Capital Assistance Program (ACAP) was established pursuant to the *National Transportation Act* (1987), with program-specific approval from Treasury Board (TB) in 1994. Its purpose is to assist eligible applicants (airports) in financing capital projects related to safety, asset protection and operating-cost reduction. ACAP is also seen by some government officials as assisting the federal government in transferring its regional/local airports to local ownership.

In 1996, Treasury Board Secretariat (TBS) approved an amendment to ACAP's terms and conditions.<sup>71</sup> At that time, ACAP's scope was expanded to include funding for other than airside safety-related projects; and the eligibility criteria were revised to include TC airports that had been transferred to local ownership but that still received a TC subsidy.<sup>72</sup>

## PROGRAM BUDGET

The annual budget for ACAP was approved by TB at \$19M for 1995-96, \$25M for 1996-97, and \$35M for 1997-98 and beyond.<sup>73</sup> ACAP is funded, in part, by lease revenues paid to TC by the operating authorities at National Airport System (NAS) airports.<sup>74</sup>

## PROGRAM AWARENESS

ACAP was announced in 1994 through the National Airports Policy (NAP). The NAP news release was widely distributed to media across the country.

Each region has developed its own ACAP communication strategy for its eligible airports. This includes distribution of program information (e.g., program revisions) through personal correspondence, and presentations at meetings and conferences within their aviation communities.

Awareness of ACAP is also enhanced in the following ways:

- Each approved ACAP project is usually announced through a news release at the time of funding confirmation. In addition, a special event may take place to mark the start or completion of an ACAP project.
- For any project consisting of construction or development work, recipients are required to put up a bilingual sign in a public area of the airport that includes appropriate recognition of federal participation.
- Through the Non-NAS airports transfer process, a news release announcing the official transfer includes the following reference: "ACAP assists eligible airports in financing capital projects related to safety, asset protection and operating cost reduction."

## PROGRAM MANAGEMENT

ACAP is the responsibility of the ADM, Programs and Divestiture, but it is regionally delivered. Approximately 18.8 FTEs are involved in the program's management and operation (see Appendix A). The distribution by program and technical FTEs is outlined in Exhibit B-1.

<sup>71</sup> TBS Decision Record, ACAP, June 19, 1996.

<sup>72</sup> TC subsidies to transferred airports are being phased out over a five-year period and will be eliminated as of March 31, 2000.

<sup>73</sup> Transport Canada, Treasury Board Submission to Obtain Approval to Amend the Terms and Conditions of the Airports Capital Assistance Program, May 17, 1996, p. 2.

<sup>74</sup> Transport Canada, National Airports Policy, July 1994.

**Exhibit B-1  
TC ACAP Resources**

<b>Regions</b>	<b>Program Staff (FTE)</b>	<b>Technical Staff<sup>75</sup> (FTE)</b>	<b>Civil Aviation Staff (FTE)</b>
Atlantic Region	2	1	0.1
Quebec Region	1.8	0.7	0
Ontario Region	1.25	2.50	0
P&N Region	3.90	1.15	1.10
Pacific Region	1.2	0.5	
HQ	1.6		

To address ongoing program management issues and to enhance coordination, national meetings are held semi-annually, at which time regional and Headquarters program staff discuss projects and current issues. Program revisions resulting from these and other policy decisions are outlined in Appendix B.

**ELIGIBILITY**

In order for airports to receive ACAP funding, certain conditions must be met by both the applicant and their proposed project. Eligible airports are those that

- are not owned by the federal government;
- meet the requirements of Canadian Aviation Regulations (CARs), Part III, Aerodromes and Airports, Subpart 2- Airports with respect to certification;<sup>76</sup> and
- receive regularly scheduled passenger service.<sup>77</sup>

To date, applications from non-certified airports have been considered by TC if they meet all other eligibility criteria and if it can be proven that the project will assist the airport in obtaining certification.<sup>78</sup> A statutory declaration has been developed to allow airports with scheduled traffic greater than 1,000/yr. —which is not reported to Statistics Canada due to aircraft size — to be eligible for ACAP.

As shown in Exhibit B-2, approximately 194 airports in Canada currently meet these ACAP-eligibility criteria, with an additional 20 airports eligible in 1998-99 and 1999-2000 once they are transferred from TC.

<sup>75</sup> Technical staff include technical support from professional engineers as well as the support of the environment and aviation people.

<sup>76</sup> Transport Canada, TP 312 - Aerodrome Standards and Recommended Practices, March 1993, 4<sup>th</sup> Edition.

<sup>77</sup> An airport shall be deemed to be served by scheduled passenger service if in each year of the most recent three-year period an airport handled annually a minimum of 1,000 regularly scheduled commercial/scheduled charter passengers as reflected in TC official passenger statistics. The scheduled passenger restriction does not apply to any “TC Remote Airports”, as designated in the National Airports Policy.

<sup>78</sup> National ACAP Managers Meeting Decision Record, April 23, 1997.

**Exhibit B-2**  
**Number of ACAP-eligible Airports**

Type of Airport	Eligible Airports	Eligible Airports in Future <sup>79</sup>	Total Eligible Airports
Non-TC Airports	128		
TC Airports <sup>80</sup> <ul style="list-style-type: none"> <li>• Already transferred</li> <li>• Transferred by 2002</li> </ul>	64	20	
TC Remote Airports	2		
Total <sup>81</sup>	194	20	214

Source: National Airport Policy, Transport Canada, 1994, Annex C.

The number of eligible airports varies significantly across TC's five regions. Exhibit B-3 presents the regional breakdown of ACAP-eligible airports. As shown, Prairie and Northern Region has the most eligible sites (90). Although the number of airports in this particular region can be related to geography, this is not always the case. For example, Ontario and Quebec have similar landmasses; yet Ontario has close to double (53) the number of eligible sites as compared to Quebec (27).

<sup>79</sup> These are TC airports forecast for transfer to local authorities, which, at the date of transfer, will become eligible for ACAP.

<sup>80</sup> From the Airport Transfer Plan Forecast, February, 1999.

<sup>81</sup> The Newfoundland airports covered under the Labrador Coast Restoration Program are not included.

Exhibit B-3  
ACAP-eligible Airports by Region

Region	No. of eligible airports
Atlantic	9
Quebec	27
Ontario	53
Prairie and Northern	90
Pacific	15

These 194 eligible airports vary somewhat in size,<sup>82</sup> however, a high concentration of eligible sites are "smaller" airports. Exhibit B-4 shows the distribution of ACAP-eligible sites by passenger numbers and region. As shown, the vast majority of eligible sites (173) are smaller sites with less than 49,999 passengers. The remaining 21 sites are mostly medium-sized and only three have the passenger numbers to be considered as "larger" airports.

Exhibit B-4  
ACAP-eligible Airports by Passenger Numbers and Region

Scheduled Commercial and/or Scheduled Charter passengers	Atlantic	Quebec	Ontario	Prairie and Northern	Pacific	Total
greater than 150,000	-	-	2	1	-	3
100,000 -150,000	2	-	1	1	1	5
50,000 -99,999	-	2	3	2	6	13
less than 49,000	7	25	47	86	8	173

Exhibit B-5 illustrates the ownership profile of ACAP-eligible airports in each region. Most (87%) ACAP-eligible airports are owned and operated by non-federal public authorities (i.e., provincial (113) and municipal (55) governments). Only a minority of eligible sites are owned and operated by "other"<sup>83</sup> local entities (21). For five sites, the ownership status is unknown. As shown in Exhibit B-5, Quebec, Ontario, and Prairie and Northern Region have provincially owned ACAP-eligible airports, with Prairie and Northern Region having the largest number of sites in this category. All regions, except the Atlantic Region, have municipally owned airports. Ontario has the largest number of municipally owned airports.

Exhibit B-5

<sup>82</sup> Airport size has been defined in this study by level of airport activity (i.e., numbers of scheduled commercial and/or scheduled charter passengers averaged over the most recent three year period, and it is based on the ACAP cost-sharing criteria). Airports with a three-year average greater than 150,000 passengers were considered to be "larger" airports; airports with passengers in the 50,000 to 149,999 range were considered to be "medium"-sized airports; and airports with less than 49,999 passengers were considered to be "small" airports.

<sup>83</sup> Refers to that segment of ACAP-eligible airports that are not owned by a public entity such as a provincial or municipal government. For example, an airport owned by a local operating authority would fall into this category.



Ownership of ACAP-eligible Airports

<b>Region</b>	<b>No. of eligible airports</b>	<b>Prov/Terr</b>	<b>Municipal</b>	<b>Other</b>	<b>Unknown</b>
Atlantic	9	-	-	8	1
Quebec	27	20	4	1	2
Ontario	53	23	24	5	1
Prairie and Northern	90	70	17	3	-
Pacific	15	-	10	4	1
<b>Total</b>	<b>194</b>	<b>113</b>	<b>55</b>	<b>21</b>	<b>5</b>

Exhibit B-6 describes the four project types eligible for ACAP:

- safety-related airside (Priority 1)
- safety-related heavy airside mobile equipment (Priority 2)
- safety-related air terminal building and ground side improvements (Priority 3)
- asset protection or operating cost reduction initiatives (Priority 4)

**SELECTION**

Applications are received throughout the fiscal year, with applicants informed by February 1<sup>st</sup> as to whether or not their application has been approved for funding in the subsequent fiscal year.<sup>84</sup>

**Exhibit B-6  
ACAP Priorities**

<b>Priority 1</b>	Safety-related airside projects such as the rehabilitation of runways, taxiways, aprons, associated lighting, visual aids, utilities to service-eligible items, related site preparation costs, including directly associated environmental costs and Emergency Response Service vehicles that are necessary to maintain the airport's level of protection as required by regulations
<b>Priority 2</b>	Heavy airside mobile equipment (safety-related) such as runway snowblowers, and runway snowplows, runway sweepers, spreaders and winter friction testing devices
<b>Priority 3</b>	Air terminal building/groundside safety-related projects such as sprinkler systems and asbestos removal
<b>Priority 4</b>	Asset protection/refurbishing/re-lifing or operating cost reduction, including air terminal building and groundside access

Source: Transport Canada, Airports Capital Assistance Program: Information to Program Applicants, June 1996, p.2.

As shown in Exhibit B-7, the ACAP process involves four steps. Through preliminary discussions with ACAP staff, an assessment is made as to whether the airport and the project will meet the program's basic eligibility criteria. This can be done through preliminary meetings between the applicant and ACAP staff. Alternatively, eligibility is assessed upon receipt of a formal application to the Regional Director General, Transport Canada, of the region in which the applicant's airport is located.

Second, regional staff, including safety and security experts (where applicable), review the application against the following evaluation criteria. The project must

<sup>84</sup> To be considered for funding during a particular fiscal year (April 1 to March 31), an application should reach the appropriate Regional Office by October 1st of the preceding year.

- be essential to maintain or improve safety, protect the asset significantly, or reduce operating costs;
- meet accepted engineering practices; and
- be justified on the basis of current demand. (Note: Projects that result in the expansion of current facilities will only be considered where it is demonstrated that the current facilities negatively impact safety.)

**Exhibit B-7  
ACAP Process**

<p>1. Airport Submission</p> <ul style="list-style-type: none"> <li>• Preliminary discussions/meetings</li> </ul>
<p>2. Regional Evaluation</p> <ul style="list-style-type: none"> <li>• Technical review of the documentation received according to ACAP criteria (TP 12313)</li> <li>• Environmental screening</li> <li>• Other activities such as site visits</li> <li>• Assessment of self-finance capabilities</li> <li>• Regional recommendation to HQ if project is qualified<sup>85</sup></li> </ul>
<p>3. Headquarters Funding Confirmation</p> <ul style="list-style-type: none"> <li>• Review the regional recommendations</li> <li>• Funding delegation</li> </ul>
<p>4. Public Announcement and Regional Agreement Signed</p> <ul style="list-style-type: none"> <li>• Regional staff advise the applicant</li> <li>• Announcement and media events</li> </ul>

The primary technical eligibility criteria and compliance requirements are as follows:<sup>86</sup>

- A technical assessment of the condition of the facility, or facilities, certified by a professional engineer (i.e., for airside pavements, associated electrical facilities, visual aids for navigation, as applicable) is required for eligible rehabilitation or expansion projects.
- An environmental assessment of the impacts, or potential impacts, of the proposed project, certified by the airport operator, is required for eligible rehabilitation or expansion project.
- Projects must be designated in accordance with TP 312 “Aerodrome Standards and Recommended Practices” and must adhere to accepted engineering practices, as certified by a professional engineer.
- An assessment of the regulatory requirement for the procurement, or replacement, of a Emergency Response Service vehicle, if applicable, must be certified by the airport operator.

On-site visits may also be conducted in the course of the application review process. The applicant must demonstrate that the airport is not able to self-finance the project. If a region qualifies the project, it will submit its recommendation to HQ for funding confirmation.

<sup>85</sup> If the project does not meet the program’s requirement, the region will advise the applicant directly that the project is not qualified.

<sup>86</sup> TC, Technical Role and Process in the Airports Capital Assistance Program, January 4, 1995.

Thirdly, the Assistant Deputy Minister from Programs and Divestiture reviews the regional recommendations and delegates funds to the region. Applicants are then informed and a public announcement on funding follows.

As outlined in ACAP's Information to Program Applicants, priority for ACAP funding is established on the basis of the following:

- the category of the project (Priority 1-4);
- technical analysis (facility condition, maintenance history);
- airport traffic (aircraft and passenger);
- airport certification requirements; and
- industry advice.<sup>87</sup>

However, as qualified applications have not yet surpassed the ACAP funding available, the above priority-setting criteria have not as yet been utilized. TC officials and external stakeholders anticipate that there will be increased demand for ACAP funding in the near future. This has led TC officials to consider adopting a priority-setting mechanism for application selection.

### **COST SHARING**

Applicants whose projects have been approved for funding, referred to as recipients, are required to enter into a Contribution Agreement, which specifies the nature and the scope of the work to be performed as well as the maximum contribution by the Crown.<sup>88</sup> This Agreement must be in place before any work can commence on the project and before any advance funds are paid.

The Crown's contribution to the project's cost depends on the level of airport activity. ACAP's cost-sharing methodologies require that eligible airports contribute a portion of the project costs commensurate with the level of airport activity. For Priority 1-3 projects,<sup>89</sup> the recipient's contribution is based on the airport's annual passenger activity levels, as outlined in Exhibit B-8. For Priority 4 projects, the recipient is required to contribute 50% towards the cost of the project, regardless of the level of scheduled passenger activity.<sup>90</sup>

### **Exhibit B-8 ACAP Cost Sharing for Priorities 1-3**

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<sup>87</sup> Transport Canada, Airports Capital Assistance Program: Information to Program Applicants, June 1996, p. 2.

<sup>88</sup> The appropriate Regional Office negotiates the Contribution Agreement.

<sup>89</sup> For Priority 2 projects, the cost sharing is the same as depicted in Exhibit 3, except in situations where equipment is not entirely dedicated to airport use; in these cases, the federal share is reduced proportionately.

<sup>90</sup> Transport Canada, Airports Capital Assistance Program: Information to Program Applicants, June 1996, p. 3.

Enplaned/Deplaned Passengers (Annually)	% Funded by Recipient
> 150,000	15%
100,000 - 150,000	10%
50,000 - 100,000	5%
< 50,000	0%

Recipients for whom the ACAP contribution exceeds \$1M are required to continue operating the airport to aerodrome certification standards for a period of 10 years following the date of the Agreement or to repay the contribution. In the event the contribution is less than \$1M, the period of operating obligation is determined by TC.

**PAYMENT SCHEDULE**

Once the contract is awarded, an advance payment — up to 10% of the total contribution amount — may be made by TC. In addition, a progress payment may be made when the project is approximately 50% completed in order to reimburse the recipient for actual expenses to date. The total amount of the advance and progress payments may not exceed 90% of the contribution amount.

Final payment is made upon presentation of evidence that the recipient has fully complied with the terms and conditions of the Contribution Agreement.

**Appendix A**  
**ACAP Program Staff**

ACAP Program Staff

<b>Region</b>	<b>Program Directors</b>	<b>ACAP Officers</b>	<b>HQ ACAP Staff</b>
Atlantic	Dan Whyte <i>Regional Director, Airports</i>	Reg Dingley <i>Acting Manager, Professional and Technical Services</i>  Bernadette MacNeil <i>Community Airports Officer</i>	Ron Sully <i>ADM, Programs and Divestiture</i>
Quebec	Jacques Rogala <i>Regional Director, Programs</i>	Daniel Bleau <i>Regional Manager, Airport Operations</i>  Marc Meunier Gilles Turmel Yvon Levreault <i>Officers, Airport Operations and ACAP</i>	Rod Dean <i>Director, Leased/Transferred Property, Airport Programs and Divestiture</i>  Jacques Bertrand <i>Manager, Program Administration, Airport Programs and Divestiture</i>
Ontario	Don Maclean <i>Regional Director, Programs</i>	Mary Louise Canning <i>Regional Manager, Funded Programs</i>  Karen Everett <i>Superintendent, Community Airports</i>	Doreen McMullin <i>Analyst, Leased/Transferred Property, Airport Programs and Divestiture</i>  John Abson <i>Senior Analyst, Financial Management Unit, Airport Programs and Divestiture</i>
Prairie and Northern Region	Sandra Jackson <i>Regional Director, Programs</i>	Ron Lapp <i>Manager, Funded Programs</i>  Steve Nuytten <i>Officer, Funded Programs</i>  Florine Dahms Denis Moreau <i>Officers, Property Management</i>	
Pacific	Michael Langan <i>Regional Director, Programs</i>	Mary Mah <i>Regional Manager, Funded Programs and Administration</i>  Jenny Low <i>Senior Program Officer, Funded Programs</i>	

**Appendix B**  
**ACAP Program Revisions**



## ACAP Program Revisions

December 1994	Approved terms and conditions of ACAP
June 1996	<p>ACAP amendment</p> <ul style="list-style-type: none"> <li>• TC-subsidized airports now eligible</li> <li>• Eligibility criteria expanded to include three additional priority types of projects</li> </ul>
November 1996	When a project consists of a runway overlay/rehabilitation. (such as La Grande/LG2, Quebec), TC will only fund the portion that is required for regularly scheduled passenger service
November 1996	Scheduled passengers are those reported by Statistics Canada
April 1997	No “project development” fees for procurement of mobile equipment
April 1997	ACAP will fund eligible projects necessary to bring a site up to certification standards (i.e., TP 312)
April 1997	For ACAP projects less than \$1M, regions can determine what operating obligation should be included in the Contribution Agreement
April 1997	“Barrier Free Access” projects will be considered for eligible airports
December 1997	No back-up equipment should be funded
December 1997	Salvage value should be assessed and, if applicable, deducted from the contribution
December 1998	Statutory Declaration developed to allow airports with scheduled traffic greater than 1,000/yr. — but that has not been reported to Statistics Canada — ACAP eligibility pending a sworn statement of passenger levels

