

To:	Warden Hicks and Members of Grey County Council
Committee Date:	June 24th, 2021
Subject / Report No:	EDTC-CW-11-21
Title:	Regional Airport Study Recommendations
Prepared by:	Steve Furness, Manager of Economic Development
Reviewed by:	Kim Wingrove, Chief Administrative Officer
Lower Tier(s) Affected:	All
Status:	Deferred to a future meeting by resolution CW105-21. See Addendum to EDTC-CW-11-21

Recommendation

1. **That Report EDTC-CW-11-21 regarding Regional Airport Study Recommendations be received; and**
2. **That staff be directed to negotiate an agreement with a two-year term commencing in 2022 with the Township of Georgian Bluffs to provide a 50% contribution towards the operating deficit of the Warton Keppel International Airport to a maximum of \$175,000 annually; and**
3. **That this financial contribution be considered as part of the 2022 budget process and be funded from the One Time Funding Reserve; and**
4. **That staff work collaboratively with the Township of Georgian Bluffs to issue an Expression of Interest for a public-private partnership to undertake development and operations at the airport and bring back a report to both Councils by early 2022 on the results.**

Executive Summary

Based on the findings of the Feasibility Study recommending the development of Warton Keppel International Airport (WKIA) as a regional economic asset, staff recommend that the County support a 50% share of the operating deficit for a two-year period commencing in 2022 with a maximum contribution of \$175,000 annually in 2022 and 2023 so that the facility can continue operations while a search for a private investor / partner is undertaken. WKIA is a unique economic asset that is ideally suited

to take advantage of the forecasted growth in aviation and tourism post pandemic, fiscal stimulus funding by upper levels of government and low interest environment for infrastructure investment. As a certified aerodrome with Port of Entry customs services (seasonal) and weather monitoring to support instrument landings, if lost or shutdown, it is highly unlikely the asset could ever be replaced.

Background

Warton Keppel International Airport (WKIA) is wholly owned by the Township of Georgian Bluffs. It is an example of the type of asset and opportunity that the Grey County Economic Development Strategy identified several years ago with the primary focus on developing investment ready assets. Development of the airport lands and infrastructure would drive significant employment, new business investment and diversify the economy.

Grey County Council gave direction to undertake an Airport Feasibility Study of the Warton Keppel International Airport in early 2021, and to retain The Loomex Group to undertake the feasibility study with funding from RT07, Grey County and Georgian Bluffs.

WKIA runs an operating deficit of approximately \$350,000 annually and the Township of Georgian Bluffs is not in a position to be the sole funder or to drive its development without assistance. Without further development and investment, the facility cannot become profitable. Completing a master development plan, business plans and infrastructure improvements can be self-financed through land sales or leases. The feasibility study suggests that by year four (4) the operating deficits will have declined and with a growing assessment base and employment, by year 10 the airport will be operating at a breakeven basis. This assumption is based on achieving similar growth patterns and positive investment attraction to what other certified aerodromes in Ontario are experiencing.

Staff have discussed the airport with potential new users (aerospace, tourism, medical isotopes) and have confidence that the necessary private sector investments can be attracted to WKIA if it's operations can be supported through a short-term transition.

Study Findings

The Warton Keppel International Airport Feasibility Study was commissioned by Grey County to determine the airport's economic feasibility and potential. The selected consultant, The Loomex Group, is uniquely qualified to undertake the feasibility study as they currently manage numerous municipal airports, as well as undertake consulting services. They currently manage the Warton Keppel International Airport on a month-to-month basis. This unique perspective gives them expertise in the successful operations of airports, their management and growth. The study cost \$40,000 excluding

HST and was funded from Grey County (\$10,000), Georgian Bluffs (\$10,000), and RT07 (\$20,000). The feasibility study was comprehensive, and peer reviewed by industry experts and included input from local stakeholders and public surveys.

The feasibility study confirms the Warton Keppel International Airport is a strategic regional economic asset and has the potential to generate significant business investment, employment, and assessment growth. The Warton Keppel International Airport is the only certified aerodrome in Grey or Bruce with a runway over 5000ft capable of landing a 737, with over 400 developable acres.

The study is proposing a vision of the airport called the Grey Bruce Prosperity Hub. The vision is to attract airport related investment across numerous sectors. Because of the 400 acres of developable lands, a wide range of different airport related sectors can be accommodated, more specifically:

- General aviation (site seeing, recreational, medivac health care, government)
- Aviation and aerospace investment (manufacturing and servicing of airplane parts),
- Training, international flight schools
- Aviation dependent manufacturing / warehousing (firms that rely on the airport to transport goods /people)
- Tourism (hotels, charter flights, regularly scheduled flights)
- that the time and resources required to realize the complete vision of the Grey Bruce Prosperity Hub will be significant and will require a regional approach, support from upper levels of government and private sector commitment. The study outlined different ownership / management models including a public / private partnership.

Some of these investments could occur relatively quickly, such as flight schools and hangar leases, while other larger investments will require a longer lead time and new infrastructure. The time and resources required to realize the complete vision of the Grey Bruce Prosperity Hub will be significant and will require a regional approach, support from upper levels of government and private sector commitment. The study outlined different ownership / management models including a public / private partnership.

The feasibility study detailed an overall master plan which highlights how the airport lands can be utilized. The significant amount of developable lands (after setbacks, and hazard lands are accounted for), make the Warton Keppel International Airport one of the more underdeveloped aerodromes in Southern Ontario. Other Ontario aerodromes are starting to face restrictions in land supply or noise constraints related to residential encroachment. Pearson International Airport, one of the busiest airports in North America, has a stated objective to focus primarily on passenger traffic and has been actively pushing out non-passenger aviation traffic to other aerodromes. The pandemic

has also changed normal business practices and has accelerated decentralization of both employees and supply chains. The pandemic has also thrown the airline industry into a deep economic decline but also holds promise of a strong rebound. While these are uncertain times, the broader and longer-term view is that the aviation sector will have a strong resurgence, and that airports in general are key economic drivers that support the movement of goods and services and human capital. As the economy rebounds back to a post pandemic norm, the Warton Keppel International Airport can become a link to the world economy and drive regional prosperity.

How to Realize the Vision?

While the study outlines the overall opportunities and potential of the airport, there are three important steps to realize that potential and vision:

1. The airport has been well operated in a safe and professional manner over the last number of years, however, it has lacked a clear mandate and confidence from its owner as Georgian Bluffs reflected on the airport's future. Uncertainty causes investment and investors to pause. Investors will not make a commitment without the full confidence that the airport will continue to operate.
2. Secondly, the airport needs a development master plan complete with servicing and costing. Large tracks of vacant land with no phased development plan is not something investors can act on. The airport needs to be investment ready.
3. Thirdly, the airport needs human and financial resources dedicated to master planning, marketing, and investment attraction. It was clear from discussions with the Southern Ontario Airport Network (SOAN) that no one was aware of the Warton Keppel International Airport and its status as a certified aerodrome. Raising awareness and promoting opportunities to aerospace investors requires significant lead time as their timeline for investment decisions are made years in advance.

In conclusion, the airport operations have been safely and professionally managed from a day-to-day perspective, but has lacked the mandate, planning and marketing to attract investment and realizing its economic potential. Moving forward, the feasibility study makes recommendations in all three areas to achieve the vision and opportunities.

Financial Analysis - Currently the airport has a financial operating deficit of approximately \$350,000 annually and without new revenues streams, will continue to have an operating deficit. There are regional economic benefits associated with the airport which the feasibility details. The challenge and concern from Georgian Bluffs is that they alone are absorbing these costs while the benefits are regional. This is primarily why other municipal airports have regional airport ownership that includes larger upper tier municipal players to reflect the benefit /cost more appropriately. The feasibility study, using conservative assumptions, looked at the impacts of attracting

new aerospace related manufacturing and other users. The results demonstrate significant cashflow and tax revenues resulting from the development of the airport lands. The result is that the airport can finance most of the on-going operations including pre-existing infrastructure and main runways. While the study used the assumption of selling the lands another option would be to lease lands with the payback overtime. Further financial analysis would be required to determine the best long-term approach, but it is assumed the payback would be positive, or a combination of land sales and leases. The critical factor being the ability to attract new investment which will directly impact the overall financial health of the airport. The feasibility study also recommended exploring private / public partnerships for the development of the industrial / commercial lands to share risks and capital costs. Pre-existing infrastructure including the airport runways will need significant capital investment in the next 3 to 5 years of approximately \$4.6 million. Federal and Provincial governments often provide various levels of financial support ranging from 50% to 80% in situations of runway rehabilitation.

Management and Ownership - Finally, the study recommends various management and ownership options for consideration. Staff recognize that the Wiaraton Keppel International Airport is a unique asset in Grey and Bruce Counties, and requires specialized skills and management that are not easily found. The economics of the airport are also difficult for one municipality to absorb. To realize the airports vision, a comprehensive business plan and dedicated resources are required to implement the plan. With the economic benefits across a wider region, it makes sense for Grey and Bruce to become more involved, and this could take different forms and structures. Staff recommends that Grey County Council provide direction to negotiate a two year agreement to share 50% of the operating deficit with Georgian Bluffs that is estimated at \$175,000 annually and to bring back a report in 2022 outlining opportunities that include the results of an expression of interest for public / private partnership options.

Legal and Legislated Requirements

Transport Canada regulates aerodromes in Canada at a federal level which includes the operations, maintenance, and safety standards.

Financial and Resource Implications

WKIA's total annual deficit is approximately \$350,000. Staff proposes that Grey County enter into a two year agreement with Georgian Bluffs that would commence in 2022 and provide a 50% contribution towards the operating budget shortfall (maximum of \$175,000 per year). This financial contribution would be considered as part of the 2022 budget process and be funded from the One Time Funding Reserve. Development of the airport would result in increased assessment and tax revenues for both Grey County

and Georgian Bluffs. The potential for assessment growth is significant given the airport has over 400 acres of developable lands.

Relevant Consultation

- ☒ Internal – Chief Administrative Officer, Director of Finance
- ☒ External – Township of Georgian Bluffs, Loomex

Appendices and Attachments

[Warton Keppel International Airport Feasibility Study](#)