AIRPORT IMPLEMENTATION TASK FORCE

REPORT 09-001

Friday, February 6, 2009
10:00 a.m.
Room 207, Hamilton Convention Centre
One Summer’s Lane, Hamilton

Present:
Chair T. Whitehead
Councillors C. Collins, D. Mitchell

Absent with regrets:
Vice Chair L. Ferguson – Personal
Councillor M. Pearson – Bereavement

Also Present:
T. McCabe, N. Everson, G. Paparella, R. Lee, S. Renshaw,
R. Sabo, J. Spiler, M. Zegarac, D. Adames, C. Biggs
R. Koroscil, J. Gibson, S. Howse – TradePort

THE AIRPORT IMPLEMENTATION TASK FORCE PRESENTS REPORT 09-001 AND RESPECTFULLY RECOMMENDS:

1. Confirmation of Chair/Appointment of Vice Chair (Item A)
   (a) That Councillor M. Pearson be confirmed as Chair of the Airport Implementation Task Force for 2009;
   (b) That Councillor L. Ferguson be appointed as Vice Chair of the Airport Implementation Task Force for 2009.

2. 2009 Airport Joint Marketing and Capital Initiatives (PED09041) (City Wide) (Item 4.1)
   (a) That $24,000 be allocated from the Airport Joint Marketing Reserve Fund as the City’s portion of the proposed 2009 Joint Marketing Initiatives, as per Report PED09041 attached hereto as Appendix “A”, and the Hamilton International Airport (HIA) Lease Agreement;

Economic Development and Planning Committee – March 3, 2009
(b) That $17,500 be allocated from the Airport Capital Reserve Fund as the City’s portion of the proposed 2009 Joint Capital Initiatives as per Report PED09041 and the HIA Lease Agreement. CARRIED

3. 2009 Marketing Strategy – Hamilton International Airport

(a) That the verbal update from John Gibson respecting the 2009 Marketing Strategy, be received;

(b) That an update on the Airport Master Plan be deferred for one year, pending completion of the Airport Employment Growth District Study.

4. Correspondence respecting sale of lands in the vicinity of Hamilton International Airport to the City of Hamilton received from Colin Heslop and Cora May Landers

(a) That the two pieces of correspondence from Colin Heslop and Cora May Landers (attached hereto as Appendix “B” and “C”) respecting sale of lands in the vicinity of Hamilton International Airport to the City of Hamilton, be received;

(b) That staff be directed to investigate and report back with details, including cost, timing of acquisition, acquisition strategy, etc., taking into consideration the Airport Master Plan.

FOR THE INFORMATION OF THE COMMITTEE:

(a) Changes to the Agenda

None

On a motion, the agenda be approved, as presented.

(b) Declarations of Interest

None
(c) Approval of Minutes

On a motion, the Minutes of the June 10, 2008 meeting were approved as presented.

(d) Presentation

(i) 2009 Marketing Strategy (Item 4.1)

John Gibson, Vice President, Marketing, provided a written 2009 Marketing Plan to the Committee outlining highlights, programs being continued from 2008 to 2009, and initiatives planned for 2009.

Mr. Gibson’s comments included, but were not limited to, the following:

- Using the downsides in the economy as a strength of the airport because of cost and access to the GTA
- Increasing number of direct sales with carriers through conferences and calls
- Hamilton International Airport has been nominated for the top North American airport marketing program for 2009 at the Routes Americas Conference in February
- Spending more money in e-advertising directly to travel agencies to get to the consumer more quickly
- Indicated that TradePort may be requesting an extension of their update to Committee and Council respecting the Airport Master Plan because of work being done through the Airport Employment Growth District Study.

During this discussion, Councillor Mitchell requested clarification with respect to the shuttle service between the airport and downtown, and who this service is available to i.e., flight crews, passengers, etc.

A copy of the written submission has been retained in the Office of the City Clerk for the public record.

See Item 3 for the Committee’s disposition of this item.

(ii) 2009 Airport Joint Marketing and Capital Initiatives (Item 4.2)

Guy Paparella explained to the Committee that as part of the Lease Agreement between the City and TradePort, a portion of the rental income accrued from the airport is allocated to certain initiatives. Staff has presented 4 initiatives i.e., 2 on the marketing side and 2 on the capital side.
The Committee engaged in some discussion with respect to having a duty-free zone at the airport and as a result, staff was directed to investigate this matter further and to draft a motion for consideration at a future meeting to the effect that the Federal government be requested to make the necessary changes to current legislation to allow the City to pursue a duty-free zone at Hamilton.

(ii) **TransLog 2009 Event (Item 4.3)**

Neil Everson spoke to the TransLog 2009 (Transportation and Logistics) 1ST Annual International Conference which is scheduled to take place at McMaster University, Hamilton, on July 17 to 18, 2009. This event brings together the business component with the goods movement component. The City is partnering with various organizations, including TradePort, the Hamilton Port Authority, Metrolinx and other agencies.

As part of the 2008 budget, the City of Hamilton has made a commitment of $30,000 for five years to the McMaster Institute for Transportation and Logistics (MITL), with the research manufacturing centre as the magnet. Work being done by the MITL includes identifying future opportunities for Hamilton; discussions will centre around Hamilton as a “gateway” and “hub”.

This conference will also give Hamilton recognition in the transportation sector.

On a motion, the report respecting the TransLog 2009 Event, was received.

(e) **Updates**

(i) **Cargojet Hangar (Item 5.1(a))**

Guy Paparella provided an update on the Cargojet hangar, reporting that Cargojet has invested $5 million to expand its facilities to bring in larger aircraft for their business. This, in turn, will contribute to the well-being of the airport and the community from the standpoint of development charges, additional aircraft and the possibility of newly-created employment.

Richard Koroscil reported that Cargojet is constructing a brand new facility which is co-located next to the existing hangar. Cargojet will be moving from a domestic type aircraft to wide body, and the cost of the construction project is approximately $9 million. The expectation of Cargojet is to be in the new facility by April. He also stated that having larger aircraft based in Hamilton creates significant job growth in terms of people i.e., maintenance engineers, technicians, flight crews, etc.
Bi-lateral open skies arrangement and aircraft based in Hamilton will also help draw significant job growth and investment, and will have huge impacts in terms of new jobs.

On a motion, the verbal update respecting Cargojet Hangar, was received.

(ii) 2008 Rental Fees and Projection for 2009 (Item 5.1(b))

Guy Paparella reviewed the figures for the 2008 rental fees and pointed out that the projected decrease in revenues for 2009 is due to the drop in the number of flights landing and taking off from the airport.

Councillor Mitchell requested that staff provide more detail rather than one component, which would include employment, assessment, etc. in addition to rental fees, and that this information be provided on an annual basis.

Staff to forward information update to Council.

On a motion, the verbal update respecting 2008 Rental Fees and Projection for 2009, was received.

(f) Approval of Minutes of Closed Session Meeting held on June 10, 2008 (Item 7.1)

On a motion, the Minutes of the Closed Session of the Airport Implementation Task Force meeting of June 10, 2008 were received. These Minutes will remain confidential and restricted from public disclosure in accordance with exemptions provided in the Municipal Freedom of Information and Protection of Privacy Act.

(g) Private and Confidential

On a motion, the Committee moved into Closed Session at 11:20 a.m. for the receiving of advice that is subject to solicitor-client privilege, including communications necessary for that purpose, and for a matter pertaining to a proposed or pending acquisition or disposition of land for municipal or local board purposes.

On a motion, the Committee reconvened in Open Session at 12:00 noon

(i) Release of Information respecting Annual Audit/FOI Requests (Item 7.2)

Ron Sabo provided a verbal update to the Committee. No further action required.

Economic Development and Planning Committee – March 3, 2009
(ii) Land Acquisition (PED09044) (Item 7.3)

Direction given to staff In Camera.

(g) Adjournment

There being no further business, the meeting adjourned at 12:00 noon.

Respectfully submitted

T. Whitehead, Chair
Airport Implementation Task Force

Carolyn Biggs
Legislative Assistant
February 6, 2009
SUBJECT: 2009 Airport Joint Marketing and Capital Initiatives (PED09041) (City Wide)

RECOMMENDATION:

(a) That $24,000 be allocated from the Airport Joint Marketing Reserve Fund as the City’s portion of the proposed 2009 Joint Marketing Initiatives as per Report PED09041 and the Hamilton International Airport (HIA) Lease Agreement.

(b) That $17,500 be allocated from the Airport Capital Reserve Fund as the City’s portion of the proposed 2009 Joint Capital Initiatives as per Report PED09041 and the HIA Lease Agreement.

EXECUTIVE SUMMARY:

In accordance with Sections 34.01, 34.02, 34.03 of the HIA Lease Agreement between the City of Hamilton and TradePort International Corporation, the City agrees, on an annual basis, to allocate monies to HIA Marketing and Capital expenditures for
Municipal services in, on and around the HIA. Leveraging the City’s limited financial resources, funding from Industry Canada, through the Community Investment Support Program (CISP), was obtained in 2006, 2007 and 2008. Building upon the achievements, staff is working with HIA to undertake a number of marketing and capital initiatives.

Pursuant to Section 4.04 of the HIA Lease Agreement between the City of Hamilton and TradePort International Corporation, the City collects revenues, of which 50% is used to reduce the City’s tax levy, and the remaining 50% is divided equally between the Airport Joint Marketing Reserve Fund and Airport Capital Reserve Fund, Report PED07077 approved by Council February 28, 2007.

Therefore, staff is requesting approval for financial support for the proposed 2009 Marketing and Capital Initiatives. Future requests will be included in the annual City Capital Budget Process with funding coming from the aforementioned Airport Joint Marketing and Airport Capital Reserve Funds.

BACKGROUND:

The Regional Municipality of Hamilton-Wentworth (Region) leased the HIA from Transport Canada in 1987. On July 19, 1996, the Region entered into a 40-year Sub-Lease Agreement with TradePort International Corporation (to be converted to Lease upon transfer) to operate the HIA on its behalf. In December 1996, ownership of the HIA was transferred from Transport Canada to the Region.

Section 4.04 of the Lease Agreement provides for revenue sharing amongst the City and TradePort International Corporation which commenced in 2006. Pursuant to Sections 34.01, 34.02, and 34.03 of the Agreement, the City agrees, on an annual basis, to dedicate no less than 25% of all Percentage Rent received by the City, to match but not exceed, marketing expenditures of the HIA in the immediately preceding year. In addition, the City agrees on an annual basis, to dedicate a further 25% of all Percentage Rent received by the City to fund Capital expenditures for Municipal services in, on and around the HIA.

Hamilton International Airport Lease Agreement, Section 9.03, addresses the Annual Performance Review. As part of the City’s audit procedures, the said Review has been carried out since 2006 and will continue annually thereafter including verification of revenue amounts. To comply with the HIA Lease Agreement, enable efficient use of the HIA revenues and maintain effective review procedures, staff recommended the establishment of separate HIA reserves for the revenues generated by the HIA Lease Agreement, Report PED07077 approved by Council February 28, 2007.

Building upon the success of past initiatives including the 2006 Community Investment Support Program (CISP), the International Air Cargo Association (TIACA) Project, 2007 CISP Asian Foreign Investment Strategy, and 2008 TIACA CISP, staff are working with HIA to better understand the needs of business travelers. As such, we are proposing the HIA Business Survey, which is intended to create awareness, gather business travelers’ needs data and use same to target potential air carriers. To complement the
business passenger growth we are also proposing to utilize this information to assess the need for a warehouse distribution centre and to attract attention / investment to the Airport and City, since cargo also travels in the hull of airplanes.

In 2006, Hamilton International Airport and Tourism Hamilton, with the support of Service Canada, launched a new Tourist Information Centre in the Airport terminal building. The centre provides visitor services to guests arriving and departing from Hamilton. The centre has provided a positive impression to customers and has improved the customer service quality as tracked in customer surveys provided at the Airport. To ensure the sustainability of the centre, staff are recommending undertaking a Tourism Revenue Generation Assessment to identify revenue sources and implementation plan to defray the on-going costs of the centre.

Further to the proposed Tourism Revenue Generation Assessment, we will also propose a Cargo Opportunities Assessment. The purpose to retain a consultant to assess the Hamilton International Airport’s runway capacity under various operating conditions for the very heavy cargo aircraft. The targeted cargo aircraft are MD 11s, 747-200s and 747-400s.

The aim of the aforementioned activities are to show Hamilton's strengths and opportunities in order to attract new economic growth, investment and complement existing companies using and / or located at the John C. Munro Hamilton International Airport. These tools are key components of the growth campaign, which will be used to educate and attract foreign direct investment to the City.

**ANALYSIS/RATIONALE:**

Hamilton International Airport is owned by the City of Hamilton with TradePort International Corporation operating it on the City’s behalf. Section 4.04 of the Lease Agreement provides for revenue sharing amongst the City and TradePort International Corporation which commenced in 2006. Pursuant to Sections 34.01, 34.02, and 34.03 of the Agreement, the City agrees, on an annual basis, to dedicate no less than 25% of all Percentage Rent received by the City, to match but not exceed, marketing expenditures of the HIA in the immediately preceding year. In addition, the City agrees on an annual basis, to dedicate a further 25% of all Percentage Rent received by the City to fund Capital expenditures for Municipal services in, on and around the HIA.

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Building upon the success of the results / recommendations of the past activities to create awareness and attract attention / investment to the HIA and City, staff are recommending the following Marketing and Capital Initiatives for 2009:

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Total:                                     $83,000         $41,500

In summary staff are recommending the aforementioned combined contribution request of $41,500 to be divided accordingly between the proposed Marketing and Capital Initiatives.

**ALTERNATIVES FOR CONSIDERATION:**

The option not to approve the financial allocations would result in the activities not proceeding, and would also raise issues concerning the City not carrying out its responsibilities under Sections 34.01, 34.02, and 34.03 of the Hamilton International Airport Lease Agreement.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

Finance: Council approval is required to access Reserve funds. The City’s Audit Procedures will verify revenue and expenditure amounts annually. The Airport Joint Marketing Reserve Fund currently has a balance of $3,822. An additional $35,000 is estimated as the Joint Marketing component of the rental revenue for 2009. The City’s share for the proposed 2009 Marketing Initiatives is $24,000. The Airport Joint Capital Reserve Fund currently has a balance of $62,152. An additional $35,000 is estimated as the Joint Capital component of the rental revenue for 2009. The City’s share for the proposed 2009 Capital Initiatives is $17,500.
Staffing: None.

Legal: Staff of the Legal Services Division have indicated that the expenditure being approved in recommendations (a) and (b) deals with the City’s obligations to support the Airport’s development through re-investment of rents towards Capital and Marketing expenses, with a portion of rents received, and that the HIA operator is agreeing the expenditure satisfies a portion of the re-investment obligation of the City. In addition, it should be noted that there is some risk that we will overspend the reserve by projecting estimates for 2009 revenues and spending the money in the current year. The City’s obligation under the lease (clause 34), indicate that the timing of the joint expenditures should be in the year following receipt of the rental revenue. The proposed 2009 Marketing Initiatives are utilizing funds from the current year.

POLICIES AFFECTING PROPOSAL:

Hamilton International Airport Lease Agreement
City Audit Procedures

RELEVANT CONSULTATION:

Hamilton International Airport (TradePort International Corporation)
Budgets and Finance Division and Legal Services Division, Corporate Services Department

CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☑ Yes ☐ No
Partnerships are promoted.

Environmental Well-Being is enhanced. ☑ Yes ☐ No
A sustainable transportation network provides many options for people and goods movement; vehicle-dependency is reduced.

Economic Well-Being is enhanced. ☑ Yes ☐ No
Investment in Hamilton is enhanced and supported.

Does the option you are recommending create value across all three bottom lines? ☑ Yes ☐ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☐ Yes ☑ No

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