

CYQX  
2013

  
**GANDER**  
INTERNATIONAL AIRPORT ✦ CYQX  
**annual report**

## mission statement

The Gander International Airport Authority will operate a viable, safe and secure international airport.

## vision

With our partners, we provide superior services to the aviation world.

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# 01

## *YEAR IN REVIEW*

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Fred Moffitt, Chairperson, Gander International Airport Authority

# Message From The Chairperson of the Board

2013 was an interesting year across the board; some parts of the economy flourished, while others were severely tested. Amidst fluctuating economic headwinds and tailwinds, the Gander International Airport Authority managed its ninth straight year of profit. It was a year in which plenty was achieved and the airport remains on course for a promising future.

Over the last number of years, the airport authority has had to make adjustments to its strategic direction while maintaining a growth trajectory. We focus on a measured approach to managing the airport, with the recognition that we are the caretaker of a powerful economic engine and strategic piece of transportation infrastructure.

Airport authorities have a tendency to focus on different strategic silos – safety and security; the passenger or customer experience; marketing and business development; and infrastructure renewal. All of these niches remain important objectives for the airport authority, but we have been and remain united under a common organizational goal of operating a secure and viable international airport on behalf and for the betterment of Central Newfoundland.

Operating an airport is a very capital intensive undertaking; a simple rehabilitation of a runway can cost upwards of \$15 million and may be required as frequently as every 15 years. Cost control has been a key guiding principle for the airport since its inception. Labour costs accounted for 42% of our core revenue in 2013, a far cry from the 58% we inherited on handover of the facility from Transport Canada back in 2001.

I maintain that no business can save its way to profitability. We aggressively pursue our growth agenda and ensure the operational integrity and regulatory obligations of the airport are met, above all.

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We are grateful to all of those who have entrusted their support as we operate Gander International Airport on their behalf.

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We have made no secret of our focus on generating more non-aeronautical revenue. The airport has long been looking to reduce its dependency on volatile aviation business cycles with the aim to establish a risk-reduced portfolio of diverse income streams. We will continue to work to build this portfolio and marshal opportunities in land leasing, the latter evidenced by our investment in an 150-acre business park located on a prime tract of land for retail. Across North America, non-aeronautical revenue (represented by parking, concessions/retail, ground transportation and leasing and non-terminal rent) represents 45% of an airport's annual revenue. At Gander, that figure now stands at 43% and there is room to grow.

Gander International Airport is ultimately defined by our people. The airport authority has been fortunate to employ a dependable team of experienced and committed workers. Our board of directors and management group provide leadership that is crucial to our success. Our community partners have remained steadfast in their support.

We have a culture in which our employees and partners strive to provide superior service that enhances Gander's reputation and brand. We champion an environment where experienced staff provide a great customer experience.

The GIAA has a corporate mandate where progress is carefully considered and monitored against our strategy. Where possible, the GIAA uses a long-term planning window to ensure it not only meets the goals set out in its annual business plan, but contributes to a strong footing where the airport can thrive and sustain itself over the long-term. Our strategy focuses on managing costs, exploiting our competitive advantages and making calculated investments to grow our airport and create return. Those profits are channeled back into our facility.

This is as good a segue as any to discuss the future of our air terminal building. This has been the subject of much consideration by the airport authority and, in consultation with our community and stakeholders, we have determined the airport needs to pursue the construction of a new, modern, efficient terminal.

When the current Gander International Airport terminal was opened in 1959 with the blessing of the Queen, it was built to cater to a robust level of international traffic that no longer exists. The day of every transatlantic aircraft flying the North Atlantic having to stop to refuel are fading into the rearview mirror. International tech stops are still an important part of our business today, but they are nowhere near peak historic levels, nor will they return to those thresholds. The last few years have been very difficult for the many airport operators who depend wholly on international business to drive their profits.

The current airport infrastructure is vastly overbuilt for our needs, both present and future. We recently completed our 10-year Master Plan, which assesses future demands and what's required to meet those needs. Even with a projection of passengers doubling over the next couple of decades, the airport would only require one quarter of the space it now maintains. In the interim, the leviathan terminal costs \$1.7 million annually to operate. It is clearly evident that a new, right sized terminal is required. A completely new facility will



be energy efficient and might include some features of the old airport as a tip of the hat to our rich past.

In the coming year, an external firm will complete a site selection analysis and conceptual design which represents the first step toward a new building. Building a new terminal is a significant undertaking and one that will require a large level of public investment to finance. Airport infrastructure is enabling infrastructure. Airports are designed to drive economic opportunity. As we are fond of saying in the aviation business, a mile of road gets you a mile, but a mile of runway gets you the world. I'd venture that our runway is the most important main street in town. To that end, I would suggest that public investment in a new building will be returned to taxpayers, many times over.

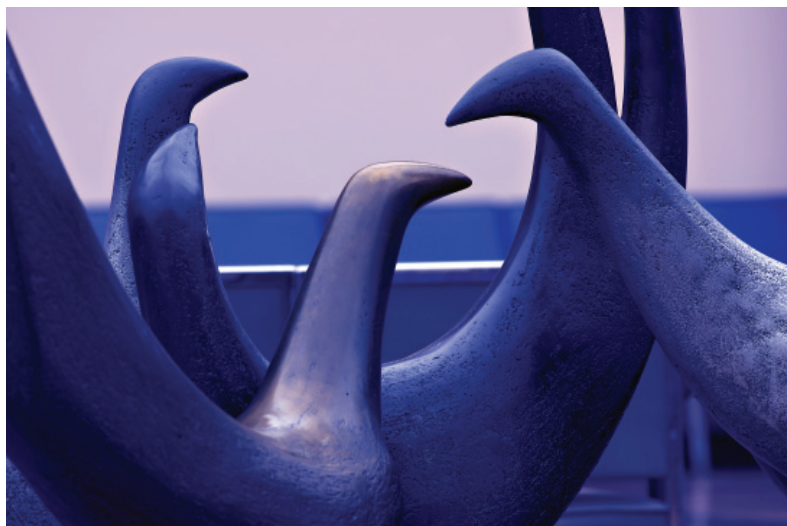
We are grateful to all of those who have entrusted their support as we operate Gander International Airport on their behalf. The future will wheel out new challenges and opportunities, and we will meet them as we always have - as a community and region committed to its airport.

This will be my last involvement in our annual report as, on September 26, I will conclude my six years as the airport authority's chairperson. Our board of directors has elected Des Dillon as my successor. Des has been a director with our board for three years and has a long and accomplished history in the community and as a director. I have no doubt Des will be the strong leader required to meet the challenges of the industry in the years to follow.

I have thoroughly enjoyed my tenure with the airport authority. Since arriving here as a Royal Air Force navigator almost 30 years ago, I have always felt a deep sense of attachment to Gander International Airport. It has been a privilege to be able to contribute to the airport's future, one I am confident will be very bright and brimming with opportunity.

**Fred Moffitt, Chairperson**





**Top Right:**  
The Bird of Welcome stand  
sentinel in the airport's  
international lounge.

**Right:**  
Air Canada CRJ on approach.



## Message From The President and CEO

On November 30, the airport celebrated its 75th year of operations - a major milestone, indeed, and an occasion that had us all reflecting on the vast change witnessed here since 1938.





Gary Vey, President and CEO, Gander International Airport Authority

It is remarkable what Gander has seen since it began operations in 1938. Our history, and the history of aviation itself, have always walked hand-in-hand.

We have been through the early pioneering days of flight, when Gander was a crucial platform for those first forays into transatlantic traffic as an air bridge between the continents. We saw aviation move into its golden age. We saw the Concorde do its cold weather testing here. We saw thousands of Eastern Bloc immigrants slip through the Iron Curtain at Gander. We saw the world at its very worst and best during 9-11. We saw an airport give birth to a town, a town founded on air, which even today looks to aviation as the defining characteristic of its heritage.

It is astonishing to consider the tens of millions of passengers and aircraft that have used our airport, and the profound change evidenced over three quarters of a century. Even as we focus on the future, our history is part of a deeper global legacy and one well worth celebrating.

Change is an omnipresent force at Gander. How change impacts us, and how we change ourselves in response to an ever-evolving aviation industry, is crucial. Darwinist theory of evolution entails that it was not the smartest or strongest of the species that survives, but those most readily adaptable to change.

This harkens me back to my first days as President and CEO when the airport was shifted from Transport Canada's management to the hands of the community. One of the great changes in transitioning from a public, government-run operation to a private enterprise is the total shift in mindset that is required of everyone involved. Change comes slowly, but it comes, and we could not afford to be left behind.

While we manage a public asset for the betterment of the region, we also run a business under the same financial and management principles that steer any private enterprise. We have to provide a service that customers – passengers and airlines – require, and are willing to pay for in a structure that allows us to be profitable.

When the airport transferred, it had 69 employees, all of them experienced, skilled and eager to contribute. But our wage bill was unsustainable. We now have 29 full time equivalents. The same job is being done with fewer staff, largely because we have a multi-skilled team that can contribute across broad operational platforms.

With this measured approach to financial management and operations, the airport was able to produce a modest year-end surplus of \$438,000 in 2013. This represents the GIAA's ninth consecutive year of profitability. We consider these fair results under trying circumstances, but this also reaffirms the need for the airport to adjust its course to meet the challenges ahead. I'll reiterate what has been my manta since taking office here: the airport needs to generate the revenue from operations to fund its capital works program so we can continue to serve and contribute to the economic vibrance of the region.

We are very encouraged by the continued growth in our domestic market. Passenger traffic grew 6% over 2012, marking the highest passenger totals at Gander since 1989. Thanks to enhanced service by

Air Canada and Sunwing Airlines, Gander enjoyed an 8% increase in total available seat capacity.

On the other side of the business, international traffic remained down significantly over historic levels. The aviation industry has undergone both significant rationalization and re-fleeting; the latter has brought to an abrupt end many of the older, fuel-inefficient aircraft types which were the cornerstone of international traffic at Gander. Reduced international flights made for a challenging year for our many tenants established primarily to service these operations. There are niches of international aviation that will continue to patronize Gander and show aggregate growth in the coming decades, but overall this market has generally been in a sustained decline over the last four decades and is not expected to resume any ascendancy.

The challenge, then, is to reinvent the airport in a manner which reduces its dependency on traditional international fuel stop business. The airport has focused a great deal of its energy in recent years on growing the domestic passenger market and working to marshal opportunities to secure non-aviation revenue, the most notable being the 150-acre business park on the perimeter of our land. Accelerating revenue diversification is an important part of our risk management strategy.

The game is changing and we need to change with it. To borrow a nautical analogy, you cannot change the winds, but you can adjust your sails.

While on the subject of change, this represents the last time I will pen my President's summary for our annual public meeting, as I will retire in a few month's time. To say my 17 years as the airport's chief executive has been interesting would be a vast understatement. There have been countless challenges, prolonged battles, a lot of hand wringing and, thankfully, some measure of success.



The airport needs to generate the revenue from operations to fund its capital works program and contribute to the economic vibrance of the region.



Whatever the assessment of the airport's performance under my tutelage, I can leave knowing I was deeply committed to the task at hand and gave my best for the greater good of the airport. As mentioned, I witnessed a great deal of change and hope I am not being ostentatious when I say I have been an agent for and advocate of change as well. I believe I have left the airport in a better position than in which I found it, and worked to construct a sturdy, sustainable platform for its long term sustainability.

The airport's successes over the last number of years are not mine personally; they are a product of our hard-working board of directors, management group, staff, tenants and community partners. I want to convey my gratitude and acknowledge that I am deeply indebted to everyone for their support through the years. It has been a both a privilege and an incredible professional opportunity to manage a crucial public asset on behalf of the region.

Even in a place brimming with the deep history of Gander, it is a fruitless endeavor to try and

reconstruct the old. Rather, we need to build the new. As we move collectively down the road, we will encounter bends, and we will need to turn with them. The present swallows the past and gives way to the future. Let our rich history be a platform for the future, not an anchor dragging behind us as we evolve.

This summer, I will exchange my office view of Runway 13-31 for a different landscape: the rugged cliffs of Notre Dame Bay as seen from my fishing boat. Rest assured, the airport will remain in capable hands and the course we have worked so hard to chart is sound.

There is no rewind or pause button in life, only the impending future – a future full of new beginnings, new opportunities, new challenges, and, inevitably, change.



**Gary Vey, President and CEO**

**“Let our rich history be a platform for the future, not an anchor dragging behind us as we evolve.”**







## Business Development Overview

### Positioning for Growth

Passenger traffic at Gander International Airport increased 6% over the previous year, marking the highest passenger totals since 1989. These results are indicative of increased seat capacity at Gander and strong performance on existing routes. The market continues to enjoy an upward trend in passenger movements.

Passenger traffic to the Caribbean grew 9% behind strong performance on Sunwing Airline's direct winter charters to Varadero, Cuba, and Punta Cana, Dominican Republic.

Air Canada's seasonal non-stop service to Toronto performed well and will be extended by six weeks in the summer of 2014. Air Canada also upgauged its morning Halifax departure for the winter season, providing much-needed additional capacity. Across North America, airlines have been exercising restraint in how they deploy aircraft given continued economic uncertainties, so it was gratifying to see new investment and more capacity at Gander International Airport.

The airport maintains an active air service development program which aims to increase travel options from Gander and establish the timely connections our traveling public requires. The GIAA met with 22 carriers in 2013 to advance these goals, including scheduled, cargo and charter operators. While headway has been made, we recognize there is still substantial room to grow and a long way to go to meet the full potential of our market. North American airlines are re-fleeting to take advantage of the revenue opportunities regional markets like Gander presents. There will be a host of interesting opportunities arise in the coming years.

## Gander International Airport enjoyed an 8% increase in seat capacity in 2013

The challenge is for Gander International Airport to push its way through a crowd of airports vying for enhanced service and tell our story in a compelling way. Air service is governed by free market economics, so it is crucial that the airport continue to provide sound businesses cases to airlines.

Air travel demand across Canada and globally is expected to continue to increase. Passenger traffic at Gander will continue to increase organically and at a greater pace as the airport attracts new seat capacity. We are forecasting continued growth in the years to come and are encouraged by gains made in the region's tourism offering and performance. On a cautionary note, the



**Far Left:**  
Portion of Kenneth  
Lochhead's mural,  
*Flight and Its Allegories*

**Left:**  
Continental Airlines 757  
arrives at Gander.

world's economic environment remains fragile at best and austerity measures taken by all levels of government are indicative that consumer confidence may slip and have an impact.

The airport has worked to stay front-of-mind with the Central Newfoundland traveling public by promoting the ease and convenience of flying from Gander. Currently, two of every three Central Newfoundland residents who travel by air fly from Gander Airport. This means there remains a large portion of the traveling public - estimated between 50,000-70,000 passengers annually - that drive to neighboring airports to fly. Stemming passenger bleed and ensuring local consumers look before they book a flight remains the GIAA's primary challenge.

The airport maintains a multi-media Fly Gander marketing campaign which includes promotions, print, radio, earned media/public relations, public space advertising and an ever-growing focus on social media. The GIAA produces its Fly Gander newsletter, which is delivered to 44,000 homes and businesses across Central Newfoundland and remains an important part of maintaining a productive two-way dialogue with the people on whose behalf the airport is run.

While international traffic continued a downward trend, the GIAA and its partners continue efforts to promote Gander's capacity to accommodate international operations. Through this campaign, the airport and its partners reached a significant audience by exhibiting at key industry trade shows.

The airport has gone from having a single daily destination in 2006 to offering year-round service to Halifax, St. John's and Goose Bay with seasonal service to Toronto, Cuba and the Dominican Republic. Over that time, passenger numbers at Gander have doubled.

The airport earned a number of accolades throughout the year. The GIAA was bestowed with Hospitality Newfoundland and Labrador's Corporate Partner of the Year for its work in supporting the development of the tourism industry. The airport received three awards for its marketing efforts at the Airports Council International North America Marketing and Communications Awards, the most of any airport in Eastern Canada. The airport's Director of Marketing was named among Airport Business Magazine's Top 40 Under 40.





United States Air Force Boeing C5 refueling at Gander.

## Financial Stewardship

### 2013 and Beyond

From a revenue perspective, the trend of growing domestic revenues and falling international revenues continued in earnest. In 2013, the airport's core revenue increased \$490,000.

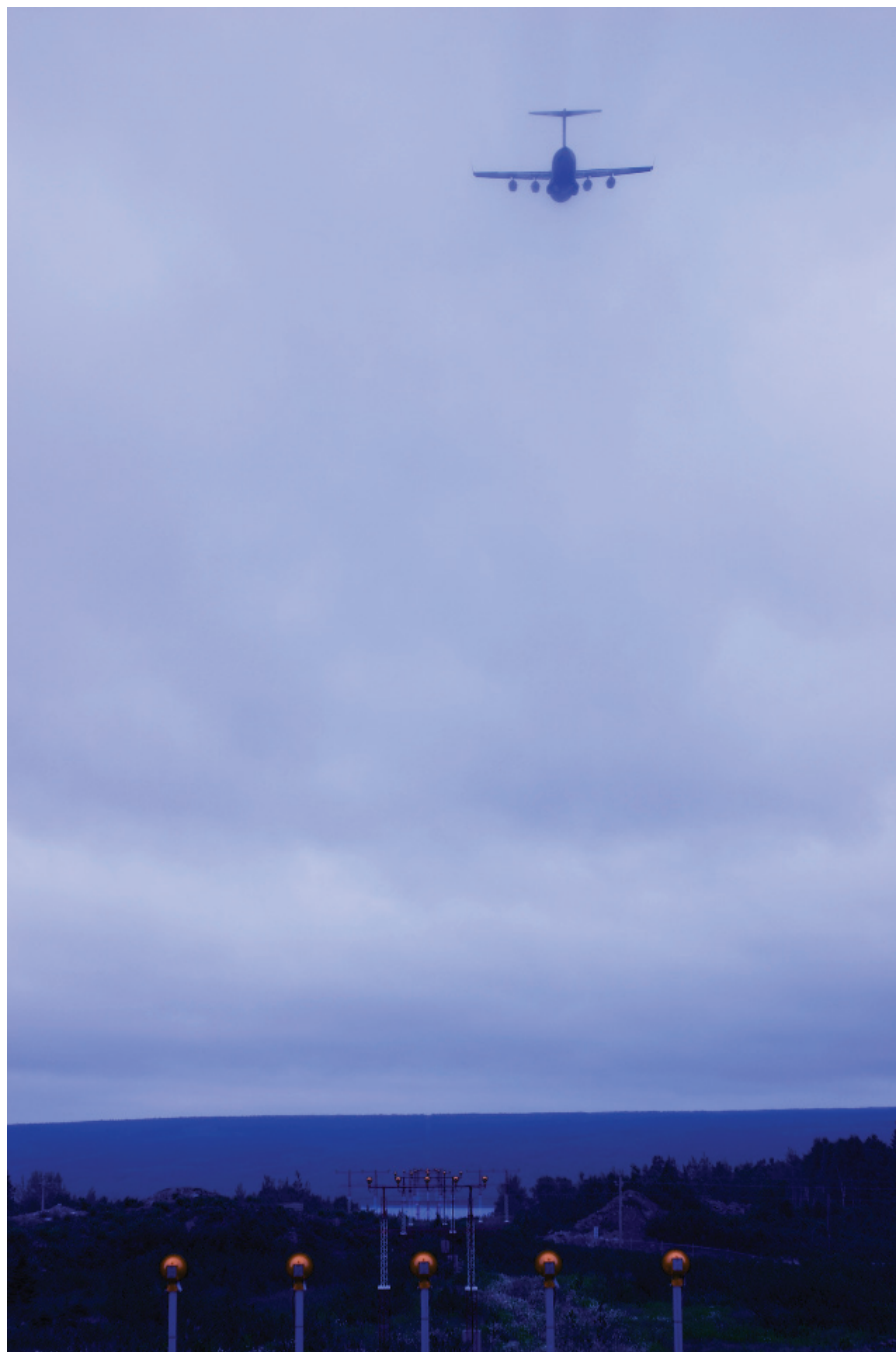




While working to exploit opportunities to grow the airport, the authority has maintained a concerted focus on cost control. Cash expenses decreased -2.8% over the previous year. The airport continued to restructure its operations and service model. Wage costs represent 42% of the airport's core revenue, versus 58% on transfer of the facility in 2001. Constant dollar wage increases have been limited to \$250,000 over 12 years, representing average annual increases of less than 1%. One-time restructuring expenses incurred in 2013 will provide long term, annualized savings for the airport.

Since transfer in 2001, the airport has generated revenue of \$88 million, invested \$27 million in infrastructure and paid \$39 million in wages.

While many people view an airport simply as a facility from which they fly, Gander International Airport is an important economic enabler for the province. The economic impact of the airport is felt far past the airport's runways. The airport creates \$312 million in economic output with \$70 million in wages paid out to the 1,200 jobs sustained by aviation in the community. That impact grows when it includes downstream industries that result from the presence of the airport. This includes suppliers and contractors as well as jobs generated by spending from individuals employed directly or indirectly by the airport. Including this, total economic impacts are 2,382 jobs, \$136 million in wages, \$201 million in GDP and \$536 million in economic output.



**Above, right:** Departure over Gander Lake.  
**Right:** Clearing the airfield.

# Connecting Community

**The Gander International Airport Authority remains an active philanthropist, contributing to local non-profit causes including families in need, community festivals, the arts and youth sports.**

The airport focuses primarily on children's charities with a mandate to help sick or underprivileged children.

The airport authority places great importance in staying

connected with the community it serves. This takes many forms, from reading at elementary school classes at literacy events to holding networking events for key community leaders.

The airport hosted gatherings for civic leaders of the Municipalities NL event, Twillingate's tourism community and a special picnic at the airport for kids as part of the Festival of Flight holiday.

- Youth sports
- Arts and festivals
- Military charities
- School breakfast programs
- Hope Air

## Giving Back *Support in 2013*



Gander Mayor Claude Elliott and GIAA Chairperson Fred Moffitt cut the cake at an Open House commemorating the airport's 75th anniversary.

The GIAA hosted the annual meeting of the Atlantic Canadian Airports Association in Port Rexton. Pictured, from left, Gary Vey, President and CEO of the GIAA; Ron Kaercher, Senior Network Planner, Air Canada; Fred Moffitt, GIAA Chairperson and Doug Newson, ACAA President.





**Top left:** GIAA Executive Assistant Janice Bath, Vice President Darren Dalton and Supervisor of Finance Tina Slade ready gifts for the airport's annual Adopt-A-Family drive. **Middle:** Commissionaire Wendy Collins receives a certificate for 27 years of service from her colleague and supervisor Jerry Cramm. **Right:** GIAA Director of Marketing accepts Hospitality Newfoundland and Labrador's 2013 Corporate Partner of the Year Award from HNL Chairperson Darlene Thomas. **Bottom:** Tara Blackmore-Gill, Flight Services Coordinator with Irving Aviation Gander is pictured outside their award-winning FBO.



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Irving Aviation Gander was named Canada's Best Fixed Base Operation (FBO) for the seventh year running by Professional Pilot Magazine.

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**\$13 million**

capital works projects  
completed over the  
last two years

**Phase I**

of 150-acre Business  
Park commenced

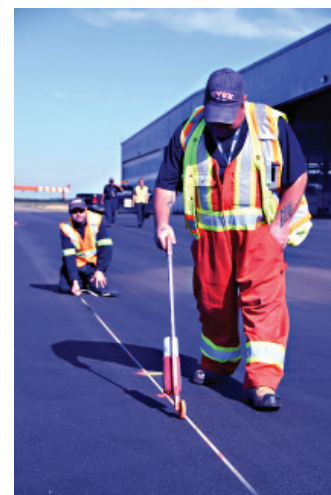
**140 Parking Spaces**

created by parking lot  
expansion project

## Operational Overview

### Reinvesting In Your Facility

Meeting the future needs and demands of  
the airport requires sound planning



2013 was a busy year for the airport authority as it reinvested in its facility.

The airport completed a much-needed expansion of its long term and employee parking to meet growing demand. As such, 140 new parking spaces were created.

The airport, with support from the provincial government, recapitalized a troubled section of Garret Drive, a primary artery connecting key providers on the west side of the airfield.

Work continued on Phase I of the airport's 150-acre business park

development adjacent Cooper Blvd. Phase I is expected to be complete by the summer of 2014, and its first tenant will open its doors in October of 2014.

The car rental counters in arrivals were redeveloped to accommodate a new rental car provider, Enterprise, which will take the number of car rental agencies at Gander to five.

In late 2013, the airport began work to renew its mobile fleet, a program which will take several years to complete.

The airport has been charting a plan for a new air terminal building. The airport's terminal is vastly overbuilt

for modern needs. Originally built in 1959, the building was expanded and modified in the 1970s and 1980s to provide appropriate international passenger processing facilities to meet the changing requirements of the aviation services provided onsite. After community consultation and a detailed assessment of operating costs, recapitalization demands and future forecasts, the Board of Directors of the Gander International Airport Authority decided to pursue the construction of a new, right-sized terminal that incorporates key characteristics and physical components of the existing terminal building.





Architectural features and energy efficiency will make the new terminal building a model for small airports across the country and instill a sense of pride for the community and the region.

An independent consultant will undertake site selection and prepare a conceptual design in 2014, which will govern the airport's go forward strategy.

Over the last two years, the airport authority completed \$13 million in capital works projects. In part, this was to clear off a "bow wave" of capital works requirements created by years of deferral.

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Replacing the aging air terminal building will be a major focus for the airport authority in the coming years.

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Modest capital works expenditures are budgeted for the years through 2019, although this is always subject to change.



## Safety Overview

### Operational integrity, above all

The airport authority continues to work to provide a safe environment for its workers, travelers and airlines. The airport authority has always made it Priority One to foster a culture of safety and security. In 2013, Transport Canada auditors provided a strong endorsement of the airport's safety and security program.

The airport successfully implemented Phase IV of its Safety Management System (SMS) program. SMS is a comprehensive system that focuses on auditable and measured safety processes that identify hazards to ensure personnel proactively prevent incidents.

The airport authority continues to offer a cross-training program for operational staff. This allows the airport to maintain the same level of customer service and operational readiness more efficiently. A multi-skilled workforce is a crucial part of the airport's strategic operational plan and makes a positive contribution to safety. Some 60% of airport authority employees have completed the cross-training program to date.

The airport authority also implemented an enhanced Occupation Health and Safety Program in conjunction with Service Canada's labour division. 2013 was an accident-free year for the GIAA.



Firefighter Kevin Freake coordinates response with the Emergency Coordination Centre during a mock disaster exercise.



International passenger charter and corporate aircraft refuel at Gander..



# Corporate Governance

For the community, by the community

It is the policy of the Gander International Airport Authority Inc. to follow the governance practices of the Toronto Stock Exchange (TSX model). Accordingly, the GIAA has implemented the following guidelines.

The Board:

1. Assumes responsibility for stewardship of the Corporation and specifically for:

- a) Adoption of a Strategic Planning Process of principal risks and implementing a Risk Management System
- b) Succession planning and monitoring senior management
- c) Communications Policy; and,
- d) The integrity of internal controls and Management Information Systems

2. Ensures that the majority of directors are unrelated including committee members.

3. Ensures full disclosure is required to determine whether or not directors are related and how that conclusion was researched.

4. Appoints a committee responsible for the assessment of new directors. The committee makes recommendations to the Board of directors as to suitability according to the by-laws, and ensures that new directors meet the skill sets required by the authority.

5. Implements a process for assessing the effectiveness of the Board, its committee and individual directors.

6. Provides an orientation and education program for new directors.

7. Reviews, on an annual basis, the compensation of directors in light of risks and responsibilities.

8. Ensures all committees are comprised of unrelated non-management directors.

9. Has developed limits to management's responsibilities by developing mandates for the Board and CEO. The Board approves the CEO's corporate objectives.

10. Has established an audit and procedures committee. All voting members are unrelated and non-management.

The 2013 GIAA Board is composed of 13 directors, 10 nominated by the respective entities and three appointed by the Board itself. Directors are nominated/appointed by the following entities:

Federal Government	2
Provincial Government	1
Town of Gander	3
Gander and Area Chamber of Commerce	1
Lewisporte Area Chamber of Commerce	1
Exploits Regional Chamber of Commerce	1
GIAA Board of Directors	3 (1 vacant)
Town of New-Wes-Valley	1

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

As of December 31, 2013 the GIAA Board of Directors, their nominating entity and the term expiry were as follows:

Melvin Thorne, Town of Gander	March 1, 2014
Nick Connolly, Town of Gander	March 1, 2014
Desmond Dillon, Town of Gander	Sept. 8, 2014
William Jones, Town of New Wes Valley	July 7, 2014
George Innes, Federal Government	March 4, 2014
Frederick Moffitt, GIAA	Sept. 26, 2014
Bernice Walker, Exploits Chamber	March 7, 2015
Arthur Elliott, Lewisporte Chamber	July 7, 2016
Robert Downey, GIAA	Jan. 20, 2015
Donald Farrell, Gander Chamber	Feb. 18, 2015
Don Manuel, Government of Canada	Dec. 15, 2014
Ted Mayo, Government of NL	April 17, 2016

## Contracts Not Tendered

Pursuant to the public accountability principles for Canadian airport authorities, general by-laws and the Authority's procurement policy for goods and services, all contracts valued at more than \$97,562 (\$75,000 2001 dollars) shall be awarded following a competitive public tendering process unless the Authority, for reasons of efficiency and practicality, decides otherwise.

Reasons for exceptions:

A. Whenever the Authority determines it more efficient to award a contract to an existing supplier, whenever services suppliers are deemed to have developed a specific skill set or knowledge base from a previous contract, or whenever exceptional circumstances of urgency require that work be undertaken immediately to avoid compromising the safety of people or premises.

B. Whenever a supplier is the owner, patentee or licensee of technology being acquired, whenever supplier experience and expertise are deemed to be quasiexclusive, or whenever the maintenance of a supply source is essential given the extent of investments already made to establish a standard.

Contracts under \$1 million:

- Commissionaires, security
- G&M Enterprises Ltd., janitorial

## 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: Executive Committee, chaired by Frederick Moffitt; Finance and Audit Committee, chaired by Donald Farrell; Environmental Committee, chaired by Nick Connolly and the Governance Committee, chaired by George Innes.

## Senior Officers

Gary Vey, President and CEO  
Darren Dalton, Vice President and Chief Financial Officer  
Brian Hicks, Manager of Safety and Airside Operations  
Reg Wright, Director of Marketing and Communications  
Stephen Burbridge, Manager of Infrastructure

## Senior Officer Compensation

The remuneration paid to executive officers during 2013 was \$689,820. Officers were also eligible for performance-based pay that is included above.

# Corporate Governance *(cont)*

## Board Compensation

In establishing appropriate compensation for directors, GIAA's Governance Committee conducted a compensation survey, which is reviewed regularly to ensure it is comparable to similar markets.

### Directors Total Compensation 2013

George Innes	\$ 5,355
William Jones	5,632
Don Manuel	3,980
Fredrick Moffitt	19,164
Ted Mayo	2,012
Robert Downey	6,000
Arthur Elliott	4,285
Melvin Thorne	5,045
Donald Farrell	5,608
Nick Connolly	4,800
Desmond Dillon	5,630
Bernice Walker	2,837
<b>TOTAL</b>	<b>\$ 70,348</b>

## Code of Conduct for Directors

All directors of the Authority are required to comply with a Code of Conduct and Rules Concerning Conflict of Interest. These require that directors avoid and refrain from involvement in conflict of interest situations. All directors are in compliance with this code.

## 2013 GIAA Board of Directors



**Board of directors, from left:** Arthur Elliott, William Jones, Don Manuel, Robert Downey, Bernice Walker, Ted Mayo, Chairperson Fred Moffitt, Des Dillon, President and CEO Gary Vey, Mel Thorne and Don Farrell. Missing from photo: Nick Connolly and George Innes.

# Highlights and Required Declarations

*A focus on cost management and growth*

## BUSINESS PLAN

	ACTUAL	BUDGETED	DIFFERENCE	EXPLANATION
<b>REVENUE</b>	\$8,311,940	\$8,086,000	\$225,910	Reduced international traffic offset by increased land rent, car rental revenue and one-time asset sale
<b>EXPENSES, INCLUDING DEPRECIATION</b>	\$ 7,598,595	7,423,300	( 175,292 )	Staff restructuring
<b>CAPITAL EXPENDITURES</b>	\$ 2,067,640	\$1,695,000	( 372,640 )	Parking lot expansion

## 5 YEAR FORECAST

	2014	2015	2016	2017	2018
<b>REVENUE</b>	\$ 8,071,000	\$ 8,200,000	\$ 8,400,000	\$8,600,000	\$8,700,000
<b>EXPENSES, INCLUDING DEPRECIATION</b>	\$ 7,422,700	\$ 7,600,000	\$ 7,800,000	\$ 7,900,000	\$8,100,000
<b>CAPITAL EXPENDITURES</b>	\$200,000	\$ 300,000	\$ 300,000	\$300,000	\$ 300,000

\$8,311,940

Total revenue generated in 2013.

6.3%

Increase in revenue  
over 2012 performance.

46%

Labour cost as a package  
of total annual expenses.

43%

of airport revenue is from  
non-aeronautical sources  
including parking,  
concessions and leasing.

\$536

million in economic output  
created annually by Gander's  
aviation and aerospace industry.

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## 02

## FINANCIAL REPORT



Amidst headwinds and tailwinds, **the GIAA** is approaching its **10th year** of profitability.

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Blair J. Jewer  
Chartered Accountant

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Phone 709-489-7755 Fax 709-489-8646

**To The Members**  
**Gander International Airport Authority Inc.**

I have audited the accompanying financial statements of Gander International Airport Authority Inc., which comprise the statement of financial position as at December 31, 2013, and the statements of operations, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting standards for not for profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion the financial statements present fairly, in all material respects, the financial position of Gander International Airport Authority Inc. as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting standards for not for profit organizations.

  
Chartered Accountant

March 26, 2014  
Grand Falls-Windsor, NL

***GANDER INTERNATIONAL AIRPORT  
AUTHORITY INC.***

***FINANCIAL STATEMENTS***

***AS AT DECEMBER 31, 2013***

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**Blair J. Jewer**  
Chartered Accountant

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1.

## **INDEPENDENT AUDITOR'S REPORT**

**To the Members**  
**Gander International Airport Authority Inc.**

*I have audited the accompanying financial statements of Gander International Airport Authority Inc., which comprise the statement of financial position as at December 31, 2013, and the statements of operations, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.*

### **Management's Responsibility for the Financial Statements**

*Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting standards for not for profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.*

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*I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.*

### **Opinion**

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.**

**STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2013**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ -	\$ 1,685,504
Guaranteed Investment Certificates	257,683	744,925
Short term investments	5,806,035	5,688,921
Accounts receivable (Note 3)	1,573,561	1,556,260
Inventory of consumable supplies (Note 4)	464,133	689,233
Prepaid expenses	97,596	112,114
	<u>8,199,008</u>	<u>10,476,957</u>
EMPLOYEE FUTURE BENEFITS (Note 9)	1,317,000	987,000
PROPERTY, PLANT AND EQUIPMENT (Note 5)	19,249,317	18,564,331
	<u>\$ 28,765,325</u>	<u>\$ 30,028,288</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Bank indebtedness (Note 6)	\$ 1,210,415	\$ -
Accounts payable (Note 7)	553,190	2,353,540
Deferred revenue	101,087	101,087
Employee termination benefits	345,039	-
Accrued severance pay	66,729	-
Current maturity on long-term debt	506,220	506,220
	<u>2,782,680</u>	<u>2,960,847</u>
LONG TERM DEBT (Note 8)	2,886,440	3,392,660
ACCRUED SEVERANCE PAY	240,855	338,466
UNAMORTIZED CAPITAL GRANTS (Note 10)	11,965,745	12,885,231
	<u>17,875,720</u>	<u>19,577,204</u>
<b>NET ASSETS</b>		
INVESTED IN CAPITAL ASSETS (Note 11)	2,940,912	1,780,220
EXTERNALLY RESTRICTED – EMPLOYEE FUTURE BENEFITS (Note 11)	1,317,000	987,000
UNRESTRICTED (Note 11)	6,631,693	7,683,864
	<u>10,889,605</u>	<u>10,451,084</u>
	<u>\$28,765,325</u>	<u>\$ 30,028,288</u>

Signed on behalf of the Board,

 Fred Moffitt, Director

 Don Farrell, Director

The accompanying notes form an integral part of this financial statement.



## GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
<b>REVENUE (Note 12)</b>	<b>\$ 8,311,940</b>	<b>\$ 7,821,506</b>
<b>EXPENSES</b>		
Advertising and promotion	204,584	270,481
Bad debt expense	( 11,505 )	33,365
Board remuneration and travel	81,535	74,630
Communications	53,006	60,837
Equipment and vehicle operating	383,419	382,182
Insurance	166,608	201,485
Interest and bank charges	140,790	74,871
Licences and fees	28,156	33,275
Maintenance contracts	255,346	256,182
Materials and supplies	548,013	438,081
Office and administration	49,863	57,493
Payment in lieu of taxes	135,067	125,643
Professional fees	99,008	182,419
Repairs and maintenance	328,231	344,606
Security contracts	237,648	260,016
Travel and entertainment	96,200	127,738
Utilities	918,566	887,004
Wages and employee benefits	3,467,074	3,578,389
Termination benefits	390,468	-
Carbon neutrality	26,518	26,043
Depreciation, net of grant amortization \$1,107,830 (2012 - \$819,707)	274,824	143,950
	<u>7,873,419</u>	<u>7,558,690</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>\$ 438,521</b>	<b>\$ 262,816</b>

The accompanying notes form an integral part of this financial statement.

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u><b>2013</b></u>	<u><b>2012</b></u>
<b>CASH WAS PROVIDED BY (USED FOR)</b>		
<i>Operating</i>		
Net excess of revenue over expenditures	\$ 438,521	\$ 262,816
Non-cash items, depreciation, net of grant amortization	274,824	143,950
Gain on disposal of property, plant, and equipment	( 492,839 )	-
	<u>220,506</u>	<u>406,766</u>
<i>Changes in non-cash working capital</i>		
Current assets (Note 13)	222,317	60,038
Current liabilities (Note 13)	( 1,455,311 )	759,622
	<u>( 1,012,488 )</u>	<u>1,226,426</u>
<i>Investing</i>		
Proceeds from sale of property, plant and equipment	492,839	38,000
Purchase of property, plant and equipment	( 2,067,640 )	(11,038,921 )
Employee future benefit asset	( 330,000 )	( 192,000 )
	<u>( 1,904,801 )</u>	<u>(11,192,921 )</u>
<i>Financing</i>		
Accrued severance pay	( 30,882 )	24,594
Repayment of long-term debt	( 506,220 )	( 282,220 )
Proceeds from long-term debt	-	3,570,000
Deferred restricted government assistance	188,344	6,600,000
	<u>( 348,758 )</u>	<u>9,912,374</u>
<b>(DECREASE) IN CASH</b>	<u>( 3,266,047 )</u>	<u>( 54,121 )</u>
<b>CASH, BEGINNING</b>	<u>8,119,350</u>	<u>8,173,471</u>
<b>CASH, ENDING</b>	<u><u>\$ 4,853,303</u></u>	<u><u>\$ 8,119,350</u></u>
<b>CASH CONSISTS OF:</b>		
Cash on hand	\$ 2,000	\$ 2,000
Current account (overdraft) - operating	( 262,415 )	1,683,504
Land development overdraft	( 950,000 )	-
Guaranteed Investment Certificates	257,683	744,925
Short term investments	<u>5,806,035</u>	<u>5,688,921</u>
	<u><u>\$ 4,853,303</u></u>	<u><u>\$ 8,119,350</u></u>

*The accompanying notes form an integral part of this financial statement.*

# **GANDER INTERNATIONAL AIRPORT AUTHORITY INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**AS AT DECEMBER 31, 2013**

### **1. NATURE OF OPERATIONS**

*The Gander International Airport Authority Inc. (GIAA) was incorporated as a not for profit Corporation without share capital by Letters Patent under the Canada Corporations Act and is Exempt from income tax.*

*The GIAA is governed by the Board of Directors whose members are nominated by various regional Stakeholders.*

*The objectives of the GIAA are:*

*-to manage operate and develop the Gander International Airport in a safe, secure, efficient, cost effective and financially viable manner with reasonable airport user charges and equitable access to all carriers;*

*-to undertake and promote the development of the Airport lands, for which it is responsible, for uses compatible with air transportation activities;*

*-to expand transportation facilities and generate economic activity in ways which are compatible with air transportation activities.*

*In executing its objectives, the Authority shall confer regularly with governments and community entities on matters affecting the operation and development of the Airport and shall engage only in those activities that are consistent with its objectives.*

*Gander International Airport (CYQX) is a member of the Canadian National Airport System. While a member of this system GIAA is required to operate as a not for profit corporation.*

### **2. SIGNIFICANT ACCOUNTING POLICIES**

*The financial statements were prepared in accordance with Canadian generally accepted accounting standards for not-for-profit organizations and include the following significant accounting policies:*

#### **(a) Cash and cash equivalents**

*The entity's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits cashable within three months or less.*

#### **(b) Financial instruments**

*The entity initially measures its financial assets and liabilities at fair value. The entity subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.*

*Financial assets measured at amortized cost include cash, term deposits, and accounts receivable. Financial liabilities measured at amortized cost include the accounts payable and long-term debt. The entity's financial assets measured at fair value include a number of other investments, i.e. quoted shares. Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.*

*The entity recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.*

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.**

**NOTES TO FINANCIAL STATEMENTS**

**AS AT DECEMBER 31, 2013**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(c) Depreciation**

*Depreciation was provided on property, plant and equipment using the straight line method at the*

*following rates per annum:*

<i>Runway</i>	<i>5%</i>	<i>Vehicles</i>	<i>10%</i>	<i>Roads</i>	<i>6.67%</i>
<i>Approach lighting</i>	<i>5%</i>	<i>Software</i>	<i>10%</i>	<i>Equipment</i>	<i>10%, 20%</i>
<i>Leasehold improvements</i>	<i>10%, 20%</i>				

**(d) Property, plant and equipment is recorded at cost.**

**(e) Inventory**

*The inventory of consumable supplies is recorded at the lower of cost and estimated net realizable value. Inventory cost is calculated on the first in first out basis. Net realizable value is the replacement cost of consumable supplies.*

**(f) Facilities Lease**

*The lease of the International Airport Facilities from the Government of Canada (the "Landlord") is accounted for as an operating lease.*

**(g) Deferred government assistance**

*Government assistance received for the purpose of acquiring property, plant, and equipment is accounted*

*for as deferred government assistance and amortized on the same basis as the related property, plant, and equipment.*

**(h) Pension Plan**

*The Authority has entered into a multi employer contributory defined benefit pension plan for its employees whereby retirement benefits are based on the average earnings of last five years prior to retirement. The defined benefit pension cost is charged to salaries and benefits as employees render services.*

*The Authority's approach to account for pension costs is to defer and amortize actuarial gains and losses, and use an expected rate of return on plan assets (the corridor method).*

*The accrued benefit obligation, as presented in Note 9 of the financial statements, is measured using an actuarial valuation versus a funding valuation.*

**(i) Revenue Recognition**

*Revenue is recognized using the deferral basis of accounting.*

*Airport improvement fee revenue is recognized as income in the periods passengers depart from the airport.*

*Landing fees, terminal fees, aviation fuel fees and miscellaneous revenue is recognized as airport facilities are utilized.*

*Rental revenue and concession revenue is recognized over the lives of the respective tenant's leases for land, buildings and space.*



**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.**

**NOTES TO FINANCIAL STATEMENTS**

**AS AT DECEMBER 31, 2013**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(j) Foreign currency transactions**

*The entity uses the temporal method to translate its foreign currency transactions.*

*Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date.*

*Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Items appearing in the current year's income statement, except for the cost of inventories and depreciation translated at historic rate, are translated at average year rates. Exchange gains and losses are included in the income statement.*

**(k) Accounting estimates**

*The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.*

	<u>2013</u>	<u>2012</u>
<b>3. ACCOUNTS RECEIVABLE</b>		
Trade	\$ 1,587,627	\$ 981,301
Government assistance	-	14,685
Employee advances	-	1,000
Government assistance – restricted capital	-	659,999
	<hr/>	<hr/>
	1,587,627	1,656,985
Allowance for doubtful accounts	14,066	100,725
	<hr/>	<hr/>
	\$ 1,573,561	\$ 1,556,260
	<hr/>	<hr/>

**4. INVENTORY**

*Inventory consists of consumable supplies.*

*The carrying amount of inventories carried at other than cost is \$Nil.*

*The amount of any write-down recognized as an expense in the period is \$Nil.*

*The amount of reversal of any write-down recognized in the period is \$Nil.*

*The carrying amount of inventory pledged as security for bank indebtedness is \$ Nil .*

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.**

**NOTES TO FINANCIAL STATEMENTS**

**AS AT DECEMBER 31, 2013**

			<u>2013</u>	<u>2012</u>
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>				
	<u>Cost</u>	<u>Accumulated Depreciation</u>		
Runway	\$16,466,703	\$3,740,954	\$12,725,749	\$13,543,788
Approach Lighting	1,608,757	773,703	835,054	915,492
Equipment	1,642,536	825,386	817,150	849,044
Vehicles	5,278,148	3,603,167	1,674,981	1,855,236
Software	78,310	43,865	34,445	40,152
Leasehold improvements	1,306,616	636,455	670,161	691,848
Roads	1,709,717	478,730	1,230,987	599,646
	<u>28,090,787</u>	<u>10,102,260</u>	<u>17,988,527</u>	<u>18,495,206</u>
Assets under construction	1,260,790	-	1,260,790	69,125
	<u>\$29,351,577</u>	<u>\$10,102,260</u>	<u>\$19,249,317</u>	<u>\$18,564,331</u>
<b>6. BANK INDEBTEDNESS</b>				
<p><i>GIAA has an operating line of credit of \$1,500,000 bearing interest at Scotiabank prime which is secured by a general security agreement and a collateral security agreement. Investments in an amount equal to outstanding principal have also been pledged as security for the operating line of credit and long term debt. GIAA has a second line of credit in the amount of \$2,100,000 to finance the development of commercial land for leasing purposes. It is anticipated this loan will be converted to long term debt in the next twelve months.</i></p>				
Operating			\$ 260,415	\$ -
Land development			950,000	-
			<u>\$ 1,210,415</u>	<u>\$ -</u>
<b>7. ACCOUNTS PAYABLE</b>				
Trade			\$ 418,757	\$ 2,106,285
Accrued wages			11,956	88,089
Government remittances			3,070	( 19,328 )
Accrued vacation pay			119,407	178,494
			<u>\$ 553,190</u>	<u>\$ 2,353,540</u>

## GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

## NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
<b>8. LONG-TERM DEBT</b>		
<i>Bank of Nova Scotia</i>		
<i>Prime plus 0.5% term loan, repayable by monthly instalments of \$10,185, secured by specific vehicles and an assignment of insurance coverage, due 2016</i>	\$ 366,660	\$ 488,880
<i>Prime plus 0.5% term loan, repayable by monthly instalments of \$4,500, secured by specific vehicles and an assignment of insurance coverage, due 2017</i>	193,500	247,500
<i>1.52% Interest Rate Swap term loan, repayable by monthly instalments of \$27,500, secured by Hypothecation Agreement (with Power of Attorney) over short term investments, amortized to 2022, due 2017</i>	2,832,500	3,162,500
	<hr/> 3,392,660	<hr/> 3,898,880
<i>Current maturity</i>	506,220	506,220
	<hr/> \$ 2,886,440	<hr/> \$ 3,392,660

*Future payments on long term debt for the next five years are as follows:*

<i>2014 - \$506,220</i>	<i>2016 - \$506,220</i>	<i>2018 - \$330,000</i>
<i>2015 - \$506,220</i>	<i>2017 - \$361,500</i>	

*The bank indebtedness and long term debt is secured by additional security of a general security agreement over present and future personal property.*

*Until all debts have been extinguished, the following covenants apply:*

*The ratio of EBITDA (as defined by the Bank to interest expense plus current maturity on long term debt must be 1.1:1 for 2013 and 1.25:1 for 2014 and future years.*

*Cumulative capital expenditures are not to exceed \$2,600,000.*

*The Authority was compliant with the required covenants for 2013.*

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.**

**NOTES TO FINANCIAL STATEMENTS**

**AS AT DECEMBER 31, 2013**

	<u>2013</u>	<u>2012</u>
<b>9. EMPLOYEE FUTURE BENEFITS</b>		
<i>The Authority has a defined benefit and defined contribution plan providing pension benefits to most of its employees. The defined benefit plan is based on years of service and final average salary. Pension benefits will increase annually by 50% of the rate of inflation. The authority measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at January 1 of each year. The most recent actuarial valuation of the pension plans for funding purposes was January 1, 2013 and the next required valuation will be as of January 1, 2014. The reported amounts are based on the January 1, 2013 valuation as extrapolated to December 31, 2013, after adjusting for changes in assumptions.</i>		
(a) The net expense for the Authority's defined benefit Pension plan is as follows:		
Net plan expenses	\$ 195,000	\$ 215,000
(b) Information about the Authority's defined benefit Pension plan is at December 31 is as follows:		
Plan assets		
Fair market value beginning	\$ 4,244,000	\$ 3,514,000
Expected return on assets	289,000	239,000
Employer contributions	525,000	407,000
Employee contributions	44,000	39,000
Benefits paid	( 157,000 )	( 116,000 )
Actuarial gain on plan assets	347,000	161,000
Market value ending	<u>5,292,000</u>	<u>4,244,000</u>
Plan obligations		
Benefit obligation, beginning	4,773,000	4,081,000
Current service cost	261,000	236,000
Interest cost	222,000	216,000
Transfers in	-	-
Benefits paid	( 157,000 )	( 116,000 )
Actuarial (gains) losses	230,000	356,000
Benefit obligation, ending	<u>5,329,000</u>	<u>4,773,000</u>
Valuation allowance asset (obligation)		
Funded status	\$( 37,000 )	\$( 529,000 )
Unamortized items	<u>1,354,000</u>	<u>1,516,000</u>
Accrued benefit asset (liability)	<u>\$ 1,317,000</u>	<u>\$ 987,000</u>

## GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

## NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
<b>9. EMPLOYEE FUTURE BENEFITS (CONT'D)</b>		
(c) Required amortization of unamortized net actuarial gain		
Accrued benefit obligation (ABO), beginning	\$ 4,773,000	\$ 4,081,000
Fair value (FV) of plan assets, beginning	\$ 4,244,000	\$ 3,514,000
10% of the greater ABO or FV	\$ 477,000	\$ 408,000
Unamortized net actuarial gain (loss), beginning	( 1,516,000 )	( 1,362,000 )
Amount subject to amortization	\$( 1,039,000 )	\$( 954,000 )
Minimum required amortization	\$( 45,000 )	\$( 41,000 )
(d) Schedule of unamortized net actuarial gains		
Unamortized net actuarial gain, beginning	\$( 1,516,000 )	\$( 1,362,000 )
Amortization for current period	45,000	41,000
Actuarial gain (loss) on accrued benefit obligation	( 230,000 )	( 356,000 )
Actuarial gain (loss) on plan assets	347,000	161,000
Unamortized net actuarial gain, ending	\$( 1,354,000 )	\$( 1,516,000 )
(e) Elements of defined benefit costs recognized in period		
Current service cost, net of employee contributions	\$ 217,000	\$ 197,000
Interest cost	222,000	216,000
Expected return on plan assets	( 289,000 )	( 400,000 )
Actuarial (gains) losses	45,000	356,000
Elements of employee future benefits costs		
before adjustments to recognize the long-term		
nature of employee future benefits costs	195,000	369,000
Adjustments to recognize the long-term nature of		
employee future benefit costs:		
Differences between expected and actual		
returns on plan assets for year	-	161,000
Differences between actuarial (gain) loss recognized		
for year and actual actuarial (gain) loss		
on accrued benefit obligation for year	-	( 315,000 )
Defined benefit cost recognized	\$ 195,000	\$ 215,000



**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.**

**NOTES TO FINANCIAL STATEMENTS**

**AS AT DECEMBER 31, 2013**

	<u><b>2013</b></u>	<u><b>2012</b></u>
<b>9. EMPLOYEE FUTURE BENEFITS (CONT'D)</b>		
(f) The weighted average actuarial assumptions are as follows:		
Discount rate	4.80%	4.50%
Rate of compensation increase	4%	4%
Expected return on assets	N/A	6.50%
YMPE Escalation rate	3.50%	3.50%
Indexation rate	2.50%	2.50%
Life expectancy for retired members	N/A	23.0 years
Mortality table used for 2013 was the Draft CPM (Combined) and 2012 was the UP 1994 generational		
(g) The assets of the plan are invested by a third party administrator and have the following asset mix		
Equity Securities	62.4%	58.0%
Fixed Income Securities	29.9%	31.0%
Other	7.7%	11.0%
	<u>100.0%</u>	<u>100.0%</u>
Measured as of the measurement date of December 31 of each year		
<b>10. UNAMORTIZED CAPITAL GRANTS, NET BOOK VALUE</b>		
Balance beginning of year	\$12,885,231	\$ 7,104,938
Add: Infrastructure grant - Government of Canada	-	3,300,000
Infrastructure grant – Government of Newfoundland and Labrador	188,344	3,300,000
	<u>13,073,575</u>	<u>13,704,938</u>
Less: Amortization	<u>1,107,830</u>	<u>819,707</u>
	<u><u>\$11,965,745</u></u>	<u><u>\$12,885,231</u></u>

## GANDER INTERNATIONAL AIRPORT AUTHORITY INC.

## NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2013

	<u>2013</u>		<u>2012</u>	
<b>11. NET ASSETS</b>				
	<u>Externally</u>	<u>Invested in</u>		
	<u>Restricted</u>	<u>Capital assets</u>	<u>Unrestricted</u>	
Balance, beginning of year	\$ 987,000	\$1,780,220	\$ 7,683,864	\$10,451,084
Excess of revenue over expenditure	( 195,000)	218,015	415,506	438,521
Transfers				
- Pension plan contributions	525,000	-	( 525,000 )	-
- Proceeds from long term debt	-	( 950,000 )	950,000	-
- Repayment of long-term debt	-	506,220	( 506,220 )	-
- Capital grants	-	( 188,344 )	188,344	-
- Proceeds from sale of property, and equipment	-	( 492,839 )	492,839	-
- Purchase of property, plant and equipment	-	2,067,640	(2,067,640)	-
	<u>\$1,317,000</u>	<u>\$2,940,912</u>	<u>\$6,631,693</u>	<u>\$10,889,605</u>
				<u>\$10,451,084</u>
<b>12. REVENUE</b>				
Landing fees			\$ 966,362	\$ 1,095,860
Terminal fees			267,241	250,550
Aviation fuel fees			1,970,241	2,152,766
Concessions			910,899	736,869
Rentals			1,486,480	1,401,185
Sale of quarry material			82,750	85,989
Royalties from forest harvesting			-	13,737
Miscellaneous			476,131	383,399
Investment income			146,653	219,526
Gain on disposal of property, plant, and equipment			492,839	-
Change in fair value of short term investments			35,316	46,116
Foreign exchange gain (loss)			1,543	75
			<u>6,836,455</u>	<u>6,386,072</u>
Airport improvement fees			1,475,485	1,435,434
			<u>\$ 8,311,940</u>	<u>\$ 7,821,506</u>

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.**

**NOTES TO FINANCIAL STATEMENTS**

**AS AT DECEMBER 31, 2013**

	<u><b>2013</b></u>	<u><b>2012</b></u>
<b>13. CHANGES IN NON-CASH WORKING CAPITAL</b>		
<i>The effect on cash of changes in non-cash working capital is as follows:</i>		
<i>Current assets</i>		
<i>Accounts receivable, trade</i>	<i>\$( 692,985 )</i>	<i>\$ 819,163</i>
<i>Employee advances</i>	<i>1,000</i>	<i>-</i>
<i>Government grants receivable operating</i>	<i>14,685</i>	<i>10,315</i>
<i>Government grants receivable – restricted capital</i>	<i>659,999</i>	<i>( 659,999 )</i>
<i>Inventory</i>	<i>225,100</i>	<i>( 114,978 )</i>
<i>Prepaid expenses</i>	<i>14,518</i>	<i>5,537</i>
	<u><i>222,317</i></u>	<u><i>60,038</i></u>
<i>Current liabilities</i>		
<i>Accounts payable</i>	<i>( 1,800,350 )</i>	<i>758,238</i>
<i>Deferred revenue</i>	<i>-</i>	<i>1,384</i>
<i>Employee termination benefits</i>	<i>345,039</i>	<i>-</i>
	<u><i>( 1,455,311 )</i></u>	<u><i>759,622</i></u>
 <i>Net effect on cash</i>	 <u><u><i>\$( 1,232,994 )</i></u></u>	 <u><u><i>\$ 819,660</i></u></u>

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.**

**NOTES TO FINANCIAL STATEMENTS**

**AS AT DECEMBER 31, 2013**

	<u>2013</u>	<u>2012</u>
<b>14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT</b>		
<b>(a) Credit risk</b>		
<i>Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The entity's main credit risks relate to its accounts receivables and concentration of cash and short term investments.</i>		
<i>The Authority provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses which, once they materialize, are consistent with management's forecasts. The Authority does not normally require a guarantor.</i>		
<i>Concentration of credit risk arises when a group of clients having a similar characteristic such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions. The Authority is exposed to credit risk on accounts receivable.</i>		
<i>The Authority maintains cash with Canadian chartered banks in excess of federally insured limits and is exposed to credit risk from this concentration of cash.</i>		
<i>During 2012 the Authority placed material amounts of cash with the Investment Account Manager, Scotiabank. The investment account manager has funds invested primarily in Scotia mutual funds. At December 31, 2013 the investment mix was Scotia Money Market 33.94% (2012 – 33.36%), Scotia Fixed Income Mutual Funds, 51.13% (2012 – 51.82%), and other equities 15.93% (2012 -14.82%). During 2013 the investment mix changed. This represents a change in credit risk during 2013.</i>		
<b>(b) Currency risk</b>		
<i>The Authority realizes a minimal amount of its revenue in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations.</i>		
<b>(c) Interest rate risk</b>		
<i>The Authority maintains cash in GIC's with maturity dates not exceeding one year. Consequently the Authority is exposed to interest rate risk as re-investment rates vary upon maturity of the GIC's.</i>		
<i>Certain components of long term debt bear interest at rates tied to a prime rate as established by its creditor. Consequently, the Authority is exposed to interest rate risk as prime rate varies.</i>		
<i>The Authority minimizes its exposure to credit risk by entering into Interest Rate Swap agreements with its creditor, the Bank of Nova Scotia.</i>		

**GANDER INTERNATIONAL AIRPORT AUTHORITY INC.**

**NOTES TO FINANCIAL STATEMENTS**

**AS AT DECEMBER 31, 2013**

**2013**

**2012**

**15. CONTRACTUAL OBLIGATIONS**

*The Authority operates under the terms of a Ground Lease with Transport Canada. The Ground Lease provides for lease of the Airport real estate. The Ground Lease and Canadian Airports Act impose restrictions on the authority's activities and provide the framework under which the Authority must operate.*

**16. HEDGE ACCOUNTING**

*During 2012 the year the Authority borrowed funds under an Interest Rate Swap hedge transaction from the Bank of Nova Scotia (see Note 8). The contract expires on July 17, 2017. The Authority has chosen not to apply the optional Hedge Accounting standards found in Section 3856 of the CICA Handbook.*

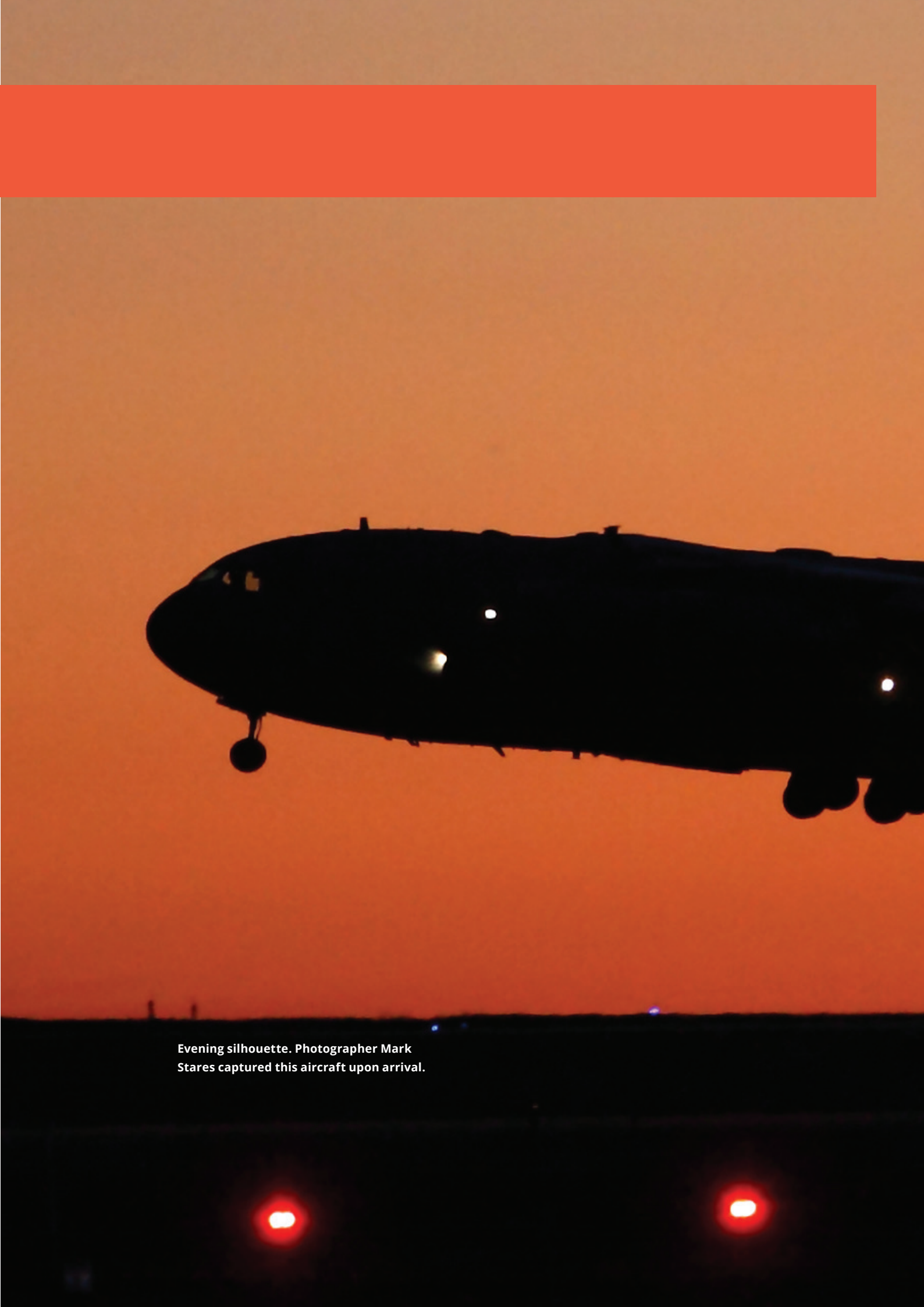
**17. SUBSEQUENT EVENTS**

*The Canadian Accounting Standards Board (AcSB) has revised the accounting standards with respect to defined benefit pension plans effective January 1, 2014. While early adoption of the new standards is permitted, the Authority has elected not to implement the new standards until January 1, 2014. The new standards remove the option to defer actuarial gains and losses (corridor method) and remove the use of an expected rate of return on assets (the accounting policy presently followed by the Authority). The change in accounting policy will be applied retrospectively in accordance with Accounting Standards Section 1506 "Accounting Changes". It is anticipated that the impact on opening externally restricted surplus on January 1, 2014 will be a reduction of \$576,000.*

**18. ASSET RETIREMENT OBLIGATIONS**

*During the year the Authority was required to retire its fire training area assets due to newly enacted regulations. The costs associated with this asset retirement cannot be reasonably estimated as of the date of the audit report, so no liability has been accrued in the financial statements. Possible costs associated with the asset retirement obligation include an environmental study, and remediation of environmental contaminants, if any. It is anticipated that an environmental study will be undertaken in 2014.*





Evening silhouette. Photographer Mark Stares captured this aircraft upon arrival.

#### **CONTACT DETAILS**

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