

TAKING FLIGHT

The early days of 2000 saw the dawn of a new era in local aviation history. On February 1, the Halifax International Airport Authority (HIAA) stepped into the cockpit and took over operational control of Halifax International Airport from Transport Canada. With all systems go, HIAA took flight with skill and confidence, setting course for a prosperous future.

This inaugural annual report highlights HIAA's activities, challenges and achievements in its first year of operating Halifax International Airport.

A MESSAGE FROM OUR CHAIRMAN

It has been a privilege to work with the Board of Directors and our many stakeholders over the past few years to achieve lift off for the Halifax International Airport Authority. Accepting the ceremonial keys to the airport on Transfer Day, February 1, was an exciting moment for the community and a proud day for us all.

I would like to acknowledge the many people who played such vital roles throughout the long negotiation process. Thank you all, for raising the issue in your local communities, and for joining us at Province House for a community rally. It was a truly inspirational experience for me to witness this groundswell of support for HIAA, which transcended all political affiliations in the name of a cause that would benefit the entire community.

Our first annual report reflects 11 months of hard work and achievement in the face of many challenges. Year 2000 was a turbulent year, with airline consolidation and the entry of new carriers to the market transforming the face of the domestic airline industry. We had to operate effectively in the midst of all this change, while also building a new organization and creat-

ing new policies, procedures and systems to manage the many facets of the airport business. We are confident that we now have a solid base from which to work and grow in the coming years.

On top of putting this organizational infrastructure into place, our team developed ambitious plans to expand and renew the airport facilities, and to grow our passenger, cargo, retail and land lease businesses. Many of these projects are already well underway, moving us closer and closer to our goal of developing a world class aviation complex that will fuel our economy and create jobs and opportunities in our community.

I am also pleased to report to you that we have accomplished all this while ensuring the good financial health of our organization. HIAA reported \$26.6 million in revenues for 11 months of operation during 2000, resulting in an excess of revenues over expenses of \$7.1 million. Approximately \$5.2 million of this surplus was invested in capital improvements, while the balance will go to our north end arrivals expansion project, which will be well underway in 2001. We are on firm financial footing, and have posi-

tioned HIAA well for the future.

Throughout the long process of getting HIAA off the ground, airport employees maintained an unflagging commitment to running one of Canada's very best airports. No one missed a beat as we made a seamless transition from a Transport Canada operation to a locally controlled airport authority. I thank them all for their dedication and professionalism.

I extend my sincere appreciation to our air carriers, airport tenants and retailers, who have been equally important to Halifax Airport's success over the years. We couldn't have become the hub and gateway of Atlantic Canada without the extensive services provided by these important partners.

I must also say that we are fortunate to have such a high-calibre board at the helm. I am grateful for the long hours and intense efforts of all our board members. I particularly thank Pierre Champagne, who lent his aviation experience to the position of Executive Vice President and Chief Operating Officer upon the departure of former President and CEO Dennis Rodgers in June. At that time, I

stepped into the role of President and CEO, and Pierre and I worked together for the rest of the year to lead the day-to-day operations of the airport.

On that note, I am pleased to welcome our new President and CEO, Reg Milley, who joined us in January 2001. We're looking forward to a stellar year as Reg takes over the top executive role and leads this organization through more challenging and exciting times ahead.

MEET REG MILLEY

Reg Milley comes to HIAA with over 20 years of experience in the energy, government and general business sectors. He spent many of those years as a senior executive with Husky Energy Inc. of Calgary, most recently overseeing the merger of Husky with Renaissance Energy Ltd. Prior to moving to Calgary from his native Newfoundland, he was head of the Gander Development Corporation, where he was in charge of marketing the airport and adjacent industrial park. He commenced his duties as HIAA's CEO on January 3, 2001.

A WORD FROM OUR CEO

First, let me say how pleased I am to be back on the east coast, working at such a first class facility as the Halifax International Airport. I was born and bred an Atlantic Canadian, so I have deep roots in this region, and a desire to work with the people here to build a stronger, more diversified economy. In developing the airport and preserving our position as the premiere transportation gateway in Atlantic Canada, we are providing our people with personal, professional and commercial opportunities that benefit the community as a whole.

As I look to the future, as far as I can see, the sky's the limit for this airport and this community!

We're in the best shape we've ever been, competitively. We're seeing new carriers, serving new destinations, and offering lower prices than ever before. We will continue to promote the airport's services and connections to airlines around the world, to grow our air service and provide ever-expanding opportunities for our region.

While we felt the impact of schedule rationalization with the consolidation of Air Canada and Canadian Airlines in the early months of 2000, growth in oil and gas, tourism, and knowledge-based industries will continue to propel the region's economy and have a positive impact on the airport. We must expand our capacity to support this growth and meet the current and future demands on airport facilities.

We took important steps to address capacity issues in 2000, creating a \$100 million Airport Improvement Program that will unfold over the next 10 years. Our north end arrivals area expansion project is already in the construction phase, and we are soliciting new retailers for our centre core redevelopment project. We have also developed plans for a state-of-the-art treatment facility that will solve the problem of acidic run-off from the pyritic slate upon which the airport sits. We will continue to work closely with the community as we move forward with our improvement plans.

Over the coming months, I will be spending a lot of time getting to know the members of the airport community, business community, and community-at-large. It is my personal mission to build a coalition of internal and external supporters and advisors, so that we become a full partner with the community.

Ultimately, our actions will be driven by community needs. Everything we do must add value to the community, while meeting business and strategic objectives. And we must always keep our eyes on the horizon, looking outward and ahead, to the future and the world beyond our shores. Working together, we can take Halifax International Airport to new heights!

TAKING THE CONTROLS



On February 1, 2000,
HIAA took over the
management of

Halifax International Airport. Transport Canada symbolically handed over the keys to the airport at a ceremony to mark the transfer, relinquishing its role as operator in favour of a more appropriate role as landlord and regulator. Thanks to Transport Canada's vision in privatizing the national airports system, we were ready to take flight.

More than four years of planning and negotiation went into our transfer agreement with Transport Canada. The airport community and community-at-large supported us throughout this process, while we did our best to represent the community's views. The end result is a locally run airport that can respond nimbly to community needs and demands for service, in an efficient and cost-effective manner. With HIAA at the controls, we are better positioned to rev up the airport as an engine of regional economic growth.

DEVELOPING THE ORGANIZATION

While the negotiation process played out in the public forum, we were working behind the scenes to get our organization ready to run the airport. We created new departments in areas previously run by Transport Canada, while pre-existing departments had to revamp operations, establish new systems, standards and procedures, and develop in-house skills and capacity. This dynamic environment rendered many opportunities for staff to change jobs or take on added responsibilities, and created new jobs in the community.

Year 2000 activities and accomplishments of our largest departments – Facilities, Operations and Technical Services – are outlined in various sections throughout this report. The work of the other departments – Finance and Administration, Human Resources, and Communications and Public Affairs – is less publicly visible, but no less important to the success of the airport. These departments started from scratch in 2000, in many respects. Here are some of their most significant accomplishments:

FINANCE AND ADMINISTRATION

While a finance and administration section was in place prior to transfer, employee's responsibilities and scope changed substantially as they took steps to enhance financial transparency and control, including the establishment of a financial information system and numerous policies and processes. The department also secured financing for capital improvements, negotiated an agreement with the Air Transport Association of Canada for the implementation of an airport improvement fee, set up a property and liability insurance program, developed new terms and conditions for contractors, and upgraded computer systems.

HUMAN RESOURCES

Prior to transfer, Transport Canada managed human resources from its regional headquarters. We created and staffed a human resources department to manage such important functions as hiring, training and performance management, as well as compensation and benefits, occupational health and safety, and labour relations. The

department began working with the newly certified local of the Union of Canadian Transport Employees, which represents most HIAA staff, to establish a collective agreement.

COMMUNICATIONS AND PUBLIC AFFAIRS

Knowing how vital it is that we keep our stakeholders informed and give them every opportunity to provide us with feedback and input, we created and staffed a communications and public affairs department. This department developed and began implementing a strategic communications plan, which addressed several key areas: employee communications (introducing an electronic newsletter); community and stakeholder relations (continuing the regular distribution of information through fax, face-to-face briefings and special events); media relations (issuing news releases and feature stories and conducting briefings); government relations; and, on-line communications.

We celebrated another major milestone in 2000 – the 40th anniversary of Halifax International Airport. This airport opened our region to the world, facilitating economic growth, tourism, trade, and cultural exchange. Halifax International Airport grew quickly, from serving 180,000 passengers in 1960, to three million today.

TRANSFER TIMELINE

- 1992 – Airport Planning Committee formed
- 1995 – Study Group formed to investigate key issues of a potential transfer
- November 23, 1995 – HIAA incorporated
- October 28, 1999 – Agreement to Transfer signed
- February 1, 2000 – Transfer Day

AUDIT SHOWS COMMUNITY SUPPORT

A stakeholder audit conducted by McArthur, Thompson and Law in August 2000 showed abundant community support for HIAA. Almost every respondent said they are reasonably to very confident about the future prospects of the airport, and all respondents said they believe HIAA has the best interests of the community at heart.

SELLING HALIFAX –AND ATLANTIC CANADA –TO THE WORLD

HIAA participated in several major trade shows in 2000, including the Association of Canadian Travel Agents trade show and Travelfest; the Tourism Industry Association of Nova Scotia annual conference and trade show; and the Maritime Marlin travel show. We also participated in the Jump Start Program offered by Airports Council International at their annual marketing and communications conference, which provided us with an opportunity to meet one-on-one with airline prospects.

OUR COMMUNITY

Community means a lot of things to the Halifax International Airport Authority.

There is our own 'airport community' of 5,200 people, working together to serve three million passengers a year. Whether members of this community work for HIAA, the airlines, retail or food and beverage outlets, ground service companies, or one of many other organizations, we are all united in our commitment to providing first class service. We share a sense of pride in this facility and the work we do here.

Beyond the airport community, we have our neighbouring communities and the broader community, which encompasses the province of Nova Scotia and extends throughout the Atlantic Region. Halifax International Airport is the vital link that connects this community to the rest of the world. It's an economic driver and facilitator that contributed more than \$1.5 billion to the Nova Scotian economy last year, and employed approximately 11,000 people, directly and indirectly.

We also stay in touch with the business and government community – a group of 500 active stakeholders – as we did in 2000 through regular issues of *HIAA Update*, stakeholder meetings and audits, a newspaper insert detailing our Airport Improvement Program, and a construction information hotline. Included in this group are organizations such as the Halifax Regional Municipality, the Metropolitan Halifax Chamber of Commerce, the Association of Canadian Travel Agents – Atlantic, the Tourism Industry Association of Nova Scotia and many local businesses. All of these individuals and organizations are vital to the continued success of Halifax International Airport, and we will continue to work closely with them on an ongoing basis.

OUR COMMUNITY CONSULTATIVE COMMITTEE

In October 2000, the HIAA Board appointed the airport's first Community Consultative Committee. This committee will provide insight into the community's needs and aspirations, while acting as a sounding

board on such issues as airport planning and development. Members of the committee include:

Chair:

• Valerie Payn, *General Manager, Metropolitan Halifax Chamber of Commerce.*

Members:

- Ken Meech, *Chief Administrative Officer, Halifax Regional Municipality*
- Ron L'Esperance, *Deputy Minister, Nova Scotia Department of Economic Development*
- Peter Stoffer, *Member of Parliament, Sackville - Musquodoboit Valley - Eastern Shore*
- Judith Cabrita, *Managing Director, Tourism Industry Association of Nova Scotia*
- Stephen Plummer, *President and COO, IMP Group Ltd.*
- Charles MacKenzie, *Policy Advisor, Policy & Planning Division, Nova Scotia Department of Transportation & Public Works*
- Laurie Copp, *General Manager Customer Service, Atlantic Canada, Air Canada*

OUR MISSION

Our mission is to manage a financially self-sustaining, international-calibre aviation complex that enhances provincial economic growth.

OUR INDUSTRY, OUR BUSINESS

OUR INDUSTRY

Commercial aviation is constantly changing. In 2000, our industry saw the most dramatic changes since deregulation in the mid-1980s.

Travelers across the region felt the impact of Air Canada's merger with Canadian Airlines. As schedules were rationalized to remove duplicate service, travelers experienced some reductions in flight frequency and seat capacity. Our local community saw the loss of Air Canada's direct service to Washington – we are continuing to work with the airline to bring this service back.

By September, with the arrival of CanJet and the addition of frequencies by such carriers as Royal Airlines, travelers through Halifax International Airport had access to more seats than ever. In all, there was a net increase of 4,500 low-cost seats out of Halifax – many of them to key destinations such as Toronto, for as low as \$100 one way.

This burgeoning low-cost seating capacity is creating a whole new market for air travel, attracting people who wouldn't ordinarily fly. It is also making the region much more accessible to people in other parts of the country.

The ongoing evolution of Canada's airline industry is happening against a backdrop of major change in how the country's airports are run. Transport Canada's National Airports Policy has created a competitive airport business driven by local interests. HIAA is responding by aggressively marketing Halifax International's many services and prime location as Atlantic Canada's hub and gateway.

OUR BUSINESS

Operating an international airport is like running a small city – buildings and operating systems must be maintained and managed; roadways, parking lots and the airfield must be kept in good repair and free of ice, snow and debris; and airport security must be safeguarded at all times.

In addition to these fundamental tasks, however, HIAA has a broader scope of responsibility. We look at which services and amenities should be offered to the traveling public, select appropriate operators and then manage their leases. We work closely with airlines and other companies to develop new and expanded passenger and air cargo services. We determine the infrastructure improve-

ments and new construction required to meet capacity demands and then implement these projects. Finally, we consult with various business and community groups to ensure Halifax International Airport serves community needs, now and in the future.

OUR PLAN

To direct our activities, HIAA's 2000 Business Plan set forth a framework of principles, along with a series of strategic initiatives and specific objectives. Strategic initiatives addressed such issues as capacity, financial stability, protection of hub status, revenue enhancement, safety and security, communications, and human resources. Specific objectives included upgrading and enhancing the terminal building and developing close working relationships with airport stakeholders. As you will see as you read through this report, we made major strides in these areas, and more.

In our second year, we will embark on an overall strategic planning exercise. As with everything we do, our strategic plan will be based on sound information, with an eye to the future and how the airport can best contribute to the community over the long term.

A NATIONAL VOICE FOR NOVA SCOTIA

Nova Scotia has a say in national civil aviation affairs, via its three representatives on the Board of Directors of the Canadian Airports Council (CAC). Cape Breton's Vince MacLean represents small airports, HIAA CEO Reg Milley represents Halifax International Airport, and HIAA Chairman Bernie Miller chairs the CAC Council of Chairs of Canadian Airport Authorities.

BUILDING A BETTER AIRPORT: OUR AIRPORT IMPROVEMENT PROGRAM

A primary advantage of local autonomy for our airport is the opportunity to make decisions that better serve our community's interests. Since transfer, HIAA has received enormous support and encouragement from customers and stakeholders to move forward with necessary redevelopment and expansion plans. With the improvements to the airport will come more passengers, more revenue opportunities and better service to our customers.

NEW ARRIVALS

Customer and stakeholder research told us our most urgent priority was to begin work on new domestic and international arrivals areas. This \$25 million capital improvement project will provide:

- an expanded international arrivals area three times larger than the present size;
- a domestic arrivals area quadruple the existing size;

- direct access to public parking from the arrivals area through a new public entrance at the lower level;
- an area reserved for United States pre-clearance;
- expanded and upgraded customs, immigration and food inspection facilities;
- additional retail suitable for an arrivals facility, such as a coffee shop and newsstand.

RE-CREATING THE CENTRE CORE

Our next move was to start on the redevelopment of the main concession area, putting plans and specifications in place and soliciting proposals from architectural firms and potential tenants. When this expansion is complete in the summer of 2002, visitors to the airport will have access to more shops and food services, and a ground floor aircraft viewing area. Plans are also in the works for an observation deck.

CREATING A SENSE OF PLACE

In the process of developing our expansion plans, we consulted extensively with our customers, employees and other stakeholders. An important message that came through in these discussions was the need to imprint the region's unique style on the airport. We have been working with several firms since, to ensure a consistent look and friendly feel throughout the facilities. Traditional Maritime images will blend with icons of our emerging high-tech and energy industries to create a strong 'sense of place.'

FINANCING THE EXPANSION

Our entire Airport Improvement Program will cost \$100 million over the next 10 years. Roughly 50 percent of that will be spent expanding the airport facilities to handle current traffic. The other half will help us develop the airport to meet future needs. This is a significant capital investment which cannot be wholly financed through existing cash flow. We are therefore taking a multi-faceted approach to

financing the Airport Improvement Program, which includes generating more traffic through the facility and additional revenue from cargo operations, along with airport land development, bank financing, and the introduction of an airport improvement fee (AIF). This \$10 fee will be included in airline ticket prices, and go directly toward capital improvements. With the AIF coming onstream in January 2001, we are one of the last major airports in Canada to introduce such a fee. If and when we can meet the capital needs of the facility from our cash flow, we will discontinue the AIF.

IMPROVING OUR SERVICES

Many services have been available for years at Halifax International Airport, including currency exchange, travel insurance, automated banking services, retail stores, and food and beverage outlets. There is even a chapel on the mezzanine level. Since transfer, we have been able to respond quickly to serve a variety of additional needs, as identified by airport users in surveys and focus groups.

PARKING LOT EXPANSION

With the community ranking parking as one of the top priorities for the airport, we took immediate action to create new spaces. By constructing a new lot for employees in a different location, we were able to free up 400 parking spaces in the main lot for the traveling public. We have also been listening to passengers' requests for covered parking, and are evaluating the feasibility of a parkade.

ON-LINE FLIGHT INFORMATION

Travelers can now access 'real time' flight information from the comfort and convenience of their home, office, or laptop, at www.hiaa.ca under the Flight Info link. Halifax International Airport is the only airport in Atlantic Canada providing this service, and one of only a handful in Canada to adopt this technology.

DEPARTURE AREA WORKSTATIONS

To help passengers make effective use of waiting time, we decided to install a series of modem-equipped computer workstations on the departure level. We developed the specifications and tendering documents in 2000, so the three sets of quadruple workstations would be up and running early in 2001.

BAGGAGE STORAGE FACILITY

In response to passenger requests for short-term baggage storage, we put plans in place for the construction and operation of a staffed storage facility on a test-market basis. The facility began operation in February 2001.

VOLUNTEER HOST PROGRAM

In October, we launched the airport's innovative volunteer host program, with the goal of enhancing the airport experience for everyone using the facility. Our tartan-vested volunteers can be seen throughout the air terminal building, welcoming visitors and providing them with any information or assistance they require. Graduates of the Tourism Industry Association of Nova Scotia's 'Superhost Program,' all of the volunteer hosts are well-briefed on airport policies, facilities, services and expansion plans. The program started with a four-hour morning shift every weekday, which was later expanded to include a four-hour afternoon shift. With the program being so well-received and running so smoothly, we are planning to add an evening shift in 2001.

PASSENGER DEMOGRAPHICS ¹

- 55% female, 45% male
- 44% household income \$75,000 or more
- 83% managers or professionals
- 72% with college or university education
- 44% connecting passengers

¹Source: Departing Passengers Peak Survey, Omnifacts Research, November 2000.

AIRFIELD INFORMATION

- Unrestricted, 24-hour operations
- Category II Instrument Landing System
- Simultaneous intersecting runway operation
- 2 runways, 8800' X 200' asphalt/concrete and 7700' X 200' asphalt
- Apron area = 194,826 square metres
- Taxiways A to H, 75' wide
- 29 operational gates
- 10 bridged gate positions

ECONOMIC IMPACT¹

The Halifax International Airport business community, which consists of airlines, air freight firms, ground service companies and other organizations directly involved in the air transportation industry, generated more than \$1.5 billion for the Nova Scotia economy in 2000, with \$1.035 billion in total gross output, \$450 million in air tourism impact, and \$56 million in construction impacts.

Wages and Salaries

\$289 million in total salaries and wages: •\$135 million direct
•\$63 million indirect •\$90 million induced

Employment (full-time equivalent)

11,000 jobs are attributable to the airport, which equals 2.6% of Nova Scotia's total employment: •5,145 direct
•2,420 indirect •3,435 induced

Fiscal Impact

Total fiscal impact including retail sales tax (HST), income tax, fuel tax, customs and excise tax is estimated to be approximately \$100 million. This includes contributions from airport community employees, who alone: • pay \$43.67 million in personal income tax • spend \$14.97 million in retail sales tax

RUNNING THE AIRPORT

During the 1990s, Halifax International Airport was one of the fastest growing airports in Canada, with passenger volumes rising from 2.3 million in 1995 to 3.1 million in 1999. We are currently the seventh busiest airport in Canada, processing passenger volumes comparable to much larger centres, like Ottawa, Winnipeg and Edmonton. Our airport is open 24 hours a day, seven days a week, 365 days a year, and never closes.

AIRSIDE OPERATIONS

On an average day, 170 aircraft land and take-off at Halifax International. For the traveler comfortably ensconced in a window seat, the hustle and bustle of airside activity is barely discernible. For HIAA, our air carriers, the many ground service companies, and air traffic control, airside operations are a dynamic interplay demanding constant communication and synchronization. While the carriers look after everything pertaining to their aircraft, we assign the gates and look after the airfield itself. We are constantly monitoring and

sweeping the apron, taxiways and runways, repairing any damaged concrete or asphalt, re-painting lines, and replacing damaged signs. Throughout the winter, we employ four crews of 11 people in our around-the-clock snow removal program.

We are also responsible for maintaining airfield electrical systems. Our field electrical centre powers the runway and approach lighting systems, navigation beacons and landing systems. We purchased a 600-kilowatt generator for the field electrical centre in 2000, to ensure its continuous operation in the event of a power outage.

GROUND SIDE OPERATIONS

Maintaining the airport buildings in top condition is another important HIAA responsibility. In 2000, we upgraded our electrical and environmental control systems, and installed a new 1750-kilowatt emergency generator to ensure the continuation of operations during a power outage. We began an assessment of the need for upgrades to the water and sewer systems serving the airport. We also started a review of existing

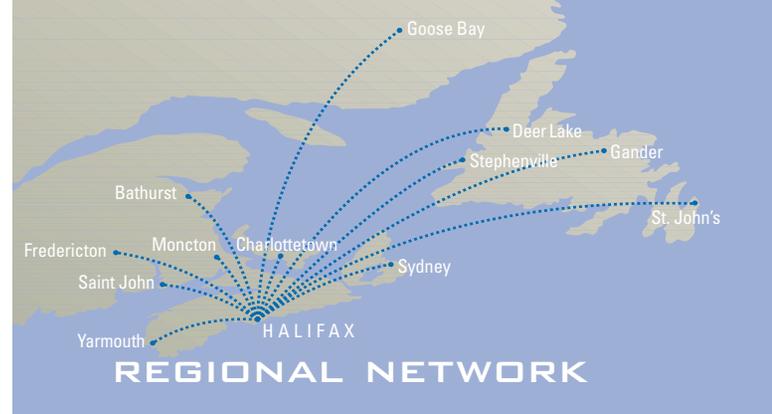
service agreements in such areas as vehicle rental concessions, airport shuttle bus service, elevator/escalator maintenance, and solid waste removal, in preparation for re-tendering in 2001.

SAFEGUARDING THE AIRPORT

Our airport security service is charged with the task of preserving the integrity of the airport's restricted area; protecting property, equipment and people at the airport; and preventing unlawful interference with civil aviation.

Prior to transfer, the RCMP operated an independent detachment at the airport. The detachment has since closed and our security service is managing a contract with the RCMP to provide an armed response to pre-board security incidents, and an explosive-detection dog and handler. Our security service is now also managing a new contract with the Canadian Corps of Commissionaires, which provides 24-hour security coverage.

Among its many responsibilities, our airport security service runs a 24-hour-a-day Security Operations Centre, manages the restricted area



	1996	1997	1998	1999	2000
Passengers	2,744,720	2,933,630	3,006,572	3,089,552	2,980,970
Total Aircraft Movements	139,798	171,564	147,229	144,459	141,248
Cargo (kgs)	17,931,000	18,345,000	20,565,000	23,280,000	19,780,000

access clearance program, provides explosive vapour detection services, runs the airside vehicle operation permit program, maintains a key control system for HIAA employees and tenants, and enforces parking and traffic regulations. The service passed Transport Canada's annual security inspection, receiving favourable feedback and

congratulations on a job well done. **AIRPORT STATISTICS** Due to consolidation in the airline industry and the elimination of duplicate service, 2000 passenger volumes declined to 2.9 million from 3.1 million the previous year. We expected that this downward shift would be more than offset by the

entry of new carriers, routes and frequencies. By the latter part of the year, it was clear that the trend had reversed, as monthly passenger volumes began to climb.

¹Source: Economic Impacts 2000, The SGE Group Inc., February 2001.

LOCATION, LOCATION, LOCATION

Halifax International Airport is strategically located at the business and academic epicentre of the Atlantic Region. Halifax is the hub of the region's intermodal transport system, with access to highways, transcontinental railways, and one of the world's finest ports. Situated on the Great Circle Route, we are the closest major continental link to Europe. We also benefit from our close proximity to key cities on the eastern seaboard of the United States.



EXERCISE SPRING AIR

In 2000, HIAA coordinated Exercise Spring Air, a full-scale disaster simulation involving nearly 250 people. Participants included HIAA firefighting, emergency planning and security staff, along with representatives from the airlines, the RCMP, Nova Scotia Emergency Measures Organization, Halifax Regional Municipality Fire and Emergency Services and Emergency Measures Office, Emergency Health Services, the Department of National Defence (12th Wing Shearwater), EMC Inc., and others. The exercise, which was highly praised by participants and evaluators, successfully tested our training, procedures and equipment, and provided an opportunity to share our new airport emergency plan.

OUR SAFETY, OUR ENVIRONMENT

Commitment to safety and security underpins everything we do in the day-to-day running of the airport. Not only do we make sure that every HIAA employee is well versed in safety and security issues, we also play a leadership role in promoting awareness of these issues within the airport community.

SAFETY IS JOB ONE

Halifax International Airport has an exemplary safety record which we are dedicated to maintaining. We take a proactive approach, training all employees in the proper safety procedures, and monitoring to ensure compliance.

Safety is the number one focus of our airside operations team, which constantly scans the airfield for debris, conducts daily field lighting checks, and clears the area of birds and other wildlife hazards.

AN OUNCE OF PREVENTION

Our fire prevention officer patrols the airport facilities throughout the day, looking for potential fire hazards, inspecting hydrants and extinguishers, and confirming that all evacuation routes

and fire lanes are clear. She also prepares fire evacuation plans and coordinates fire drills, and the training of HIAA employees, airline flight crews and airport tenants in first aid and the proper use of fire extinguishers.

We introduced a 'Hot Works Policy' in 2000 to prevent welding-related fires. This policy requires that anyone wanting to operate a torch must obtain a permit from HIAA, and demonstrate that they will use the proper equipment and follow all safety procedures.

EMERGENCY RESPONSE

Along with our emphasis on prevention, we place equal importance on being prepared in the case of emergency. We have a crew of firefighters on-site at all times, ready to provide assistance in any emergency, from fighting fires to administering first aid. We also devote a tremendous amount of time to emergency response planning and training exercises.

PROTECTING THE ENVIRONMENT

At HIAA, we are acutely aware of potential environmental impacts, and have plans and systems in place to prevent airport activity from harming the envi-

ronment. For example, we are constantly monitoring and analyzing airfield runoff, checking the integrity of underground fuel tanks, and making any necessary adjustments or repairs.

One of our greatest challenges comes from the very ground upon which the airport sits. The area is composed of pyritic slate, which yields an acidic runoff. The lime treatment plant, which neutralizes the runoff, has been in place for years and is over capacity. Working with our environmental consultants, we developed a plan to build a cost-effective state-of-the-art treatment facility that will correct the problem and meet or exceed the Nova Scotia Department of the Environment standards. With construction set to begin in the spring of 2001, the plant will be operational by fall.

In 2000, we also updated our environmental spill plan, put plans in place for the installation of a sophisticated environmental management system, and conducted environmental impact assessments prior to beginning construction of the new employee parking lot and north end expansion project.

OUR FINANCIAL PICTURE

HIAA reported \$26.6 million in revenues for 11 months of operation during 2000, resulting in an excess of revenues over expenses of \$7.1 million. Approximately \$5.2 million of this surplus was invested in capital improvements, while the balance will go to our north end arrivals expansion project, which will be well underway in 2001.

Financial Results (\$ in thousands):

Revenues	\$ 26,630
Expenses	\$ 19,574
Excess of Revenue over Expenses	\$ 7,056
Capital Expenditures	\$ 5,234

As part of the transfer negotiations, we will not begin paying rent of \$3.1 million on the airport facilities to our landlord, Transport Canada, until 2003. Therefore \$3.1 million of foregone rental payments became available for the rebuilding of our terminal facilities in 2000, with \$3.1 million expected in 2001 and a final \$3.1 million in 2002 also going to our capital expansion projects.

These arrangements have helped contribute to our favourable financial results in the first 11-month period of operations during 2000, and will, for the next several years, help finance the expansion and improvement of the airport facility.

GROWING OUR BUSINESS

Now that HIAA has responsibility for the airport's financial performance, we must find strategic ways of growing the business to make it self-sustainable over the long term. As we generate more revenue to re-invest in the airport facility, we will be better positioned to serve the community and help grow the regional economy.

To help us chart a prosperous course, we hired Sypher:Mueller International Inc. to assist us in preparing a five-year strategic marketing and commercial development plan for the airport. Sypher:Mueller is an international transportation management consulting firm with nearly 20 years of experience in the aviation business.

Set for completion in early 2001, this plan will assess the commercial aviation industry – locally and globally – identifying strengths, weaknesses, opportunities and threats as they relate to Halifax International. It will also identify our most advantageous partnering prospects, and outline a

strategic approach to developing and marketing our business, in terms of passenger traffic, retail, air cargo and land development.

GROWING THE PASSENGER BUSINESS

We have been marketing Halifax International Airport non-stop, promoting our services, connections and prime location to airlines around the world. Roots Air has indicated that they are planning to launch two daily flights from Halifax to Toronto in the early part of 2002. We are continuing to discuss the benefits of operating out of Halifax with Delta connector AC Jet and its parent company, Atlantic Coast Airlines, and with Pan American Airlines, Virgin Atlantic Airlines, Northwest Airlines, Delta Airlines, and others. Meanwhile, we are working with our existing carriers, such as Air Canada, to develop north-south service; with Continental Airlines and Icelandair to increase their frequency; and with Canada 3000 to explore new destinations in Europe and the United States.

We want to offer our community more choice, in terms of schedules, destinations and price, and we want to make our region that much more accessible and attractive to the rest of the world. In addition to our direct contact with airlines, and an incentive program we tested in 2000, we participated in numerous trade shows, as well as co-op marketing initiatives with tourism industry partners.

Clearing the Way for Pre-clearance

On another front, we have been working through Canada's Department of Foreign Affairs & International Trade and Transport Canada to obtain permission from the United States to open a U.S. pre-clearance facility at Halifax International Airport.

Pre-clearance allows passengers to be processed through U.S. Customs and Immigration before boarding an American-bound aircraft at a Canadian airport. Pre-cleared passengers making connections in the U.S. are treated as domestic passengers, allowing automatic transfer of checked baggage, and otherwise easing the pressure

of tightly scheduled connecting flights.

We have identified space in our new arrivals area for a U.S. pre-clearance facility. We will continue to push for this important advantage, which will allow Halifax to expand its role as a regional hub for both domestic and transborder traffic.

Achieving pre-clearance is one of our top strategic priorities. We are committed to doing everything in our power to convince all parties of the benefits pre-clearance will bring to both Canada and the United States. We believe it will yield significant tourism and trade benefits, particularly between the northern states of Massachusetts and Maine and eastern Canada. We are the only major airport in Canada without pre-clearance – a situation we hope to rectify in the not-too-distant future.

GROWING THE RETAIL BUSINESS

Once renovations to the centre core of the air terminal building are complete in 2002, retailers will have an ideal location to set up shop. The expanded concession area will be designed around

the concept of a marketplace, with ample space for stores, and food and beverage outlets. We have completed a comprehensive process to select retail tenants, with a stipulation that those chosen will offer street pricing and the most up-to-date storefront concepts. With approximately 13,000 people using the air terminal building each day, retailers will be well positioned to sell their wares, and airport users will have access to a wider array of products and services.

GROWING THE AIR CARGO BUSINESS

While 20,000 metric tonnes of cargo are currently shipped through Halifax International Airport each year, an air cargo development study completed in July showed the potential of doubling this volume. We are taking a number of steps to realize this growth potential within the next three to five years. In addition to applying to the federal government for designation as an international cargo centre, and marketing the airport's strategic location, we have plans to build the infrastructure to

support future cargo growth. These plans include a new airside subdivision, adjacent to the existing hangar line, which will be developed in conjunction with a new cargo facility.

A number of companies are interested in either initiating or expanding operations on airport property, but the last airside lot has already been fully developed. The proposed airside subdivision will create up to 20 serviced lots of roughly four acres each, with direct access to the airfield via Taxiway Alpha. The lots will be ideal locations for aircraft maintenance facilities, cargo trans-shipment areas, offshore supply centres, and a variety of other aircraft servicing and repair activities that together will create tremendous synergy and potential for growth. Phase One of the airside development will be complete by the fall of 2001, providing approximately 10 lots of additional land-based capacity. Evaluations are also underway for a common-use air cargo facility, for those companies preferring to lease.

FIVE YEAR FORECAST

The following table outlines the anticipated increase in passenger traffic, as well as aircraft movements over the next five years. These are key drivers to our financial success, which will enable us to provide the best airport facility and services possible to the public and our clients.

Five Year Forecast

Year	2000 (actual)	2001	2002	2003	2004	2005
Passenger Volume						
	2,980,970	3,040,600	3,159,200	3,282,400	3,397,300	3,516,200
Percent Change						
	-	2.0%	3.9%	3.9%	3.5%	3.5%
Total Aircraft Movements						
	141,248	143,300	147,000	151,100	155,300	159,200
Percent Change						
	-	1.4%	2.6%	2.8%	2.8%	2.5%
Planned Capital Expenditures						
	\$5,233,944	\$39,860,000	\$32,369,000	\$11,400,000	\$11,700,000	\$7,400,000
Rent Payable to Transport Canada						
	\$ -	\$ -	\$ -	\$3,122,400	\$4,541,500	\$4,632,300

HALIFAX INTERNATIONAL AIRPORT AUTHORITY

AUDITORS' REPORT TO THE DIRECTORS

We have audited the balance sheet of Halifax International Airport Authority as at December 31, 2000 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants
Halifax, Canada
February 16, 2001

BALANCE SHEET

December 31, 2000, with comparative figures for 1999
(in thousands of dollars)

	2000	1999
		(Restated - note 2)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,044	\$ 51
Accounts receivable	3,127	26
Inventories	428	-
Prepaid expenses	230	-
	12,829	77
Capital assets (note 3)	6,616	249
Organization costs (note 4)	2,285	3,188
	\$ 21,730	\$ 3,514
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,465	\$ 513
Deferred revenue	162	-
Current portion of long-term debt (note 5)	130	-
	6,757	513
Long-term debt (note 5)	5,600	3,001
Security deposits	487	-
Deferred contributions related to capital assets (note 6)	1,830	-
Net assets:		
Equity in capital assets	7,056	-
Commitments (note 7)		
	\$ 21,730	\$ 3,514

See accompanying notes to financial statements.

B. Linn *A. McBurnie*

**STATEMENT OF OPERATIONS
AND CHANGES IN NET ASSETS**

Year ended December 31, 2000, with comparative figures for 1999
(in thousands of dollars)

	2000	1999
	(Restated - note 2)	
REVENUES		
Landing fees	\$ 8,155	\$ -
Terminal fees	7,690	-
Concessions	5,815	-
Parking revenues	2,756	-
Rentals	1,449	-
Other revenue	765	-
	26,630	-
EXPENSES		
Salaries, wages and benefits	9,108	-
Materials, services and supplies	5,486	-
General and administrative	1,711	-
Property and other taxes	824	-
Amortization	2,215	-
Interest expense	230	-
	19,574	-
Excess of revenues over expenses	7,056	-
Net assets, beginning of year	-	-
Net assets, end of year	\$ 7,056	\$ -

On February 1, 2000, the Authority assumed responsibility for the management, operation and development of the Halifax International Airport. The revenues and expenses reflect 11 months of airport operations.

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

Year ended December 31, 2000, with comparative figures for 1999
(in thousands of dollars)

	2000	1999
	(Restated - note 2)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 7,056	\$ -
Items not involving cash:		
Amortization	2,215	11
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(3,101)	47
Increase in inventories	(428)	-
Increase in prepaid expenses	(230)	-
Increase in accounts payable and accrued liabilities	5,952	353
Increase in deferred revenue	162	-
	11,626	411
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in long-term debt	5,829	1,071
Repayments of long-term debt	(3,100)	-
Increase in deferred contributions related to capital assets	4,234	-
	6,963	1,071
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(5,234)	(261)
Capital assets acquired from Transport Canada	(4,747)	-
Additions to organization costs	(102)	(1,191)
Increase in security deposits	487	-
	(9,596)	(1,452)
Increase in cash and cash equivalents	8,993	30
Cash and cash equivalents, beginning of year	51	21
Cash and cash equivalents, end of year	\$ 9,044	\$ 51

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2000

(tabular amounts in thousands of dollars)

GENERAL

The Halifax International Airport Authority (the "Authority") was incorporated on November 23, 1995 as a corporation without share capital under Part II of the Canada Corporations Act. On February 1, 2000, the Authority signed a 60-year ground lease with Transport Canada and assumed responsibility for the management, operation and development of the Halifax International Airport. These financial statements reflect 11 months of airport operations and one month of pre-transfer activities. Excess revenues over expenses are retained and reinvested in airport operations and development.

The objective of the Authority is to manage a financially self-sustaining, international-calibre aviation complex that enhances provincial economic growth.

The Authority is governed by a Board of Directors whose members are nominated by the Halifax Regional Municipality, the Province of Nova Scotia and the Federal Government, as well as the Metropolitan Halifax Chamber of Commerce. The nominated members can also appoint additional members who represent the interests of the community.

The Authority is exempt from federal and provincial income tax, federal large corporation tax, and Nova Scotia capital tax.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Presentation and basis of accounting:

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in Canada. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenses during the year. Actual results could differ from those estimates.

(b) Inventories:

Inventories consist of materials, parts and supplies and are stated at the lower of cost and estimated net realizable value.

(c) Capital assets:

Capital assets are recorded at cost, net of contributions and government assistance and are amortized over their estimated useful lives on a straight-line basis as follows:

Asset	Rate
Computer hardware and software	20% - 33%
Leasehold improvements	2.5% - 10%
Machinery, equipment, furniture and fixtures	5% - 20%
Vehicles	5% - 16.7%

Construction in progress is recorded at cost and is to be transferred to leasehold improvements when the projects are complete and the assets are placed into service.

(d) Organization costs:

Organization costs represent start-up expenditures, including due diligence, engineering studies, and legal fees, incurred by the Authority in advance of the transfer of operations to the Authority from Transport Canada. Organization costs are being amortized to operations on a straight-line basis over a period of three years.

(e) Revenue recognition:

Landing fees, terminal fees, and parking revenues are recognized as the airport facilities are utilized. Concession revenues are recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum guarantees where applicable. Rental revenues are recognized over the lives of respective leases, licenses, and permits.

Deferred revenue consists primarily of concession revenue for minimum guarantees and license fees received in advance of services being rendered.

2. CHANGE IN ACCOUNTING POLICY

In 2000, the Authority changed the method of accounting for revenues and expenditures related to pre-transfer activities, whereby amounts previously charged to operations have been capitalized as organization costs.

This change has been applied retroactively with restatement of the 1999 comparative figures. The effect of the change was to increase organization costs and reduce the accumulated deficit at January 1, 2000 and 1999 by \$3,187,915 and \$1,997,418 respectively.

3. CAPITAL ASSETS

	2000		1999	
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware and software	\$ 741	\$ 216	\$ 525	\$ 247
Leasehold improvements	1,713	10	1,703	-
Machinery, equipment, furniture and fixtures	1,218	291	927	2
Vehicles	3,734	720	3,014	-
Construction in progress	447	-	447	-
	\$ 7,853	\$ 1,237	\$ 6,616	\$ 249

4. ORGANIZATION COSTS

	2000	1999
Organization costs	\$ 3,290	\$ 3,188
Accumulated amortization	(1,005)	-
	\$ 2,285	\$ 3,188

5. LONG-TERM DEBT

	2000	1999
Royal Bank of Canada term loan, bearing interest at bank prime plus 1.25%	\$ -	\$ 2,801
Halifax Regional Municipality repayable contribution, unsecured, non-interest bearing, repayable in full on April 1, 2002	200	200
Transport Canada non-interest bearing debt, secured by a general security agreement, repayable in annual instalments of \$1,297,825 commencing January 1, 2003 through January 1, 2006	5,192	-
Halifax Regional Municipality deed transfer tax loan, unsecured, non-interest bearing, repayable in monthly instalments of \$5,633	338	-
	5,730	3,001
Current portion of long-term debt	130	-
	\$ 5,600	\$ 3,001

The aggregate principal repayments required over each of the next five years are as follows:

2001	\$ 130
2002	268
2003	1,365
2004	1,365
2005	1,303

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended December 31, 2000

(tabular amounts in thousands of dollars)

6. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions represent the unspent balance of contributions received from Transport Canada to fund capital asset expenditures.

	2000	1999
Contribution received from Transport Canada	\$ 4,234	\$ -
Less: amounts applied to capital asset expenditures	(2,404)	-
	<u>\$ 1,830</u>	<u>\$ -</u>

7. COMMITMENTS

(a) *Transfer agreement:*

Effective February 1, 2000, the Authority signed the 60-year ground lease with Transport Canada (the "Landlord") which provides for the Authority to lease the Halifax International Airport (the "Airport"). A 20-year renewal option may be exercised, but at the end of the term, unless otherwise extended, the Authority is obligated to return control of the Airport to the Landlord.

The operating lease for the Airport requires the Authority to calculate rent payable to the Landlord utilizing a formula reflecting annual airport revenues, passenger volumes, predetermined base operating costs and capital expenditures. The estimated lease obligations for the next five years are approximately as follows:

2001	\$ -
2002	-
2003	3,122
2004	4,542
2005	4,632

(b) *Pension:*

As a condition of transfer, the existing Government of Canada pension assets and accrued benefits obligation for certain employees may be transferred to the Authority under a Reciprocal Transfer Agreement. Employees will have up to one year following the signing of this agreement to direct the disposition of their Government of Canada pension funds. The remaining assets of the plan together with the actuarially determined pension benefit obligation will be transferred to the Authority's pension plan on a fully funded basis. The amount of this transfer to the Authority cannot be determined at this time.

(c) *Construction in progress:*

At December 31, 2000, the Authority has contractual construction commitments amounting to approximately \$24.7 million. To December 31, 2000, the Authority has expended \$2,851,472 on these contracts, of which \$2,404,353 was financed by a contribution received from Transport Canada. The Authority has available a \$24.0 million construction loan and a \$3.0 million term loan to finance the construction commitments. In addition, the Authority expects to receive an additional \$6.0 million contribution from Transport Canada under an Airport Infrastructure Projects Agreement and has implemented an Airport Improvement Fee effective January 1, 2001 (refer to note 10).

(d) *Environmental:*

The Authority is proceeding to implement a Pyritic Slate Runoff Management Plan pursuant to an industrial approval granted by the Nova Scotia Department of the Environment on January 27, 2000. The Authority estimates the capital cost of the treatment facility required under the plan to be approximately \$6.6 million.

The Authority has received a Certificate of Variance dated September 29, 2000, with regard to the requirement under the industrial approval to post financial security in the amount of \$5.6 million, pursuant to the Sulphide Bearing Material Disposal Regulations under the Environment Act. The Certificate of Variance is in effect for a period of one year, however the Authority expects this certificate to be continued from year to year.

8. PENSION

The Authority sponsors a pension plan (the “Plan”) on behalf of its employees which has defined benefit and defined contribution components. The defined benefit component is for former Transport Canada continuing full-time employees who were employed by the Authority on February 1, 2000 and previously participated under the Public Service Superannuation Act (“PSSA”) Plan. However, these employees may elect to become members of the defined contribution plan in lieu of the defined benefit plan. All other employees will become members of the defined contribution plan.

An actuarial valuation has been prepared as of February 1, 2000, for purposes of funding the Plan. As of the effective date of the funding valuation, the Plan has no assets or liabilities, and therefore, has no surplus or deficit. The existing Government of Canada pension assets and accrued benefits obligation for certain employees may be transferred to the Authority as described in note 7(b). Until such time as the Pension Transfer Agreement has been finalized and the transferred employees have chosen to transfer their PSSA Plan pension credits to the Plan, there will be no liability for pensionable service prior to the effective date of February 1, 2000.

Pension costs are charged to operations as services are rendered. Pension expense for 2000 amounted to \$568,167 and consisted of the Authority’s contributions for the period from February 1, 2000 through December 31, 2000, in accordance with the recommendations of the actuarial valuation.

9. FINANCIAL INSTRUMENTS

(a) Fair values:

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and security deposits approximate their fair value due to the relatively short periods to maturity of the instruments. At December 31, 2000, the fair value of long-term debt was \$4,241,800 (1999 - \$2,962,500) relative to the carrying value of \$5,729,300 (1999 - \$3,000,500).

The fair values of long-term debt were estimated based on the present value of contractual future payments of principal and interest, discounted at the current market rates of interest available to the Authority for similar debt instruments.

(b) Credit risk:

The Authority is subject to credit risk through its accounts receivable. A significant portion of the Authority’s revenues, and resulting receivable balances, are derived from airlines. The Authority performs ongoing credit valuations of receivable balances and maintains reserves for potential credit losses.

10. SUBSEQUENT EVENT

On January 1, 2001, the Authority implemented an Airport Improvement Fee (“AIF”) of \$10 per local boarded passenger to assist with the cost of major capital expenditures. These fees are being collected effective December 1, 2000, for travel on or after January 1, 2001, under an agreement between the Authority, the Air Transport Association of Canada, and the air carriers serving the Halifax International Airport. Under the agreement, AIF revenues may only be used to pay for the capital and related financing costs of major airport infrastructure development following joint consultation with the air carriers.

BOARD OF DIRECTORS

Bernard Miller, Chairman

Bernie's aviation involvement spans four decades. Starting as a passenger agent in Halifax, he rose to become Air Canada's Vice President, Human Resources and Chief Labour Negotiator. He also served at various times as the airline's Vice President for Atlantic Canada, and as Vice President, Cargo and Chief Executive of Air Canada's Cargo Business Unit. He retired in 1991 as Vice President In-Flight Service, responsible for cabin safety and in-flight service for the airline's worldwide operations.

Following retirement from Air Canada, Bernie spent several years as the Director of Dalhousie University's Advanced Management Centre. He is now the President of Masters of Industrial & Labour Relations Inc., and a member of the Saint Mary's University management faculty where he teaches industrial relations. He also serves as Professor of Human Resources in the IATA/Concordia University Aviation MBA Program in Montreal. He is a director of the Queen Elizabeth II Health Sciences Centre Foundation, and previously served as Chairman of the Halifax Industrial Commission and as Governor of APEC (Atlantic Provinces Economic Council).

Frank Matheson, Vice Chair

Frank is President and CEO of Homburg Canada Inc., an international real estate company with holdings in residential, commercial, industrial and retail properties. He is also extensively involved in financing, merchant banking, insurance, mortgages and other related financial services. Frank is a past Chairman of the Halifax School Board and the Halifax Forum Commission.

Mary R. Brooks, Director

Mary holds the William A. Black Chair of Commerce at Dalhousie University and is Professor of Marketing and Transportation at the university. Her career includes various teaching and research appointments at Dalhousie University, including the Canadian Marine Transportation Centre and the Oceans Institute of Canada. She has completed consulting contracts for both industry and government in Canada, the Caribbean, Europe, Southeast Asia, and Australia.

Pierre Champagne, Director

Pierre is a graduate of Saint Mary's University with 37 years of aviation experience. He served as an officer in the RCAF and his airport career includes Airport Manager, St. Hubert Airport, Quebec; Deputy Airport General Manager, Dorval International Airport; Director of Airport Marketing and Regional Manager, Airports, Quebec Region; and Senior Director General, Airports, Ottawa. Pierre currently consults on domestic and international airport projects.

K. Sara Filbee, Director

Sara is Vice President, Operations for HR-DEPT.com, an application service provider. Her extensive career includes an appointment as President and CEO of the Atlantic Provinces Economic Council, as Principal with KPMG Management Consulting, as Director, Commercial Banking for Canadian Imperial Bank of Commerce, and as Partner with McInnes Cooper & Robertson. She also served as Chair of the United Way/Centraide Canada and Metro United Way.

Royden J. MacBurnie, FCA, Director

Prior to his retirement in 1989, Roy was Vice Chairman and Chief Financial Officer with Central Trust Company in Halifax. He was Vice Chairman of The Central Guaranty Trust Corporation in Calgary and previously served as Executive Vice President and Chief Operating Officer of the Nova Scotia Savings & Loan Company.

Don Mills, Director

As the President and co-founder of Corporate Research Associates Inc. and Vice Chairman of CCL Group, Don is one of Canada's leading public opinion and market research professionals. Don is currently Chair of the Arthritis Society; and serves as a director of the United Way Advisory Board, Greater Halifax Partnership, Dalhousie University, Canadian Association of Market Research Organizations, The Office Interiors Group, Ashburn Golf Club and Saint Mary's Business School Advisory Board. Don is also Past President of the Metropolitan Halifax Chamber of Commerce and past Chair of the Greater Halifax-Dartmouth YMCA.

Michael J. O'Hara, Director

Mike practices law in Dartmouth, Nova Scotia. His practice areas include civil litigation, administration and employment law. Mike is a member of the Canadian Transport Lawyers Association and served as President of that organization in 1993. He also serves on the Transportation Sector of Nova Scotia Voluntary Planning. He is a former Chair of the Transportation Committee of the Halifax Board of Trade.

Bill Richardson, Director

Bill is a former Vice President of Empire Company Limited, Chairman & CEO of Lawtons Drug Stores Limited, and President of Empire Theatre Limited. He held these positions for 21 years. He was Chairman of Northwest Drugs Limited, a large public company in wholesale drugs, and a director of a number of public companies. In 1990 he formed William H. Richardson Consultants Limited to assist companies in financial difficulties by restructuring and managing their affairs. Bill is a Certified Management Accountant, served as President of The Management Accountants of Canada from 1983 to 1984, and is a Fellow of The Management Accountants.

Arthur W. D. Pickup, Q.C., Director

Arthur has over 25 years of general practice experience with particular expertise in the areas of municipal and education law, and labour and employment law. He is currently a partner in the firm Pickup MacDowell. Prior to that, he was Senior Partner and Managing Partner (1994 to 1995) in the firm, LeBlanc, MacDonald and Pickup.

Roy Rideout, Director

Roy is Chairman and Chief Executive Officer of Clark Inc., a publicly traded Canadian company engaged in the transportation industry throughout North America. He is also a director of Halterm Limited, Halifax's largest marine container terminal and a director of Fortis Inc., a Newfoundland based public utility holding company. From 1988-1998 he was President and Chief Operating Officer of Newfoundland Capital Corporation, a management company engaged in the transportation and communications sectors. Prior to 1988, Roy worked in the airline industry for 15 years in executive positions with EPA, CP Air and Canadian Airlines International. Roy is a chartered accountant.

Stephen L. Wallace, Director

Stephen is President of the Bedford-based consulting firm Wallace Macdonald & Lively Ltd., specializing in land surveying, civil/municipal engineering, land use planning and geomatics consulting services. He received his engineering degree from the University of New Brunswick in 1986. Stephen is a former director of the Nova Scotia Chapter of the Urban Development Institute and Past President of the Consulting Engineers of Nova Scotia.

Fred Smithers, Director

Fred is the President and Chief Executive Officer of the Secunda Group of Companies. Prior to establishing Secunda Marine Services Limited, Fred was the owner/operator of a successful concrete finishing business in Nova Scotia. Fred is the Honorary British Consul for the Maritime Provinces, and Chairman of ProGear, a golf club manufacturing company. He sits on the Board of Governors of Saint Mary's University as well as the Board of Directors of the St. John Ambulance Society, the Metropolitan Halifax Chamber of Commerce, and the Nova Scotia Sport Heritage Centre. He is also the Chairman of the Polaris Match Racing Association.

James S. Cowan, Q.C., Secretary to the Board

Jim is a partner in the law firm Stewart McKelvey Stirling Scales. He is the Chair of the Board of Governors of Dalhousie University, and past Chair of the Atlantic Provinces Transportation Commission. He was on the original Airport Planning Committee, which studied the feasibility of establishing an airport authority in Halifax, and subsequently helped to incorporate the Authority and recruit the members of the Board of Directors.

CORPORATE GOVERNANCE

Further details are available in our *Report on Corporate Governance*.

The HIAA Board consists of 13 directors, 10 appointed by nominating entities and three appointed by the board itself.

The current directors were nominated by the following nominating entities:

Federal Government	2
Provincial Government	1
Halifax Regional Municipality	4
Metropolitan Halifax	
Chamber of Commerce	3
HIAA Board of Directors	3

A director may serve no more than a total of eight years. Collectively, directors are expected to possess knowledge relating to air transportation, the aviation industry, business, finance, administration, law, government, engineering, labour organizations and the interests of consumers.

Committees

There are four committees of the Board of Directors. Committees are only empowered to make recommendations to the board unless directed otherwise by the board. Whenever possible, all board decisions involve the entire board.

Committees and their chairs include:

Governance Committee:

Chaired by Bill Richardson

Finance and Audit Committee:

Chaired by Royden MacBurnie

Human Resources and Pension Committee:

Chaired by Michael O'Hara

Capital, Safety & Environment Committee:

Chaired by Frank Matheson

Officers' and Directors' Compensation

The Authority's Governance Committee surveyed other airports, private companies and port authorities across the country to establish appropriate compensation for HIAA directors. The level of compensation corresponds to that of organizations with similar size facilities and scope of operations. The compensation survey is reviewed on a regular basis to ensure it is comparable to similar markets.

Annual Retainers:

Chair	\$25,000
Vice Chair	12,500
Secretary	20,000
Directors	7,000
Committee Chair	3,000

Meeting Fees:

Board Meetings	\$400/meeting
Committee Meetings . .	.400/meeting

Senior Officers' Compensation

President & CEO	
D. Rodgers	\$ 111,738 ⁽¹⁾
Interim President & CEO	
B. Miller	\$ 63,753 ⁽²⁾
Interim Executive Vice President & COO	
P. Champagne	\$ 55,982 ⁽³⁾
Vice President Finance & Administration	
J. Carter	\$ 117,406 ⁽⁴⁾

(1) D. Rodgers: President & CEO January 1 to June 14, 2000; includes incentive payment for 1999 which was paid in 2000.

(2) B. Miller: Interim President & CEO June 1 to December 31, 2000.

(3) P. Champagne: Interim Executive Vice President & COO June 15 to December 31, 2000.

(4) J. Carter: Includes incentive payment for 1999 and 2000 both of which were paid in 2000.

CONTRACTS IN EXCESS

OF \$75,000

All contracts awarded during 2000 that were in excess of \$75,000 were awarded as a result of a competitive tendering process, except for the following:

- HIAA is in the process of establishing a Pyritic Slate Runoff Management Plan, which will be complete in 2001. Pending completion of this plan, we extended an existing agreement with Silco Contracting, on a month-to-month basis, for a period not to exceed one year and an amount not to exceed \$245,640.

- An agreement in the amount of \$802,178 with the Canadian Corps of Commissionaires was extended for the period April 1, 2000 to September 30, 2000, to give HIAA enough time following transfer to prepare the tendering documents. The contract was subsequently tendered with an effective date of October 1, 2000.

- Lease agreements with the car rental companies are on overhold pending the resolution of parking issues surrounding the ready-surface lot and a parking garage. We expect to tender these agreements in 2002.

- Several concession agreements are on overhold pending completion of the centre core retail expansion project. We expect to tender these agreements in 2001.

TRANSFER OF BRAIN POWER While receiving the keys to the airport on transfer day was significant to us, we recognize that the real key to running a successful airport is the people who work here. We are fortunate that almost all of the Transport Canada employees chose to continue their work with us. They showed tremendous commitment and professionalism throughout the changeover process, allowing a seamless transition. Since transfer, several new people have joined our organization, so that our staff complement now tops 175. This inaugural annual report is dedicated to the men and women who have worked tirelessly and enthusiastically throughout the transfer process and our first year of operations. Thank you.

OUR TEAM

•Cecillia Anderson •Donna Anderson •Eric Angevine •Troy Appleby •Stanley Ashley •Thomas Bagley •Christopher Ball •Todd Ball •Kenneth Bayers •Reginald Beeler •Judith Berglund •Debra Berry •John Berry •Mike Biddiscombe •Wayne Black •Benny Blair •Goward Blake •Kevin Boutilier •Richard Boutilier •Mark Bowser •Rhonda Brassard •Laurie Brown •Leonard Brown •Timothy Bull •Lawrence Butler •Barry Carroll •Joyce Carter •Kenneth Champion •Gilbert Chandler •Blair Christian •Gary Christian •Drake Clarke •Peter Clarke •Robert Clarke •Randall Clooney •Sherrie-Lynne Clow •Chris Collier •Maurice Colpitts •Gina Connell •Keith Conner •Darrell Conrad •Ronald Conway •Theresa Conway •Darrell Corkum •Alastair Cox •William Crosman •Brian Cutler •Paul Dalrymple •Sharron Davis •David Dawe •Leo de Wit •Heather DeCoste •Wayne DeCoste •Edward Dempsey •Sean Dempsey •Melvin Dinney •Betty Dionne •Delbert Eady •Douglas Eisan •Robert Ettinger •Chris Farmer •Timothy Fisher •Nancy Fong •Derek Forrest •Ivan Frame •David Fraser •Bruce Gaudet •Eloi Gaudet •Kevin Gaudet •Delbert Geddry •Brian Gillette •Clifford Gillie •Ira Gloade •Richard Gooding •Junior Gosse •Twila Grosse •Jim Hall •Kellie Hannam •Karen Harrie •Michael Hartlen •Ronald Hayden •Shawn Hicks •Roxanne Hilchie •Steven Hilchie •Joyce Hoskin •Janet Ingraham •Arthur Ives •Angela Jones •Robert Kane •Douglas Kinsman •Marcel Laforest •Donald Lajoie •Franklin Leavitt •Dean Letto •Robert Lewis •Brenda Losier •Bruce Loveridge •Esther MacDonald •Michael MacDonald •Peter MacDonald •Michael MacEwan •Joseph MacLean •Deborah MacLeod •Joseph MacPherson •Thomas Maguire •Kelly Martin •James McKee •Anthony McMillen •Harry McMullen •Steven McVarish •Jane Meagher •John Melbourne •Janet Menzies •Kenneth Messervey •Claire Metcalfe •Reg Milley •Ronald Moakler •Thomas Morris •Kevin Mosher •James Moulton •Suzanne Murley •Donald Myers •Vernon Myers •Lloyd Nauffts •Larry Naugle •Steven Nelson •Brian Nolter •Arthur Nowen •Kimberly Oakley •Alan O'Leary •Allan Pace •Garry Parsons •Malcolm Phippen •Frank Pilgrim •Gary Porter •Kimberley Porter •Dan Pride •Leonard Rhind •Bryan Roach •Rachael Robinson •Sandra Romans •Herbert Romkey •Howard Rose •Norman Ross •John Ryan •Gregory Shackleton •Michael Sheppard •Wesley Shields •Robert Silver •Karen Sinclair •Elvin Singer •Alexander Skinner •Catherine Smith •Peter Snair •David Snow •Jerry Staples •Rita Stover •Mike Sweet •Peter Sworin •William A. Turple •William D. Turple •Paul Tuttle •Reginald Verge •Julie Vials •Catherine Walker •Jack Weir •William Wellwood •Gary West •Stephen Whalen •Aaron Whynder •Keith Williams •Tom Winsor •Arnold Wood •Barry Woyнар •Burton Wright •Richard Wyatt •Wendy Wyatt •John Young •John Zawadzki •Tim Zinck •Kelly Zwicker

OUR EXECUTIVE MANAGEMENT TEAM

Bryan Roach, *Director, Human Resources*; Eloi Gaudet, *Director, Operations*; Peter Clarke, *Director, Facilities*; Gina Connell, *Director, Communications & Public Affairs*; John Zawadzki, *Director, Technical Services*; Reg Milley, *President & CEO*; Joyce Carter, *Vice President, Finance & Administration*



HALIFAX INTERNATIONAL
AIRPORT AUTHORITY

PO BOX 40
ELMSDALE
NOVA SCOTIA
CANADA
B0N 1M0

TEL: 902.873.4422
FAX: 902.873.4750

WWW.HIAA.CA
INFO@HIAA.CA