



**Beyond, Every Day.**

## **YVR: Connections That Work**

*By Craig Richmond, President & CEO, Vancouver Airport Authority*

*October 23, 2013, for the Vancouver Board of Trade*

- I am tremendously pleased to be able to make my inaugural speech to the business community at today's Vancouver Board of Trade luncheon.
- I am also honoured to be carrying on a longstanding tradition of YVR CEOs addressing the Board of Trade. In fact, the Board of Trade appoints a member to our community-based Board of Directors, and VBOT was one of the original architects and supporters of Vancouver Airport Authority. I remember sitting in this audience and listening to some of the first speeches made by David Emerson and then Larry Berg after him.
- Rather than inundate you with pie charts and bar graphs, I thought I would shake it up a bit. Today, I'm going to be a storyteller and I will relate some very interesting stories that illustrate wonderfully why YVR matters to the people, products and businesses of B.C.
- Before I start these stories, since I'm new to this job, I want to take you back, back to the beginning of the Airport Authority. Do you remember the old airport? It wasn't a pretty picture - but through a great new government policy it got turned around.
- Now this is something we as Canadians are not very good at - or used to - heaping praise on government policies, but in this case we should, because the National Airports Policy of the early 90's has turned out to be a roaring success.
- From Halifax to Fort Saint John, Winnipeg to Cranbrook and Moncton to Vancouver, Canada has airports to be proud of. The key building blocks of the policy:
  - Independent airport authorities were created
  - No longer would airports be funded by taxpayer dollars, but would be self-funding entities

- o There would be no shareholders; rather, all money earned by the airport authorities would be reinvested back into the infrastructure of the airports
- The result is what you see today: an economically sustainable, self-funding airport authority model whose main mandate is to connect the people and products of Canada to the world, thereby creating jobs, powerful economic impact and a competitive edge.
- This is not my opinion alone: the World Economic Forum just rated Canada number one in the world in terms of airport infrastructure.
- This is written right into our articles of incorporation - to create economic activity.
- And one important note, for the record once again: we are not a government department or a Crown Corporation: we are a not-for-profit private company, and not only do we not receive government funding, we actually pay substantial annual rent to Ottawa: \$40 million in 2012 alone.
- So, the federal government did a great thing for Canadian airports and the citizens they serve when it created the National Airport Policy. I should also give a shout-out to our friends and partners at NAV Canada, our air traffic controllers, who are the best in the business.
- Since this change of management in 1992, much has changed and improved.
- We've built award-winning terminals and Canada's first Category III runway; we've seen passenger growth accelerate from 10 million in 1992 to almost 18 million in 2012; we've helped increase jobs from 14,000 in '92 to more than 23,000 today – and won four consecutive awards for Best Airport in North America as voted by our passengers.
- ...and this Canadian model not only works, it has spun itself off, even into the for-profit airport sector.

- I just got back to Vancouver from the grand opening of the final phase of the international and domestic terminal in Nassau, Bahamas last Thursday – a huge project that started back in 2006.
- The Nassau Airport is managed by our associate company Vantage Airport Group headquartered here in Vancouver and operating 10 other airports in Canada, Europe and the Caribbean. I spent a few great years in Nassau myself.
- Vantage is a true YVR and British Columbia success story. Vantage was created to export Vancouver Airport Authority's airport know-how globally; so not only does YVR help facilitate the export of B.C. goods, we're actually an export ourselves.
- Nassau's new terminal is ultra-modern and sophisticated, but the icing on that cake is how it reflects unique Bahamian art and architecture – a sense of place. That's an idea we pioneered here at YVR.
- The Nassau Airport is also an example of how Vantage creates jobs here in British Columbia as well—the terminal was designed by renowned B.C. architects at Stantec and built by one of Western Canada's largest construction companies, Ledcor.
- It's been 21 years since the Airport Authority began running YVR and yes, much has changed. But now it's time for more change - change as powerful as that which got us into this airport game in the first place.
- Although the style of my talk today will be different, I will keep with one tradition during this speech, which is the big ask, and here it comes. It's a simple ask, really: Let the YVR team compete freely on the global stage.
- Let us deliver on the great promise of the National Airports Policy. That means three specific things I need from the federal government:
  - o Open up air service bilaterals with other countries
  - o Keep up your end of the bargain with CATSA and the screening of passengers
  - o Remove barriers to trade by simplifying the visa process

- To repeat - open up the bilaterals, properly fund passenger screening and simplify the visa process. Do these three things and YVR will deliver on its mandate, bringing more passenger choice, more growth and more jobs to B.C.
- I'll come back to these points throughout today's stories, so let's begin:
- Let me introduce you to the Okanagan cherry - as well as Mike, our road warrior; Nalini Singh, Thompson Rivers University's newest international student; and Mr. & Mrs. Ho, tourists to B.C.
- The first story I'm going to tell you stars a local fan favourite: the B.C. cherry.
- So what does a delicious fruit from the Okanagan have to do with YVR? Quite a bit, as it turns out. The airport plays a key role in a supply chain that connects B.C. food with global markets.
- In fact, the B.C. cherry leaves the tree first thing one morning and arrives on the table in Hong Kong the next day: from tree to table in about 24 hours.
- An interesting fact: B.C. cherries are the last to ripen in North America, which means that they are available for autumn harvest festival celebrations in China. And ripe cherries with green stems represent good luck and are often given as gifts.
- Cherries are picked early in the morning to prevent the heat of the day from damaging the fruit. They are then washed, sorted, graded and packaged in this case by some 260 employees at the Jealous Fruits operation - or any of the several dozen packaging operations in the Okanagan.
- It's the very best of the fruit that gets put on a truck, like the one operated by Vern Trucking Industries and transported to YVR's cargo facilities later in the afternoon.
- Freight forwarders, like Martin Regan at Kuehne & Nagel, know how to handle delicate and perishable products. It's their job to get these valuable commodities ready for a long international flight.

- As the sun goes down, the fruit takes off. It's not uncommon for B.C. cherries to fetch \$20 a kilogram abroad – compared to \$3 a kilogram here at home.
- Just this year, China and Canada reached an agreement that opens the vast mainland Chinese market to Okanagan cherries. Next year, B.C. growers expect to sell \$10 million worth of cherries to China alone, with that number doubling by 2015. This means jobs at the airport and jobs in the Okanagan.
- The star of our food export story today might be cherries – but this is just part of the total picture.
- B.C. exports close to \$1 billion in seafood annually to more than 70 countries—much of the crab, geoduck, prawns, salmon and other products from the sea move by air. In fact the lunch we just enjoyed featured some of these high-value, prized products that get shipped through YVR.
- Some \$70 million worth of mushrooms also make the trip from YVR each year. The most expensive mushroom in the world - the Matsutake or pine mushroom - grows wild in the forests around Terrace, fetching up to \$100 per kilogram in Japan.
- Whatever the product, timing is crucial. The supply chain for perishable food needs to work completely in concert, with each cog inter-connecting so the entire system moves without breaks in timing. We created a model representing this thinking as your centerpiece today.
- We did some research to see how our airport operations could better support this system. And we found out -somewhat to our surprise- that our summer runway maintenance program could create a supply chain vulnerability.
- When our longest runway is closed for routine summer safety checks, airplanes have to take off on our shorter runway. Because it's hotter, aircraft may then have to lighten their loads in order to take off - and it's the belly cargo, the perishables that get loaded last, that are sometimes left behind. So we need to know when cherries are in the pipeline.

- As part of this process YVR recently joined the B.C. Cherry Growers' Association to ensure our operations support a timely tree-to-table-journey for cherries and other B.C. perishables. We're also looking at the length of the north runway and whether it needs to be extended. Stay tuned.
- But just as important as a fast journey to market is the number of markets we can reach.
- Here's a fact that surprised me when I first arrived back in the summer. YVR offers more weekly flights to China—75 in the summer peak—than any other airport in North America. That's 12 more flights than LAX and almost twice as many flights as Toronto.
- In addition to Beijing, Shanghai and Hong Kong, our airline partners offer service to Guangzhou, Chengdu and Shenyang. But we want to build connectivity with even more secondary markets in China - cities that have from three to nine million people each.
- Today's long-range aircraft make non-stop service to anywhere in China - and indeed all of Southeast Asia - possible from YVR.
- But here's the catch: while cargo in the belly of an aircraft helps to make a flight commercially viable, you need passengers in the cabin to sustain ongoing, scheduled service. B.C. does not have the market size to support a simple back-and-forth service between Vancouver and cities such as Xiamen, Wuhan, and Hangzhou.
- But if Vancouver serves as an intermediary point between China and cities in the US and South America - that combination of markets makes a service viable.
- Our goal? We want to be China's connection to all the Americas. Open up the market and we'll bring jobs. We'll create routes for B.C. cherries to reach Santiago. We'll bring opportunities for mining companies to fly directly to their sites.

- And this is not a pipe dream: we have airlines lined up to fly between China and Latin America. Why? Because from any point in western Latin America, flying through YVR is the shortest route to Asia.
- Add our geographic advantage to B.C.'s elimination of the aviation fuel tax and our leading-edge systems and you've got a recipe for success.
- To make this reality, we need the government to allow transit without visa between China and South America. That's it. Just the permission to get it done - we don't need loan guarantees or capital or even expertise - we have that. We just need the opportunity. Give it to us and we will see hundreds more jobs and direct flights to South America that would not otherwise exist.
- Cherries – one of B.C.'s most revered exports – are the perfect representation of YVR's role in the global supply chain.
- Let's switch gears.
- Meet Mike Tedeschi. Mike is a geologist and he lives here in Vancouver where he consults for global mining exploration firms. Mike's our road warrior, a commuting champion. But unlike your commute, which may include the SeaBus, Canada Line or the Lions Gate Bridge, Mike commutes by air through YVR to work in the Yukon.
- A typical work week for Mike – and hundreds of other YVR road warriors – may include a two-week stint at a northern mine followed by four to five days back in the big city, and that cycle continues month after month.
- Without air connections, businesses in the North would find it difficult to attract skilled people. The Mining Association of B.C. forecasts that it will need almost 17,000 workers in the next 10 years.
- Air service through YVR gives Canada's resource industry a bigger, more attractive pool from which to hire skilled people.

- This will come as no surprise to many of you, but the mining sector is important to B.C. — contributing 2% of the province's GDP. Did you know that YVR contributes 1%? Not many know this - the airport alone is half as big as mining.
- At YVR, we strive to make travel for road warriors like Mike, who need to get to work fast - efficient, pleasant and safe.
- However, a huge factor in getting travellers like Mike from the parking lot to the plane in a timely fashion is pre-board security screening.
- The Airport Authority doesn't control security screening. CATSA – or the Canadian Air Transport Security Authority – is in charge of that.
- I worked at YVR when CATSA was first introduced, and after much national debate the promise was that the government would take money from passengers - in the form of a tax on the ticket - to provide the screening service.
- The local CATSA team here at YVR does its best, but now their budgets are being cut and passengers like Mike are starting to feel the effects. We need the government to provide more funding, not less, in order to keep its promise and continue investing in this essential service, especially to keep up with our expected growth.
- If these cuts continue, our fear is that time-pressed road warriors like Mike (and many others) will be stuck in lineups and bags won't make planes – not an ideal scenario when you're trying to grow as a global hub – and remain competitive.
- While south-of-the-border airports like Bellingham and SEATAC can sometimes beat us on price, they can't beat us on service. So fast and efficient CATSA screening is a very important competitive issue for us – and for the road warriors that rely on us.
- Now, let's move from road warriors to scholars. This is Nalini Singh. She's in the second year of a two-year program at Thompson Rivers University. By happy coincidence, Kamloops is my hometown and Vantage Airport Group operates Kamloops Airport.

- Nalini is one of 33,500 international students who come from more than 100 countries worldwide to study in B.C. every year. She is joined by some 2,600 other international students at TRU alone.
- International students spend more than \$2 billion annually on tuition, accommodation, food and services.
- Not only do international students benefit from the experience of studying and living in beautiful B.C., but they uniquely enrich the lives of fellow students and their new local communities.
- And we can't underestimate the multiplier effects—international students draw their families to visit while they're here and in future years.
- Nalini is from Mumbai and studying accounting at TRU. She'll graduate next spring. With previous educational and work experience in finance, Nalini had plenty of options about where to study.
- She picked B.C. because of its reputation as a great place to live and TRU because it has a fantastic co-op program. Nalini also said she was excited to see snow for the first time.
- But she didn't pick B.C. because of its air connections. To get from Mumbai to B.C., Nalini had to make a number of connections. We don't have direct service to India – yet.
- But it's true that Nalini and her fellow foreign students at TRU would have had to connect through YVR to Kamloops.
- As many of you know, when you're new to a foreign country and a foreign airport, connections can be very stressful.
- We're working hard to make connections faster, simpler and a lot less intimidating with a combination of new facilities and more feet on the floor.

That's friendly smiles and helping hands offered by our Customer Care staff and more than 450 Green Coat volunteers.

- Collectively, these employees and volunteers speak 43 different languages and answer thousands of inquiries per day – almost 800,000 that we measured in 2012 alone. That's a lot of directions.
- Our care for every customer extends to all aspects of the passenger experience, from curb to cabin. We are also building new facilities worth several hundred million dollars to help future passengers – students like Nalini included – enjoy expedited connections for international to domestic flights, so the entire process takes place in less than 60 minutes.
- YVR's current air service connects to 49 percent of the global economy. That's not enough. We have some big gaps.
- The B.C. Council for International Education notes that we could attract more international students from markets in the Middle East, South America and Southeast Asia if airline partners could offer non-stop air service.
- In early October, I was in Las Vegas for Routes 2013 – the biggest air service and airport convention in the world. And once again, I had a conversation with a certain mid-eastern airline. This airline was voted the Best Airline in the World last year. And they want to fly to Vancouver, the best airport in North America.
- Sounds like a simple business case doesn't it? We have the infrastructure and the market demand for their business.
- But we can't roll out the welcome mat because of restrictive federal air policy which allows:
  - o Qatar Airlines to fly three times per week to Montreal
  - o Etihad to fly three times per week to Toronto Emirates to also operate three flights per week to Toronto,
  - o But none of these airlines are allowed to fly to Vancouver at all.
- You may be saying, is it really that simple? Yes, it is.

- We don't advocate one-sided deals. Of course, these bilaterals must be reciprocal, and they can be.
- We got a big win earlier this year when an open skies agreement between Iceland and Canada took effect. We recently announced that IcelandAir will run twice-weekly seasonal service between YVR and Reykjavik, Iceland.
- With this new service, Nalini may find an accounting job for an Iceland mining company. And Jealous Fruits' cherries may make it into a Viking feast. Or you may fly to Glasgow or Paris through Reykjavik because that's the fastest connection - all because bilaterals opened up.
- Restrictive air policies affect everyone in this room.
- So, if YVR's skies were truly open, where would you fly from YVR? We want to know. There's a card on your table. Please tweet us your pick for our next destination.
- With that, I'd like to relate the last of our stories: please meet Mr. and Mrs. Ho, tourists and intrepid adventurers eager to experience the best that B.C. has to offer.
- We recently did some market research in China and found that 49% of the people we surveyed said that they would like to visit Vancouver in the next two years. Which is exactly what Mr. and Mrs. Ho just did.
- Like many first-time visitors - not to mention locals returning home from abroad - the Ho's were wowed by our beautiful airport. The aquarium, the art collection and the West Coast design of the terminal - all of this combines to create the unique sense of place I mentioned earlier.
- They got directions from the B.C. Visitors Centre in International arrivals and headed downtown on the Canada Line.

- The Canada Line is one of the most important community investments we've ever made – for passengers, for employees, for our environmental impact as an airport that strives to operate sustainably.
- Since it opened in 2009, the Canada Line has been wildly popular, carrying thousands of people - at least 17 percent of airport employees and our passengers coming to Sea Island every day.
- The Ho's enjoyed their visit to Metro Vancouver. They explored Richmond's Steveston Village and its great seafood, strolled through Gastown's cobbled streets and toured our local rainforest up close at the world famous Capilano Suspension Bridge.
- The Ho's flew to YVR from Guangzhou on China Southern, a relatively new service that celebrated its second anniversary this year. YVR was the first and remains the only Canadian non-stop destination served by China Southern.
- Independent research shows that a new daily international flight generates between 150 and 200 direct jobs at the airport—servicing the plane, its passengers and cargo.
- We also found that this same new flight supports another 300 to 400 direct jobs in the tourism sector—hotels, restaurants, tour companies and local attractions.
- In just a single day, the Ho's connected with... an airport Green Coat volunteer, hotel concierge, housekeeping staff, taxi driver, barista at the coffee shop, trolley driver, the Capilano Suspension Bridge tour guide, a tram operator at Grouse Mountain, Gastown souvenir shop owner, server at the Steveston fish and chip shop, the chef who prepared their Monty Mushroom burger at White Spot - and many others who make their living in Metro Vancouver's tourism industry.
- Allow me to drive this point home one more time: One daily international flight from China creates 450 to 600 direct jobs in British Columbia.
- A new non-stop flight makes it easier for tourists like the Ho's to access all that beautiful B.C. has to offer.

- We've seen this happen before. When Air New Zealand began non-stop service to Vancouver in 2007 about 20,000 New Zealanders visited B.C. every year. That number jumped to 30,000 a year with the advent of the new service.
- And we saw it again this summer, when Lufthansa began seasonal non-stop service to Munich. German tourists to B.C. jumped by 15% in the first month alone.
- We know that travellers have choices. But if it's easier to get to B.C., they will come here, and we all benefit.
- So, let's recap. We want the federal government to open our skies, keep funding passenger screening. And finally, for my last request - simplify the visa process.
- Canada's visa application process is onerous. Among the issues: too many forms, language barriers and even having to surrender your original documentation.
- Canada is working on this. It's considering a 10-year multiple entry visa. Wait times for a visa in China have gone from two months to an average of 16 days, now that part of the process is online.
- But our competition is beating us. So, if international travellers have a choice between San Francisco and Vancouver, they're going to pick the destination with the quickest visa turnaround time. And it's not us.
- It took the Ho's 16 days to get their Canadian visas. But if they looked into it they would have discovered that they could get US visas in just four days.
- Now, here's a crazy thought: why couldn't you enter Canada with a US visa? And vice versa? Is there that much difference between the two countries processes and desired outcomes?
- It all comes down to easy connections. What Mike, Nalini, Mr. and Mrs. Ho and our B.C. cherries all have in common is that their paths cross at YVR - the place that makes connections that work.

- And to support their journeys, 23,600 people have jobs at YVR, from ground handlers and airport operations officers to customs agents, cleaning staff, airside emergency responders, accountants...and one airport CEO, for which I am very thankful.
- Hopefully, my requests for the government don't sound too strident given what it has done for the Canadian airport model and for our ongoing partnership. I know that we share a vision to make B.C. and Canada economically vibrant and competitive.
- But I also believe that we can agree on policy changes are far simpler than the decades-old change that was the National Airports Policy. The changes we seek today don't cost any money. And these changes will build global connections, create local jobs and invest in our communities.
- YVR's, the Lower Mainland's and British Columbia's best years are ahead of us. We're on the cusp of global greatness, connecting B.C. to the world, adding millions more passengers and thousands of jobs. We just need the government to remove these impediments to trade.
- At the heart of this extraordinary operation is the Airport Authority itself - a company whose sole reason for being is to enable these connections to work - to provide the runways, taxiways, terminals, baggage systems, ground access and expertise which keeps it all working safely 24 hours a day, every day, in sun, rain and fog.
- So now we get to see these stories converge, at the best airport in North America. Ladies and gentlemen, here is one day in the life of YVR— providing connections that work.

*«Video »*

- I hope that the stories I've shared today bring to life YVR's importance as community asset, an economic driver and a job creator.

- I commend the Vancouver Board of Trade and the Richmond Chamber of Commerce for getting a joint policy resolution entitled “*Improving Air Access for the Benefit of the National Economy*” adopted at the Canadian Chamber of Commerce AGM in Kelowna earlier this month.
- I’d also like to recognize a few people that allowed me to share their stories. Some are in the room, and others are watching online. Thanks to:
  - o David Geen and the team at Jealous Fruits in Lake Country, B.C;
  - o Christine Dendy from the B.C. Cherry Growers’ Association;
  - o Mike Tedeschi, our geologist;
  - o Student Nalini Singh, Mike Henniger and the international marketing team from Thompson Rivers University;
  - o Sue Kaffka from The Capilano Suspension Bridge;
  - o David Martin and Brian Appleby, the video production team at Hyphen Communications.
  - o And Executive Chef Ned Bell and the fantastic team at the Four Seasons for our marvelous lunch and experience here today.
- There are also a number of other people from YVR here in the audience—way too many to name. But I invite them to stand—don’t be shy—you all play a part in making YVR B.C.’s connection to the world. Thank you.
- Finally, once again thanks to the Board of Trade for having me and thanks to all of you for listening. I look forward to any questions you might have.