

EDMONTON INTERNATIONAL AIRPORT

**EIA**  
we'll move you.

December 2009

Edmonton Airports  
**2010 Business Plan**  
Abridged

EDMONTON  
**CITY CENTRE**  
AIRPORT

**COOKING LAKE**  
AIRPORT

**VILLENEUVE**  
AIRPORT

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# 1. CORPORATE FOUNDATION AND PLANNING

Edmonton Airports' planning process guides our development and operations in the short, medium and long-term. The overarching guidance, central to all of our planning, is our Vision, Mission and Core Values. The Vision focuses our priorities and inspires us to achieve what we want Edmonton Airports to be in the future. Our Mission is a statement defining our purpose and how we conduct business – it is our identity. Edmonton Airports' Core Values are the key principles that we follow in all of our activities. Planning is a dynamic and ongoing process, with all of the planning activities on a continuum that feed one another. As our environment changes, we need to be in a position to have considered alternative futures so we are able to adjust to a new reality.

## 1.1. Vision

Our Vision gives a clear picture of where we want Edmonton Airports positioned. This Vision shifts us from the managerial to a keenly strategic understanding of our purpose in Alberta at this point in time. The Vision incorporates key concepts that will serve to guide the way we plan our activities:

**VISION**  
TO BE THE NORTH'S PREFERRED GATEWAY  
TO THE WORLD, AND THE WORLD'S  
PREFERRED GATEWAY TO THE NORTH

- The Edmonton region's historic and future role with the North;
- People and goods not only flow from the North; but to the North as well; and
- Individuals, businesses and governments have choices on how and with whom they do business.

The Vision acknowledges that we are not there yet, and in order to achieve our Vision we need to plan our future direction and take the necessary steps to move incrementally towards our Vision.

## 1.2. Mission

Coupled with our Vision is a Mission that clearly establishes the priorities of Edmonton Airports. The key concepts contained within the Mission guide the way we do business:

**MISSION**  
WE MANAGE COMMERCIALY FOCUSED  
AIRPORTS AND FACILITIES, STRIVING TO  
EXCEED CUSTOMER AND COMMUNITY  
EXPECTATIONS

- Proactively manage airport assets in the best interests of the community in a safe, secure and efficient manner;
- Exceed customer and community expectations; and
- Make business decisions with a commercial focus on efficiency and effectiveness.

### 1.3. Core Values

Edmonton Airports' Core Values are the underpinning of our Vision and Mission and are integral to the way we do business – they are a given in everything we do.

Safety:	We ensure that the safety and security of our customers, staff, facilities and environment is a primary concern in all aspects of doing business.
Quality:	We are motivated by customer expectations in providing quality facilities and services in a customer-sensitive and service-driven manner.
Integrity:	We are accountable for all our actions, including financial management, and act honestly and respectfully in our business relations, usage of our resources, treatment of our customers and each other, and in the general conduct of our business.
Teamwork:	People are our most important resource; we work together to foster an open and cooperative environment that encourages teamwork, communication and mutual respect.
Innovation:	We champion innovation and drive efficiencies to create new value for our stakeholders.
Sustainability:	We are committed to responsibly managing all of our assets to advance our region's environmental stewardship, social well-being and economic prosperity.

## 2. ENVIRONMENT OVERVIEW

### 2.1. Changing Environment

All plans are predicated on a series of assumptions about the environment that the organization will face over the plan time frame. Even with the prospects of a recovering economy, there remains a level of uncertainty and instability in financial markets and consumer confidence, in terms of when and how quickly the recovery from the global economic crisis will occur. Management will continue to closely monitor the economic climate and the impact on our Business Plan and our longer term strategic objectives. Particularly in this environment, management will respond accordingly and adjust our plans as required, ensuring continued viability.

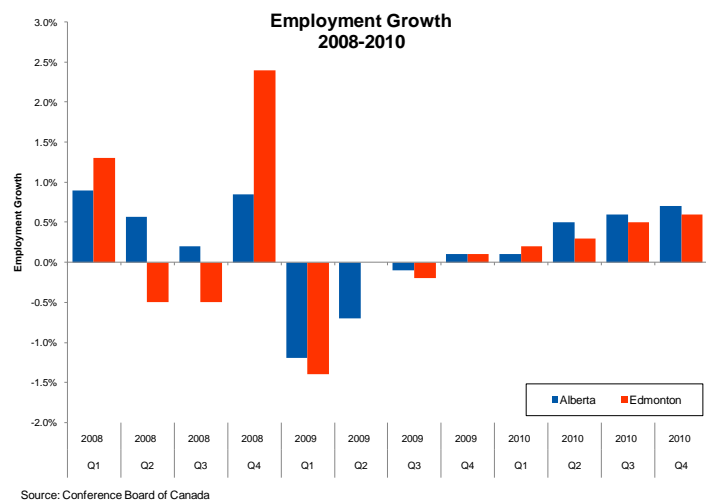
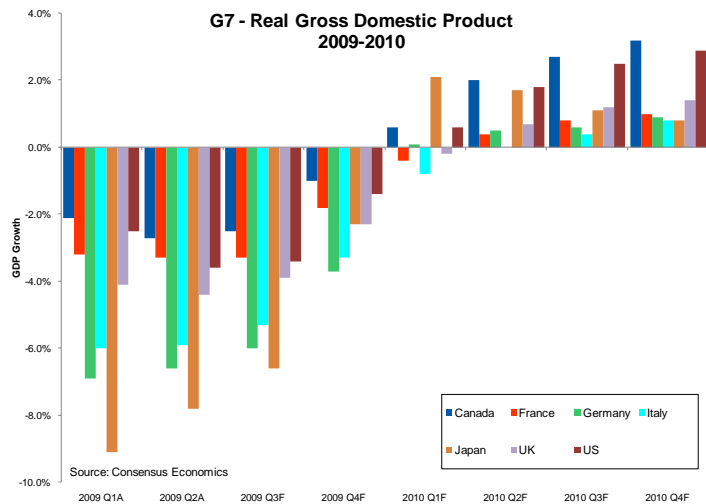
The following is a summary of expectations for 2010, a more detailed look at the environment is provided in the 2010-2014 Strategic Plan.

### 2.2. Economy

The world economy faced tough times in 2009. The global recession, started by the near collapse of financial markets in the US, led to a sharp decline in Gross Domestic Product (GDP) in many nations across the globe. In the fall of 2008, economists were looking for a significant slowdown in 2009 but few predicted the sweeping recession that occurred. G7 economies were hit much harder than originally anticipated. In the first two quarters of 2009, all G7 member nations saw their real GDP decline at rates in excess of two percent. Economic conditions are beginning to improve and it is forecast that by the second quarter of 2010, all G7 nations will be back in positive growth territory. Developing economies are also looking to see their economic situation improve in 2010. China will once again lead the way with real GDP expected to grow by 7.5 percent. India will also see its economy return to a period of strong growth, with real GDP forecasted to grow 5.6 percent in 2010.

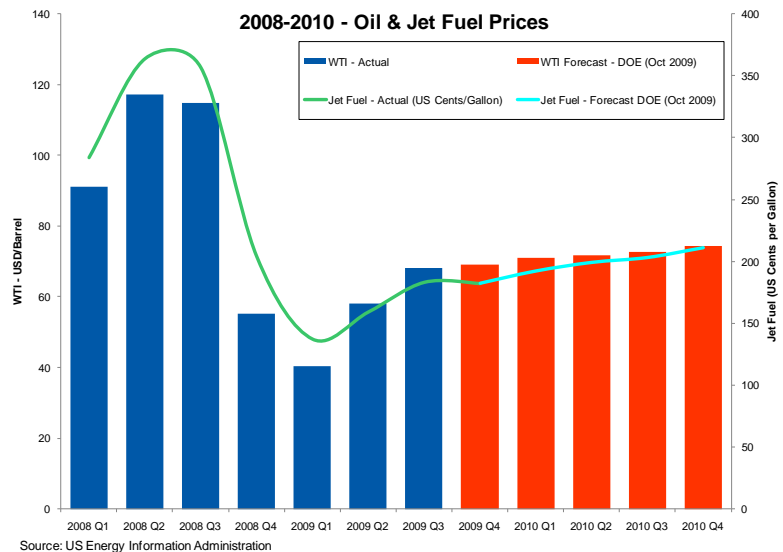
While the Canadian economy was not immune to the effects of the global recession, it has fared better than most of its peers. Canada entered the recession with perhaps the most sound banking system in the world and, as such, was spared the most devastating effects of the credit crisis. Credit markets did become more restrictive but certainly not to the levels that countries such as the US and UK experienced. The Canadian economy is already beginning to show signs of recovery with positive growth in June. GDP

growth is forecast to be 3.2 percent in the fourth quarter of 2010. Alberta and the Edmonton region will also see their economies recover in 2010 with both regions looking for growth rates around 3.3 percent.



The Edmonton region continues to grow, although at a slower pace than was seen over the past few years. In August 2009, the population in the Edmonton census metropolitan area has grown 2.5 percent over August 2008. The rate of population growth will slow in 2010 with Alberta Finance and Enterprise estimating a population growth rate of 1.4 percent in the Greater Edmonton region. This trend in growth is expected to continue into the foreseeable future with the region's population growth expected to dip below one percent in 2012. The local labour market has softened somewhat with the recession. The Edmonton unemployment rate will likely be around 7 percent next year, well above the low levels experienced in 2007 and 2008. Lower population growth rates and a stronger economy will push the unemployment rate back down in subsequent years.

In 2009, oil prices fell sharply from their highs in the summer of 2008. Earlier in the year, prices dipped close to \$30 a barrel and have since more than doubled to sit around the \$80 mark. Prices now appear to be stabilized in a range between \$70 and \$80 and investment is slowly creeping back into Alberta's oil sands. As the global economy stabilizes and begins to show signs of growth, demand for oil will increase. There may be a bit of a lag before oil prices begin to climb again as oil inventories are quite high and it will take a few months to diminish supply. Natural gas prices are expected to increase slightly over the winter but will not return to the levels seen over the last few years. Low prices and record inventory levels will continue to depress drilling activity in Alberta. On the plus side for airlines, low energy prices has resulted in the price of jet fuel falling. Prices are expected to remain relatively low over the winter and slowly increase along with the price of oil in 2010.



With over \$236 billion<sup>1</sup> (September 2009) in investment projects planned or underway in Alberta over the next few years, investment in the province remains strong. The global recession has significantly slowed the pace of development with approximately \$88 billion in projects put on hold. However, very few projects have been canceled outright and many of the delayed projects are expected to come back online in the next couple of years as the economy strengthens. The slower pace of development has helped alleviate escalation in construction costs and has helped Edmonton Airports reduce costs associated with Expansion 2012.

All in all, the local and national economy appears to be on the rebound heading into 2010. Financial markets appear to be stabilizing and low interest rates have helped return liquidity to the markets. While there are still some challenges ahead, 2010 looks to be a transition year with the economy getting back on its feet.

<sup>1</sup> Government of Alberta, Inventory of Major Projects, <https://www.alberta.canada.ca/statpub/>

## 2.3. Commercial Aviation Overview

### 2.3.1. PASSENGER

#### Outlook

The air transport industry has seen significant challenges over the last year. However, the air transport industry is very resilient to economic cycles and has recovered from past downturns. Over time, the air transport industry has become a more important part of society, with increasing dependence on air transport. A recent study by Oxford Economics, "Aviation: The Real World Wide Web," concluded that "Air Transport lies at the heart of modern, globalized economies."

#### Global Trends

The air transport industry responds to changes in the marketplace from changing fuel prices, new technologies and new airline business models to name a few. This response results in airlines adjusting and innovating their strategies to stimulate demand.

International Air Transport Association (IATA) is forecasting that the industry will continue to see losses into 2010, of \$3.8 billion, which is significantly better than the forecast 2009 losses of \$11.0 billion (2008 losses \$16.8 billion). Looking ahead, IATA sees improvement continuing into 2011 with the industry showing a profit. The industry is seeing improved traffic volumes but continues to be impacted by weak yields, which contributes to the losses. Fuel prices will continue to be a concern for the industry with expected fuel prices rising into 2010, impacting industry cash flow.

Boeing expects passenger traffic in the next few years to be above average, as has been experienced after past downturns. Looking ahead, passenger growth is expected to be an average of 4.9 percent until 2028 and within North American by 2.5 percent. The Asia Pacific region is still expected to see most of this growth with approximately 41 percent of travel from this area compared to 32 percent today.

In its 2009-2028 Global Market Forecast, Airbus believes that the longer term impact of the events of the last year will result in an evolution in the air networks rather than impacting future passenger growth. As a result they see passenger growth averaging 4.7 percent until 2028, which represents a doubling of passenger traffic in the next 15 years.

The global economy is diversifying, with developing regions and new business sectors bringing more balance to the world. In the near future, it is anticipated that many markets will receive a strong boost as governments ease regulations that have previously restricted market access. New Open Skies agreements between Canada and the European Union, United States and South Korea further improve the market conditions. Further liberalization is expected in Asian and North African markets, with a continuing long-term trend toward opening up markets worldwide.

#### Low Cost Carriers

Cost-conscious network carriers continue to eliminate the "extras," otherwise known as amenities, to provide the lowest fares possible. But as the network carriers slim down, the category of low cost carriers (LCC) is rapidly beefing up, giving passengers the option of flying both comfortably and affordably, and the number of passengers interested in booking with LCCs is on the rise.

LCCs are able to expand capacity more rapidly than network carriers due to their lower cost structures and breakeven levels. Their expansion, usually at significantly lower fare levels, stimulates new market demand and typically has a permanent positive impact on overall market size. This trend can be seen currently in many parts of the world and has typically been a "domestic" phenomenon. However, in the coming years, it is expected that the LCC model will

have a greater influence across oceans into profitable international markets, aside from the current few in this market, like Air Asia X.

### **North American Carriers**

In Canada, both WestJet and Air Canada have been experiencing record load factors over the last few years, although these have moderated somewhat this past year. They have both responded by adding additional aircraft and updating their fleet, with both having additional aircraft to be delivered over the coming years. Air Canada has 37 wide-body Boeing 787 on order for delivery starting in 2012. These will replace the existing wide-body Boeing 767 fleet and add capacity. WestJet is increasing its Boeing 737 fleet with between 28 and 31 new aircraft for a total fleet of 114 to 117 in 2014.

Growth in the resource sector will continue to drive new passenger demand into northern Alberta. WestJet and Air Canada have had good success in Grande Prairie and Fort McMurray. Air Canada and WestJet have added new flights from both these communities to Edmonton and Calgary over the past few years driving tremendous growth in connecting passengers through Edmonton International. While, we see a connection market continuing with these northern Alberta communities, the success of the non-stop service between Fort McMurray, and Toronto, and Vancouver may bode well for a similar transcontinental flight being added to Grande Prairie, which can limit connection growth from these communities through Edmonton International.

Air Canada and WestJet's success in northern Alberta has spurred them to look at selectively entering northern markets with new flights and seat capacity. This trend is expected to increase significantly over the coming years with new flights already added from Edmonton and Calgary to Yellowknife and Whitehorse. The impact of Air Canada and WestJet entering these markets will create significant challenges for incumbent carriers First Air, Canadian North, Air North and smaller commuter airlines. We have seen a reduction in service from these carriers as a response which would result in a concentration of passengers onto WestJet and Air Canada.

### **Airport Competition**

Competition for new passenger air services is more intense than ever as the economic impact for a community of even one new flight can range into the tens of millions of dollars per year. Airports are now aggressively pursuing airlines by offering new and elevated incentives to influence the decision-making process. The impact of this change is that the airports with the financial wherewithal to offer increased incentives (typically hub airports) to airlines will gain new services disproportionate to those that are unable.

### **New Aircraft**

In the medium term, network carriers will look for greater operating and fuel efficiencies by replacing their ageing wide-body and larger narrow-body fleets, particularly in domestic markets, with smaller narrow-body aircraft. Additionally, carriers such as Air Canada are blurring the line between regional feeder operations and mainline operations by acquiring and operating aircraft such as the 93-seat Embraer 190 to supplement their network structure. The use of smaller aircraft allows network carriers to offer more competitive, higher frequency operations while improving profitability by more closely matching capacity with demand.

Airlines and aviation enthusiasts alike eagerly await the official arrival of the Boeing 787 Dreamliner and continue to wait as Boeing has been plagued with various issues causing significant delays. Upon launch, orders for the Boeing 787 soared and, in fact, the aircraft launch was the most successful Boeing has seen with 850 orders. Air Canada to date has ordered 37 Boeing 787 aircraft, making it the largest customer in the Americas for this aircraft.

The Boeing 787 will consist of lightweight, high-tech composite materials, rather than aluminum; allowing the aircraft to use 20 percent less fuel than aircraft of comparable size, 45 percent more cargo capacity; and afford passengers a cabin with higher humidity, wider seats and aisles, and larger windows. Airlines that have ordered the Boeing 787 will look to replace less efficient

wide-body aircraft and tailor their growing international route systems to better address customer needs.

### 2.3.2. GENERAL AVIATION

General aviation refers to a wide variety of activities beyond those provided by scheduled air carriers, including commercial non-scheduled and air industrial activities, such as, charter, corporate aviation activity, surveying, spraying, sightseeing and flight training. It also includes personal business flying, recreational aviation and government flying. Many industries support general aviation activities including warehousing, maintenance services, fuelling, catering and aircraft grooming. The limited data available on general aviation activity suggests that general aviation pilots are increasingly choosing to relocate to smaller fields outside of metropolitan areas where fees are lower and traffic conditions are less congested.

### 2.3.3. CARGO

Air cargo in the global marketplace remains at a high ratio between total value and relative volume; as air cargo represents approximately 40 percent of total international trade value with less than 3 percent of the total volume. Aggregate research concludes that air cargo traffic remains an important and critical component of economic health for global markets. Given that the value proposition for air cargo is speed, the state of the industry provides an accurate measure of the current economic activity associated with particular markets. Previous growth of the air cargo industry was led by Asia with positive traffic volumes in all the major global markets; however, the global recession has severely impacted the air cargo industry with traffic declines in almost all areas. The Middle East has remained relatively stable throughout the global downturn where all other markets experienced declines of up to 30 percent from the previous year. The challenge for the air cargo industry has been to balance the capacity with decreased demand in order to preserve revenue. Since the spring of 2009, the depletion of product inventory throughout the supply chain has increased the amount of freight entering the market and stabilized the decline of total volumes. As consumer confidence improves, the air freight industry will again experience positive growth.

The economic crisis accelerated aircraft asset decisions by carriers who either cancelled or deferred new aircraft deliveries and carriers who retired older, less-efficient aircraft due to unsustainable costs. These changes have rationalized much of the existing capacity and permanently eliminated dedicated freighter service by some operators. Boeing has revised its long-term growth projection for air freight to an average of 5.4 percent over the next 20 years with a continuing trend to larger freighter aircraft that are more fuel efficient and are capable of higher payloads. The Boeing 747-8 intercontinental freighter program continues with no cancellations or deferrals. Airbus recently revised its forecast and is projecting a 5.4 percent air cargo growth demand through 2028.

In Canada, the air freight market remains weak. Efforts to increase trade liberalization through enhanced or more open air access policies have been limited to smaller, selective markets. An exception is the recent Canada-European Union agreement that includes additional access capabilities for air cargo. Despite these changes, Canada still does not have effective main-deck (dedicated) freight capacity other than some foreign-based carriers operating under limited access agreements. The bulk of air freight in Canada remains relegated to markets that have wide-body passenger scheduled services, utilizing belly-hold capacity. The balance of air freight is limited to narrow-body trans-Canada freighter service or express carrier operators.

## 2.4. Edmonton Airports Activity

### 2.4.1. AIR SERVICE

Edmonton International is served by 21 passenger carriers providing regularly scheduled and chartered passenger non-stop service to destinations worldwide.

Edmonton International Destinations Domestic			
Abbotsford	Grande Prairie	Montreal	Toronto
Calgary	Halifax	Norman Wells <sup>2</sup>	Vancouver
Cold Lake	Hamilton	Ottawa	Victoria
Comox	Hay River	Rainbow Lake	Whitehorse
Fort McMurray	High Level	Red Deer <sup>3</sup>	Winnipeg
Fort Smith	Inuvik	Regina	Yellowknife
Fort St. John	Kelowna	Saskatoon	
Edmonton International Destinations Transborder			
Chicago	Kahului <sup>4</sup>	Minneapolis	Salt Lake City <sup>5</sup>
Denver	Las Vegas	Palm Springs	San Francisco
Houston <sup>6</sup>	Los Angeles	Phoenix	Seattle
Edmonton International Destinations International			
London-Heathrow, GB	Mexico City, MX <sup>7</sup>		
Edmonton International Destinations Winter Charters and Seasonal Schedule			
Cancun, MX	Mazatlan, MX	Puerto Vallarta, MX	Varadero, CU
Huatulco, MX	Montego Bay, JM	Punta Cana, DR	
Liberia, CR	Panama City, PA <sup>8</sup>	San Jose Cabo, MX <sup>9</sup>	
Edmonton International Destinations Summer Charters			
Frankfurt, DE <sup>10</sup>	London-Gatwick, GB		
Edmonton International Carriers <sup>11</sup>			
Air Canada (S)	CanJet (C)	Integra Air (S)	U.S. Airways (S) <sup>12</sup>
Air Canada Jazz (S)	Central Mountain Air (S)	Mexicana Airlines (S)	United Airlines (S) <sup>13</sup>
Air North (S)	Continental Airlines (S)	Northwestern Air Lease (S)	WestJet (S)
Air Transat (C)	Delta Airlines (S) <sup>14</sup>	Sunwing (C)	
Alaska Airlines (S)	Enerjet (C)	Swanberg Air (S)	
Canadian North	Horizon Air (S)	Thomas Cook (C)	

<sup>2</sup> Non-stop outbound and same plane, one-stop inbound through Yellowknife, by Canadian North

<sup>3</sup> Will commence in November 2009, by Swanberg Air

<sup>4</sup> Seasonal scheduled service March/April 2010, by WestJet

<sup>5</sup> Service to be suspended January 2010, by Delta Airlines

<sup>6</sup> Will commence in November 2009, by Continental Airlines

<sup>7</sup> Service to be suspended by January 2010, by Mexicana Airlines

<sup>8</sup> Same plane one-stop through Calgary, by Air Transat

<sup>9</sup> San Jose Cabo is the airport name of Cabo San Lucas, MX

<sup>10</sup> Will commence in summer 2010, by Air Transat

<sup>11</sup> A (S) indicates carrier operating primarily scheduled passenger services; a (C) indicates a charter carrier

<sup>12</sup> Operated by U.S. Airways and Mesa Airlines

<sup>13</sup> Operated by Skywest and Shuttle America

<sup>14</sup> Delta Airlines and Northwest Airlines have merged and will be operated by Delta Airlines or Mesaba Aviation

Edmonton City Centre permits scheduled service to four destinations in northern Alberta, with three of these destinations served by three carriers.

Edmonton City Centre Destinations			
Fort McMurray	Grande Prairie	Peace River	High Level <sup>15</sup>
Edmonton City Centre Carriers			
Air Mikisew (S)	Airco Aircraft (S)	Northern Air Charters (S)	

#### 2.4.2. PASSENGER FORECAST

To the end of September 2009, Edmonton International reported a 5.6 percent decline in passenger traffic.

By sector, Edmonton International year-to-date growth to September 2009 is a decline of 8.7 percent for domestic passengers, a 4.2 percent increase for international passengers, and a 8.0 percent increase for transborder passengers.

For the balance of 2009, the passenger forecast is 6.1 million passengers at Edmonton International, which represents a decline of 5.1 percent over 2008.

For passenger growth, 2010 is seen as a recovery year from the declines in 2009, with growth of 1.5 percent overall or 6.2 million passengers. This represents a 0.1 million increase in the number of passengers over the 2009 forecast.

#### 2.4.3. CARGO

Edmonton's air cargo profile remains stable with approximately 70 percent of the total volume of reported traffic carried by Fed Ex, Purolator and Cargojet. The two main scheduled carriers at Edmonton International, Air Canada/Jazz and WestJet primarily operate narrow-body aircraft with limited payload capacity for air cargo. Collectively, these carriers account for 12 percent of the total air freight at Edmonton International. The balance of traffic is carried by the carriers focused on serving Canada's northern markets and the small-gauge aircraft operating for contracted services. By market, Edmonton International air freight is 74 percent domestic, 25 percent international and 1 percent transborder.

Leakage to other gateways remains a significant challenge with many air cargo shipments transported via scheduled road feeder service. These services to other gateways include Calgary, Vancouver, Toronto and the United States where freight is transferred to belly-hold capacity available on passenger and dedicated freighter services. It is estimated that over 95 percent of international and 97 percent of transborder air freight to and from the Greater Edmonton market is utilizing surface transportation.

#### 2.4.4. MOVEMENTS

Aircraft movements at Edmonton International are dependent on the aircraft size serving the passenger market. With an increase in regional jets and frequency of service, movements have increased in recent years. As passenger service develops at Edmonton International and carriers better match capacity to demand, the passenger will typically be absorbed through increased load factors resulting in commercial passenger movements growing at lower rates than passengers.

The majority of movements at Edmonton City Centre are general aviation related to a wide variety of activity including: non-scheduled commercial activity (charters), corporate aviation,

<sup>15</sup> Service to this market is permitted under the access policy, however no carrier is currently serving this market

government activity, surveying, flight training, personal business flying, recreational activity and medevac.

All aircraft activity at Villeneuve and Cooking Lake is general aviation with the significant portion at Villeneuve, 70-80 percent, consisting of local movements related primarily to flight training activity.

### 3. 2010 CORPORATE TARGETS

The long-term strategic goals contained in our 2010-2014 Strategic Plan support the strategic directions in that plan, which move us toward achieving our Vision. These long-term strategic goals provide measurable objectives that can be used to evaluate the implementation of the strategic plan. Our 2010 corporate targets support the achievement of the long-term strategic goals and translate the strategic directions into quantifiable objectives that guide our annual business planning. The corporate targets provide the high level direction for the Strategic Business Units (SBU) and Departments, which in turn set measurable targets that, support the achievement of the annual corporate targets.

#### 3.1. Employees

ALL LEADERSHIP EMPLOYEES WILL BE TRAINED IN THE 360 DEGREE PERFORMANCE MANAGEMENT SYSTEM BY OCTOBER 30, 2010, AND A PERFORMANCE APPRAISAL COMPLETED BY DECEMBER 31, 2010.

Edmonton Airports competes nationally, and in the foreseeable future, internationally to attract skilled human resources. We need to differentiate ourselves as an employer of choice to attract and retain top talent by marketing the benefits of being an employee of Edmonton Airports.

In 2010, in addition to the corporate employee target, there are several SBU level targets that will continue to move us forward in achieving our Top 100 employer long-term strategic goals. These initiatives are focused on continued implementation of the core skills program developed in 2009 with courses being developed and provided to employees. The 360 degree performance management system will be implemented for all leadership employees that have supervisor roles allowing for future benchmarking of performance in areas like communication, teamwork, respectful workplace and entrepreneurial attitude, to name a few. This sets the stage to provide performance appraisals using the 360 degree performance management system for all employees in 2011. This will allow us to effectively monitor and address some employee-related development needs identified in our Strategic Plan.

#### 3.2. Efficient Growth

ACHIEVE AN EXPENSE REVENUE RATIO OF 83 PERCENT.

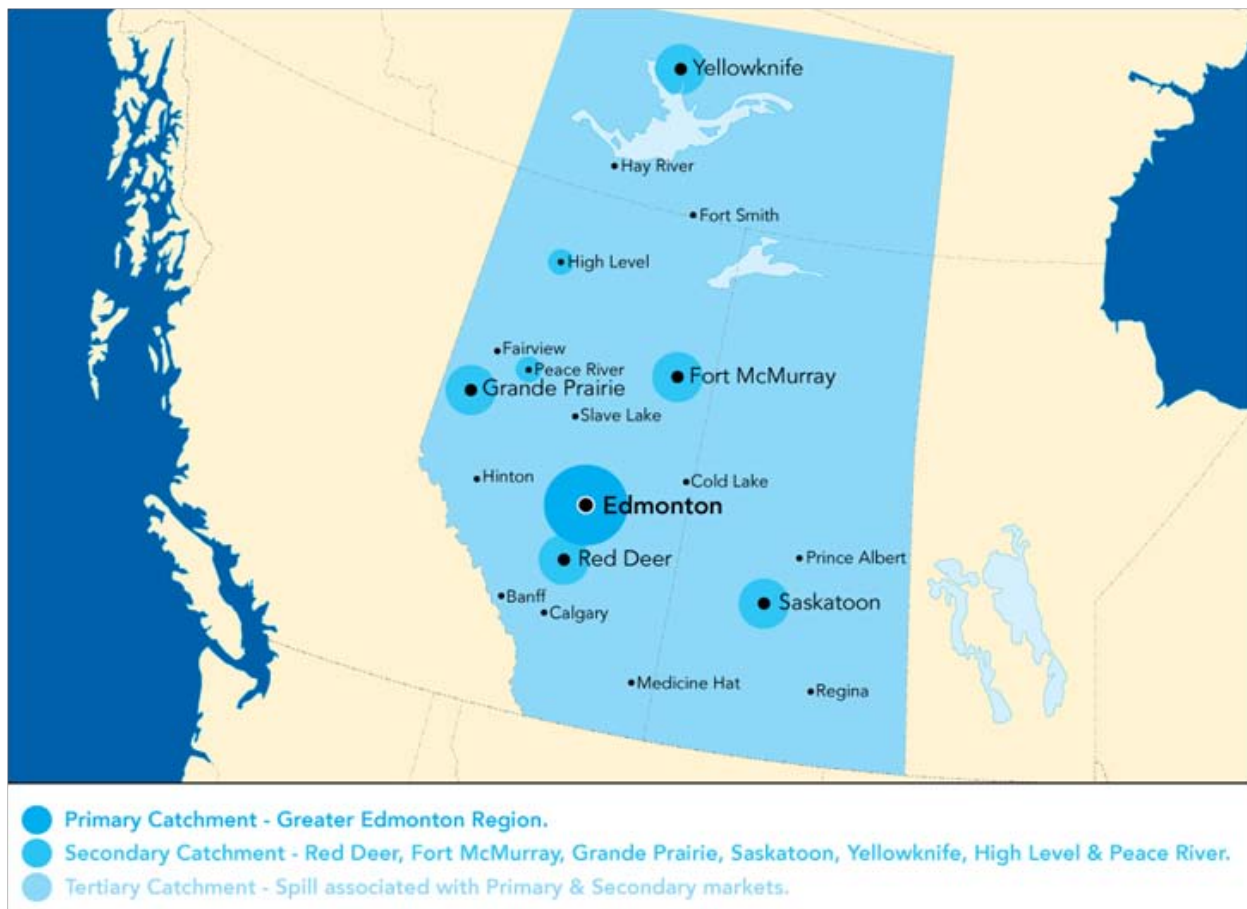
INCREASE EDMONTON INTERNATIONAL'S PRIMARY AND SECONDARY CATCHMENT MARKET SHARE<sup>15</sup> BY ONE PERCENTAGE POINT BY THE END OF DECEMBER 2010, RESULTING IN AN INCREASE IN ENPLANED PASSENGERS.

For 2010, there are two targets on efficient growth tied to our strategic goal of increasing EBITDA.<sup>17</sup> The first target is focused on improving the Expense Revenue ratio, through a combination of cost

<sup>16</sup> As measured using the IATA Intelligence Service leakage data that measures airline ticket sales through travel agents within specific areas.

initiatives that requires us to operate our business in an efficient manner while continuing to grow, and revenue and ties to our strategic goal of increasing EBITDA, from greater activity/new revenue sources, and not from increases aeronautical fees (landing, terminal, common use counter, loading bridge and aircraft parking). Efficiencies of scale are reflected in the Expense Revenue ratio decreasing, as more of each dollar of revenue will contribute to net earnings or EBITDA. The percentage can decrease through more revenue same expenses, same revenue less expenses and more revenue and expenses increasing at a lower rate than revenue.

The expense side is focused on identifying and implementing process improvements to achieve operating expense reductions which are enduring, and is directly tied to our operational effectiveness strategies. It has a focus in 2010 of working towards highly efficient operations by reducing costs through operational and administrative efficiencies, allowing resources to be applied to grow the business.



The second target looks at expanding our market reach, and as a consequence provide, additional revenue. Air service has grown significantly over the last four years at Edmonton International, however with slowed economic growth expanding Edmonton's catchment areas to support existing and new air services has become more important than ever. This objective is a joint effort between Corporate Communications and Marketing to reclaim drive and fly market leakage from Edmonton International, growing Edmonton International's penetration into existing primary and secondary catchment areas and pursuing new markets that were previously not a focus for Edmonton International. The primary catchment area includes the Greater Edmonton Region area, while the secondary catchment area is broader based and includes the majority of Alberta, much of eastern Saskatchewan and the southern portion of the Northwest Territories. For the secondary catchment area, there is a special focus on larger

<sup>17</sup> Earnings before interest, taxes, depreciation, and amortization, excluding unusual items, and capital contribution revenue.

centres such as Red Deer, Fort McMurray, Saskatoon, Grande Prairie, Yellowknife, High Level and Peace River.

### 3.3. Cargo and Land

THE FIRST PHASE OF LAND SERVICING FOR AIRPORT SUPPORT AND SHORT TERM GENERAL AVIATION AREAS AT EDMONTON INTERNATIONAL WILL BE COMPLETED BY SEPTEMBER 30, 2010, WITH THREE NEW LEASES EXECUTED BY THE END OF 2010.

For 2010, there will be significant effort to service additional land at Edmonton International with the focus in 2010 on servicing the first phase of the airport support and short term general aviation development areas. The first phase includes the servicing of initial lots with access roads and utilities to the lease line. The airport support project will be coordinated with the electrical substation installation that is part of Expansion 2012 to gain efficiencies in the electrical distribution on site. In conjunction with servicing potential tenants will be identified and new leases fully executed by the end of the year on the newly serviced land. In addition, business development activities focused within the Marketing and Business Development SBU are also being undertaken to generate additional interest and leased land in future years.

### 3.4. Airline Relationships

For 2010, there is no specific corporate target for airline relationships. The primary efforts in this area for 2010 reside with the individual SBUs. Promoting and facilitating growth in passenger connections at a rate that is in excess of our overall passenger growth will not only result in greater utilization of our air services but also boost our terminal concession revenues that offset airline rates and fees, which supports the long-term strategic goal of the IATA Eagle Award.

### 3.5. Customer Experience

IMPROVE CUSTOMER EXPERIENCE, RESULTING IN A TOP 20 PERCENT PLACING FOR OVERALL CUSTOMER SATISFACTION IN THE ASQ<sup>19</sup> SURVEY, EVALUATED FOR AIRPORTS WITH 5-15 MILLION PASSENGERS

Our focus will be on the key drivers of customer satisfaction and applying the best practices in the industry to Edmonton International. Living our brand will play an important role in positively shifting the community's perception of Edmonton International. To enhance Edmonton International ambience, a key driver of satisfaction, we will add new visual features to the terminal that better reflects Edmonton.

### 3.6. Terminal Efficiency

For 2010, there is no specific corporate target for terminal efficiency. The primary efforts in this area for 2010 reside with the individual SBUs. The overall focus is to have a facility that can efficiently and effectively accommodate nine million annual passengers. This can be achieved through the physical expansion of the terminal and through efficiency gains via passenger facilitation and business innovation, in particular through the deployment of common-use components.

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<sup>18</sup> Airports Council International, Airport Service Quality Survey

