

ACCOUNTABILITY AND TRANSPARENCY

1. WHAT IS ACCOUNTABILITY

“Accountability” means being able to explain or account for one’s conduct and actions. This definition leads to further questions: to whom does one account and against what standard do people judge the success of one’s actions?

1.1 Background

Transport Canada examined these questions when it decided to devolve airports to local control. It set three objectives for devolution: a) improve accountability relative to the federal operation of airports, b) attain commercial viability, and c) enhance local economic development. It then examined several models ranging from fully private, for-profit corporations to various quasi-government authorities.

A for-profit private sector company enjoys the benefit of simplicity in terms of understanding its accountability. Both practice and legal precedent made it clear that the company accounted to its shareholders, and it was judged on whether or not it increased the value of those shareholders’ investment. Transport Canada rejected this model, as there was little experience with it as an airport operations model at the time, and it also had concerns regarding the balancing of shareholder versus local community interests.

Transport Canada also rejected various other “government” scenarios, such as Crown Corporations and transfer to a different level of government control. Transport Canada rejected these models because it was unclear that they could run commercially viable airports—particularly in light of the fact that other levels of government faced the same budget issues as Ottawa. In addition, while the lines of accountability—to some form of elected body—seemed clear on the surface, in practice, politicized governance structures often obfuscated accountability due to conflicting political agendas and influences. Indeed, the first objective for Transport Canada’s devolution was to “improve accountability” as this was recognized to be an issue. Pressure to

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devolve airports arose in large part because of the perceived lack of accountability in the existing government model.

1.2 The Canadian Solution

Transport Canada opted for a unique Canadian model - a locally controlled, not-for-profit, private sector airport authority. Under the policy for creation of local airport authorities, the local community established the structure of the airport authority board; Vancouver chose a structure with combined government and professional representation. While directors could be nominated by local and regional governments, Transport Canada explicitly stated that directors could not be elected officials or government employees. It also made it clear that each director owed his or her fiduciary duty to the airport authority.

Transport Canada's foresight in adopting this model is supported in a study of several U.S. airports. The study found that airports with less politicized governance structures performed better and were more innovative; the study states "the challenges of the air transport industry are seemingly better met by governing structures that reduce local and regional politics and allow airports to operate more like their private business partners."¹

1.3 How is this model of airport authority accountable?

Under this type of governance structure, the answers to the questions "who does the Authority account to" and "has it met the community's standard for success" appear less obvious. Airport authorities account not to their shareholders but to their stakeholders, which includes the Nominating Entities, business partners and the local community. How can such a diverse

¹ Tarry, Scott E., Innovation in the Administration of Public Airports, published by the PricewaterhouseCoopers Endowment for the Business of Government, March 2000, p.34. The report goes on to state "Reducing politics and increasing autonomy [of airport authorities] are both attractive outcomes, but not without a clear appreciation that airports must remain accountable to both their business partners and the public."

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group of stakeholders judge the Authority's performance? Transport Canada answered this question by setting out "objects", i.e., a mandate, for the airport authority and certain accountability principles incorporated in the Ground Lease. The airport authority must account to the community on whether its actions furthered the mandate. This structure imposes a greater burden of communication on local airport authorities. As stated in the study of U.S. airports mentioned above, airports must "prove their commitment to accountability through their actions."²

2. HOW IS THE AUTHORITY ACCOUNTABLE

2.1 Mission and Mandate

The Authority's mission is to better our community by connecting BC proudly to the world. As noted above, the federal government set out "objects" for Canadian airports to establish a standard against which to measure whether or not the airport is operating for the general benefit of the public in its region.

The Authority was required to be continued under new legislation, the *Canada Not-for-profit Corporations Act* and completed its transition in January 2013. Schedule 1 of the Articles of Continuance contains the Authority's "purposes" or mandate. The purposes continue to reflect the original objects set out by the federal government. The Authority's accountability can be measured against its performance in fulfilling these purposes. The public can ask, and the Authority must answer:

- (a) does the Authority manage and operate Vancouver International Airport in a safe and efficient manner for the general benefit of the public;
- (b) does the Authority undertake and promote the development of the lands of the Vancouver International Airport for uses compatible with air transport activities;

² Ibid, p. 35.

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- (c) does the Authority generate, suggest and participate in economic development projects and undertakings which are intended to expand British Columbia's transportation facilities, contribute to British Columbia's economy or assist in the movement of people and goods between Canada and the rest of the world; and,
- (d) does the Authority assemble information, advise on and otherwise contribute to the advancement of air transportation.

2.2 How the Authority Accounts for Its Actions

The Authority's Vision is to be a world class, sustainable hub airport. Our Values are safety, teamwork, accountability and innovation. We have a strategy to guide us in achieving this Vision and fulfilling our Mission. To this end, we have established two strategic objectives: Speed and Ease of the Hub; and Outstanding Passenger Experience; and nine Exceptional Foundation Elements: Employees; Maintaining and Building Our Infrastructure; Environment; Integrated Sustainability Practices; IT & Digital; Financial Strength and Revenue Growth; Governance and Accountability; Reputation, Public Affairs and Community Contribution; and Enterprise Risk Management and Business Continuity Planning.

The Authority's policy is to be both accountable to the community and transparent in its business relations. The Authority accounts for its actions to the community in several ways. It is the responsibility of the Governance Committee of the Board to ensure that Management is observing these accountability mechanisms, which include:

- publication of an Annual & Sustainability Report, which will include information set out with reference to a sustainability framework – starting with the 2018 Report the Authority adopted the Global Reporting Initiative Framework – including sections on governance and the Authority's environmental, social and economic performance. The annual reporting

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also includes the Authority's consolidated financial statements. Newspaper ads and social media provide highlights of the Annual & Sustainability Report and direct readers looking for further information to the website;

- holding an Annual Public Meeting;
- holding of an annual meeting with the Nominating Entities and additional meetings as may be required;
- meeting with the Province at least annually;
- regular meetings of the Relationship Committee established under the Authority – Musqueam Sustainability and Friendship Agreement;
- maintaining a Corporate Communications Policy; the substance of which will be reviewed annually by the Governance Committee and approved by the Board;
- maintaining an Annual Communications Plan with each Nominating Entity, as further described in Tab 13 "Communications Plan with Nominating Entity" of this Board Manual;
- establishment of the following standing consultation committees:
 - Aeronautical Noise Management Committee;
 - Airline Consultative Committee;
 - Airline Operators Committee; and
 - Environmental Advisory Committee;and meeting with these committees a minimum of twice annually;
- the Richmond Accord;
- meetings/consultation with local city councils;
- publication of an annual noise report on the website;
- publication of its Social Policy, articulating the Authority's philosophy in the areas of social, economic and environmental practices, and its Social Management System which identifies the processes and policies in place to address the Authority's commitments in the seven focus areas set out in the Social Policy;
- public consultations on the periodic renewal of the airport Master Plan and Land Use Plan, the latter of which is also subject to approval by the Minister of Transport;

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- consultations with the relevant stakeholders on other airport plans and policies, including but not limited to the Long Term Capital Plan, the schedule of airline fees and charges, the Noise Management Plan, the Environmental Management Plan, the schedule of airport maintenance charges, sub-area plans and airport operation procedures;
- offering our major airline partners an annual opportunity for their senior management to meet directly with the Authority's Board of Directors; and
- maintaining the corporate website and other appropriate communications channels.

2.3 Measuring Performance

The Authority's performance will be measured in several ways which are visible to the public. The Authority will:

- conduct quarterly in-terminal surveys and provide a summary of the annual survey results in our Annual & Sustainability Report;
- conduct a Metro Vancouver survey at least once annually and provide a summary of the results in the Annual & Sustainability Report;
- participate in reputable third party airport service quality and customer satisfaction surveys as the opportunity arises (e.g. SKYTRAX) and report the results in our Annual & Sustainability Report;
- publish performance against goals set out in the Environmental Management Plan in our Annual & Sustainability Report;
- maintain Salmon Safe Certification and ACI Airport Carbon Accreditation;
- maintain employee health and safety statistics and compare them against industry averages;
- prepare diversity and inclusion statistics and compare them to Metro Vancouver and national employment data;
- conduct periodic economic impact studies using a third party;
- engage a qualified independent consulting firm via a competitive public process to conduct the 5-Year Performance Review that will include an assessment of the extent to which and how well the Authority has fulfilled its purposes during the period covered by the Review. As mandated in the corporate by-laws, the Authority will prepare the list of qualified

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independent consultants in consultation with the Nominating Entities. Once the Review is completed, the Authority will provide copies to the Nominating Entities and publish it on the Authority website.

In addition to the above performance measures, the Authority will set measurable targets, where feasible, in its business and strategic plans. As required in the corporate by-laws, summaries of the current business plan and of the five most recent business plans will be available to the public for examination upon request. The Authority will provide an explanation of any substantial variance from the performance targets in its business plan in the Annual & Sustainability Report.

3. TRANSPARENCY

3.1 Financial Reporting

The Annual & Sustainability Report is the primary vehicle for reporting on the financial performance of the Vancouver Airport Authority. The audited consolidated financial statements include financial information on the Vancouver Airport and the Authority's subsidiaries. The Authority has four main subsidiary companies. The first of these, Vancouver Airport Enterprises Ltd. ("VAEL"), holds 100% of the shares of YVR Project Management Ltd. ("YVRPM"). The second subsidiary is Vancouver Airport Enterprises Ltd. – Templeton ("VAEL-Templeton"), which holds our 50% interest in the McArthurGlen Designer Outlet Vancouver Airport. The other 50% interest in the Designer Outlet is McArthurGlen, a well-known European outlet centre operator. The third subsidiary is Vancouver Airport Property Management LLP ("VAPM"), which was established to facilitate the management of cargo and industrial properties on airport lands on Sea Island. Finally, Vancouver Airport Authority (Hong Kong) Ltd. is the Authority's Asia office. It was incorporated in Hong Kong as a wholly owned subsidiary to facilitate operations and compliance with local regulations.

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The consolidated financial statements include the Authority's significant accounting policies which are set out in the notes to the financial statements. The Authority's financial reporting meets or exceeds all applicable financial disclosure requirements.

3.2 Purchasing and Supply Management

The Authority will be transparent in its purchasing and supply management practices. The Authority's Sustainable Purchasing Policy and Supplier Code of Conduct are available on the corporate website. The Supplier Code of Conduct sets out the minimum standards for our suppliers and their subcontractors to promote safe and healthy workplaces, basic fair labour practices and environmental responsibility. The Sustainable Purchasing Policy reflects our goal of embedding sustainability into our purchasing decisions and ensuring meaningful consideration of social and environmental criteria when selecting suppliers, products, and services.

As a general practice, contracts for the procurement of goods, services and construction services with a value in excess of \$100,000 (in 2000 dollars) will be awarded through a competitive process. The Authority includes a section in its Annual & Sustainability Report that discusses the reasons why single source contracts in excess of \$100,000 (in 2000 dollars) were not awarded through a competitive process.

3.3. Fees and Charges

The Authority will be transparent in the establishment of fees and charges. For example, when negotiating with the airlines on aeronautical and terminal charges, it will provide an explanation of how the fees were set and calculated. It will also explain how other fee schedules, for example Facility Permit Fees, are set.

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With regard to the Airport Improvement Fee or any future passenger facility charge, the Authority will continue to make public the reason for imposing the fee or making a change to an existing fee.

3.4 Process for Consultative Committees and Public Meetings

The Authority will maintain Terms of Reference for the four standing consultative committees; the Terms of Reference will be developed with input from the committee members. Each committee will have procedures for raising issues and calling an extraordinary meeting. The minutes of these meetings will be provided to all members, including those not at a meeting. The Minutes of the Aeronautical Noise Management and Environmental Advisory Committees are available on our website, www.yvr.ca.

The Authority will host an annual public meeting. In addition, public consultations will be held when the Authority periodically revisits the airport's Master Plan and Land Use Plan as well as on other major airport developments and sub-area plans, where appropriate. The Authority has prepared an Engagement Charter, available on www.yvr.ca, to assist the public and stakeholders in understanding how and why we engage. Any public consultation will be advertised in a timely manner on appropriate communication channels specific to the audience and held in a venue that is sufficient for the anticipated audience. Appropriate documents will be available in advance. The Authority will also avail itself of technology and other meeting formats as appropriate to maximize its engagement and outreach; examples include: dedicated online engagement platforms; social media; participation in civic festivals and events; and open houses and workshops.

3.5 Contacting the Authority

The Authority maintains a number of methods for the general public to contact the Authority. These include:

- submitting questions through the website, via e-mail, on customer comment cards or in person at our customer service desks;

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- providing comments or submitting questions via social media tools, e.g. the Authority's Twitter feed, @yvrairport, as well as Facebook, Instagram, Weibo, and WeChat;
- contacting the citizen representatives on the Noise Management and Environmental Advisory Committees;
- calling the general inquiries, noise information, community relations or employment information lines; and
- calling or writing to individual Authority Departments.

The public is also welcome to contact the Office of the President and CEO. In addition, the Authority welcomes opportunities to speak to community groups and organizations.