

SUPPORTING LOCAL GROWTH AND ECONOMIC DEVELOPMENT

Government of New Brunswick:

Provincial Air Sector Strategy

2022-2027



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New  Nouveau
Brunswick

**Government of New Brunswick: Provincial Air Sector Strategy
2022-2027**

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Air cargo plane at YQM.

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STATEMENT FROM THE
MINISTER OF TRANSPORTATION
AND INFRASTRUCTURE

Minister Green



As Minister of Transportation and Infrastructure, I am pleased to present the Government of New Brunswick's **Provincial Air Sector Strategy**. This five-year strategy provides an overview of our province's air sector and highlights our strategic aviation assets.

The air sector is critical to **New Brunswick's economy**—supporting jobs, enabling investment, and facilitating trade. Recognizing this, the Province undertook a review over the past year and a half to gain a better understanding of New Brunswick's air sector and its related strengths, challenges, and opportunities, with a focus on evidence-based analysis and decision-making. We learned a great deal from the stakeholders who participated in that review and I would like to express my sincere appreciation for your time, expertise, and ongoing engagement.

This **Provincial Air Sector Strategy** was developed in direct response to stakeholder feedback, as a mechanism for enhancing transparency, supporting further collaboration, and informing strategic priorities. We believe we can leverage this strategy to build upon the excellent work already taking place in our airports and across New Brunswick's air sector. Together, we can help position the provinces' air sector for future growth and development that meets the needs of our growing province.

I recognize that the past two years under the COVID-19 pandemic have been particularly challenging for the air sector, especially commercial air passenger travel. This forward-looking strategy complements recovery efforts already underway in this sector and we are confident that this strategic approach will optimize our ability to move beyond recovery and into further growth and development.

Honourable Jill Green, P.Eng., FCAE, ICD.D
Minister of Transportation and Infrastructure

New Brunswick Air Sector Strategy

Transportation at its heart is about the movement of people and goods.

The Air Sector is critical to New Brunswick's economy—supporting jobs, enabling investment, and facilitating trade.

Leading up to the development of this strategy, GNB undertook a multi-phased project to gain a better understanding of New Brunswick's air sector and its related strengths, challenges, and opportunities (see Appendix A for a project summary). This work involved consultations with a variety of stakeholder groups (e.g., airlines, airports, local businesses, etc.) as well as an external evaluation from InterVISTAS Consulting Inc. The findings from that project have formed the basis of this strategy.

In New Brunswick our multimodal transportation system consists of the following components:

- Air Transportation Sector;
- Road/Highway Network;
- Marine Ports; and
- Rail Transportation Network.

The air transportation sector in New Brunswick provides the following primary functional roles:

- Air Cargo;
- Scheduled Commercial Passenger Service (focused on connectivity and air access); and
- General Aviation (private aircraft, charter flights, medivac/air ambulance, forest protection, flight training, aerospace, etc.).

In accordance with feedback from stakeholders and advice from an external consulting firm, GNB will undertake a variety of steps to support growth and development in the air sector and the ongoing delivery of essential services (e.g., air ambulance, forest protection, etc.), including:

- Development of this strategy to enhance transparency and support collaboration with stakeholders;
- Market analysis to identify unserved or under-served scheduled air passenger markets with the greatest growth potential for NB;
- Targeted financial support (on a trial basis) to help secure new scheduled air passenger routes;
- Marketing support for developing scheduled air passenger services;
- Strategic collaboration with regional and federal government partners;
- Advocating to the Federal Government on behalf of airports and other stakeholder groups; and
- As appropriate, support the maintenance of infrastructure needed for essential air services.

Strategic Aviation Assets

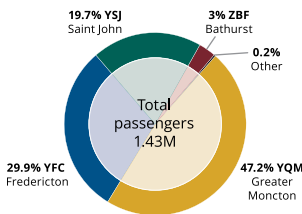
The air sector is federally regulated by Transport Canada, which owns New Brunswick's (3) largest three airports: Fredericton International Airport (YFC), Greater Moncton Roméo LeBlanc International Airport (YQM) and Saint John Airport (YSJ). These airports are part of Transport Canada's National Airport System (NAS) and are operated by separate non-profit airport authorities. While GNB does not own, operate, or regulate air services in New Brunswick, it does see itself as a strategic partner that supports growth and development, while ensuring the ongoing delivery of essential aviation services (i.e., air ambulance and forest protection.)

To ensure the responsible use of taxpayers' dollars, GNB is committed to taking an evidence-based approach to delivering on this role. **To this end, through consultation with key stakeholders and advice from an external consulting firm, GNB has identified the province's strategic aviation assets for each of the following air services:**

SCHEDULED AIR PASSENGER SERVICES:

New Brunswick's NAS Airports (YFC, YQM, YSJ)

Snapshot of New Brunswick's Air Passenger Traffic (2019 - prior to effects of COVID-19 pandemic)



New Brunswick's scheduled air passenger services are primarily served by New Brunswick's NAS airports, which provide 97% of the total scheduled commercial passenger volumes in New Brunswick. In addition, the Bathurst Regional Airport (ZBF), which is classified as a local/regional airport, provides scheduled air passenger service in northern New Brunswick.

Periodic charter passenger flights are also offered through the local/regional airports in Charlo (YCL) and Miramichi (YCH).

GENERAL AVIATION SERVICES:

New Brunswick's NAS Airports (YFC, YQM, YSJ), Regional/Local Airports (ZFB, YCL, YCH), and Nine (9) Airstrips Across the Province¹

General aviation represents the private transport and recreational components of aviation, as well as certain essential services. It includes air ambulance, aerial firefighting, aerial pest spraying (and reporting), flight school, aerospace, and recreational flying. **GNB will continue to support, when possible, infrastructure maintenance needs that are required for the ongoing delivery of essential aviation services (i.e., air ambulance and forest protection).**

Based on an external evaluation, the current aviation infrastructure in New Brunswick is sufficient to meet the current and future aviation needs in the Province. No new infrastructure builds are needed.

¹ Boston Brook (CCJ3), Brockway (CCX3), Chipman (CCS4), Clearwater (CDJ4) or Juniper (CCE3), Edmundston / Saint-Jacques (CYES), Florenceville (CCR3), Grand Manan (CCN2), Pokemouche (CDA4), Saint-Léonard (CYSL)



Air cargo delivery of lobster to YQM, where it is stored in an on-site warehousing and handling facility.

AIR CARGO SERVICES:
Greater Moncton Roméo LeBlanc
International Airport (YQM)

New Brunswick's primary regional hub for air cargo services is the Greater Moncton Roméo LeBlanc International Airport. YQM has a geographic advantage for air cargo, being well situated for road access to the Maritimes where its cargo catchment area includes New Brunswick, PEI, and Nova Scotia; additionally, two major, uncongested Canada/US border crossing points are within a three-hour drive. Cargo demand is expected to continue to be served primarily at YQM due to its geographic advantage and existing network of cargo carriers, trucking companies, warehouses, and CBSA that form the air cargo logistics chain.

All airports in New Brunswick with scheduled commercial air passenger or charter services can provide minimal belly hold air cargo services, depending on the airplane size. The Fredericton International Airport also provides specialized air cargo services for the Gagetown military base.

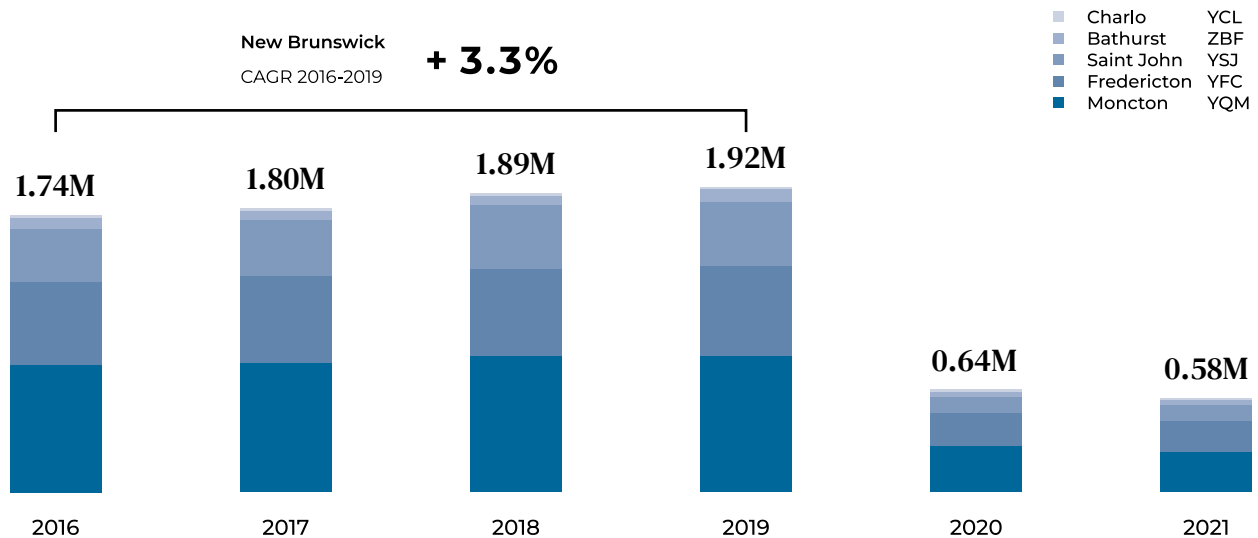
EXPANDING SCHEDULED AIR PASSENGER SERVICES IN NEW BRUNSWICK

A Growing Need

Scheduled Air Passenger services is a proven economic driver to ensure New Brunswick's economic viability and it is fundamental to the well-being of the Province. With vibrant business economic activity and steady population growth, New Brunswick is poised to attract additional scheduled air services to the Province to meet the needs of air traffic demand.

Before the onset of the Pandemic, New Brunswick airports achieved great success in commercial air service growth – between 2016 and 2019, New Brunswick airports grew their commercial air service capacity at a compound annual growth rate of 3.3%, making it the fastest growing Atlantic Canada province in this period and surpassing Atlantic Canada's overall compound annual growth rate of 0.3%:

New Brunswick Seat Capacity by Airport
Two-way seats (millions), 2016-2021



Source: InterVISTAS Analysis, Innovata Schedules via Cirium

While the pandemic has resulted in a considerable decrease in air services, recovery of flights is well underway and GNB will work collaboratively with key stakeholders to help attract new routes that are of strategic importance to the province. These collaborative efforts should also help expedite the province's overall growth and development opportunities, by ensuring that funding and other resources are used as strategically as possible.

Increasing air services is key to enhancing air travel for the residents of New Brunswick. More air services increase the competitiveness of New Brunswick air travel market, leading to greater choice of air carriers and more competitive prices. Supporting and sustaining air service growth is an effective way of ensuring air services continue to be priced competitively for both New Brunswick residents and inbound visitors to the Province.



Greater Moncton Roméo LeBlanc International Airport



Bathurst Regional Airport



Saint John International Airport

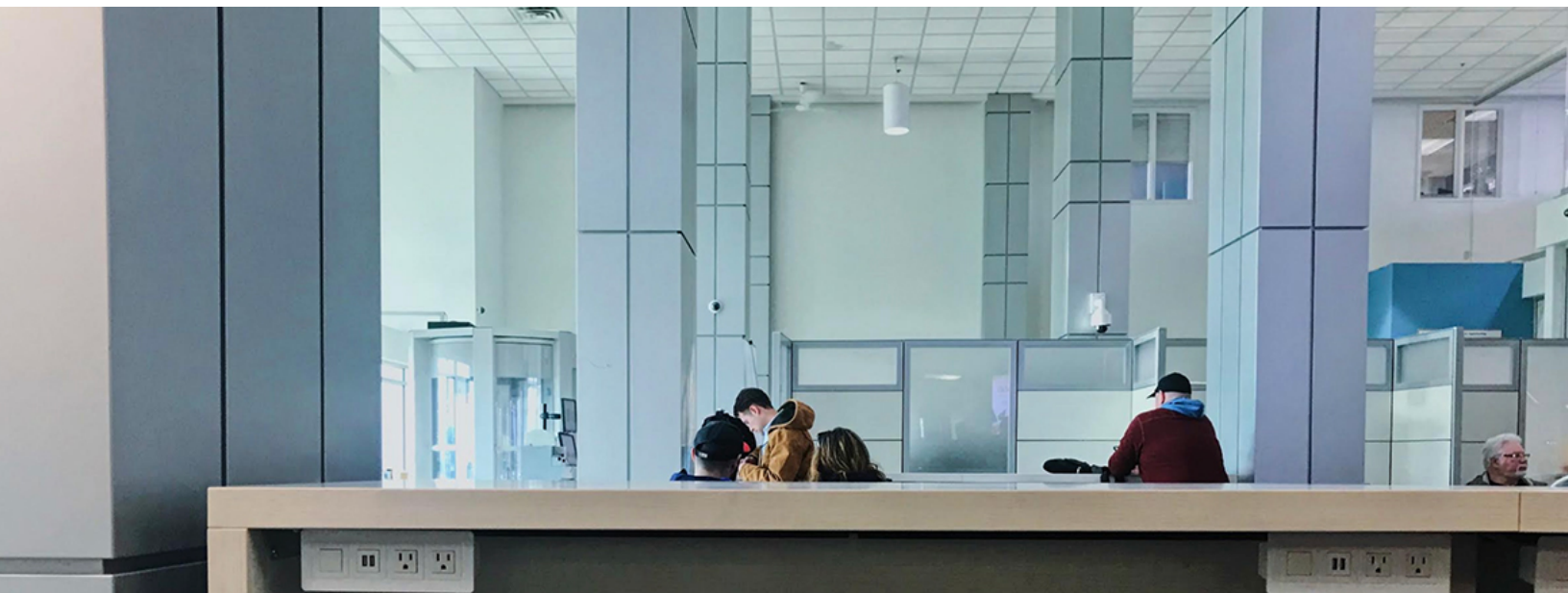
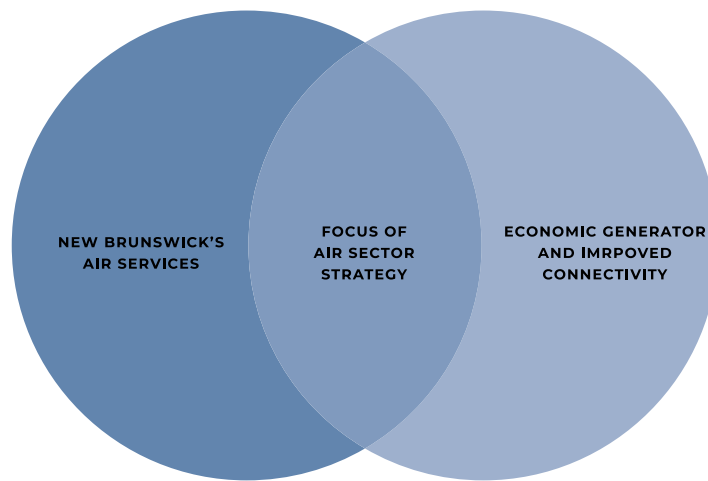


Fredericton International Airport

Economic Growth in New Brunswick

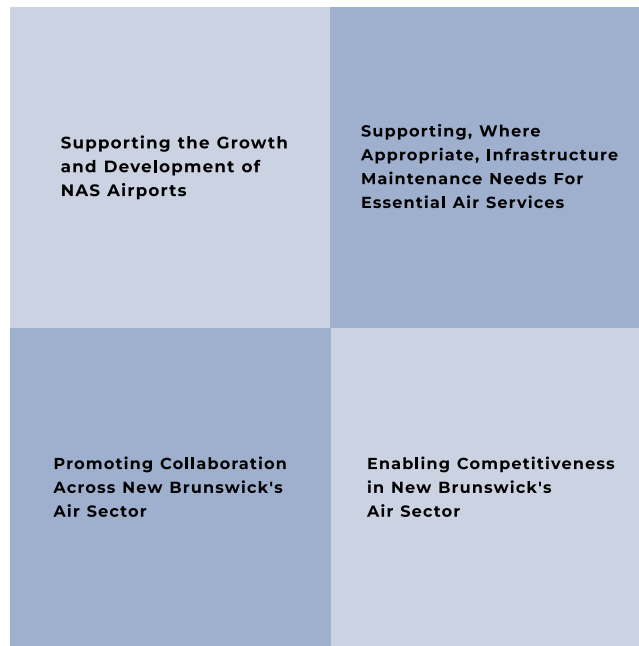
The Government of New Brunswick will identify air services that present key opportunities to improve passenger connectivity and generate economic activity. Not all air services will be eligible for additional support by the Government, as the focus will be on air services that will have the greatest connectivity and economic impact for the province.

Maintenance of current aviation infrastructure and support for continued air service growth are essential to support key economic engines, such as tourism growth and attracting additional business and trade activity, in New Brunswick.



Airports on Air Sector Strategy

4 Focus Areas for Air Sector Strategy:



GNB will work collaboratively with the New Brunswick air service sector to support provincially strategic air service growth and ensure the ongoing delivery of essential aviation services (i.e., air ambulance and forest protection).

Today, commercial airports in New Brunswick are in constant communication with airlines on increasing their services to the Province. Our province's airports are also in fierce competition with other airports seeking air service capacity from the same airlines, regardless of where the airports are based. This competition has only been heightened as a result of the pandemic. GNB is committed to seeking out innovative strategies to further build upon existing collaborations within New Brunswick's air sector to help enhance the Province's competitive advantage. Together with stakeholders at the local and federal level, GNB will work closely with our province's airports to ensure that air service support resources are optimized and in sync with the airport's air service development activities. Specific focus will be given to the air service growth potential of the three large NAS airports, as they generally present the highest potential for the greatest return on the province's investment.



Lounge at YFC.

ACTION TO IMPROVE NEW BRUNSWICK'S

Scheduled Air Passenger Service Competitiveness

The Province will take an evidence-based approach in determining the prioritized list of air service capacity growth targets and its suitable airline partners. As the commercial airline competitive landscape is highly dynamic, GNB's strategy for air service growth will remain flexible and agile. It will endeavor to work closely with province-wide air service stakeholders and airports to determine the optimal air service that will maximize the connectivity and economic impact to the Province. Particular focus will be to encourage collaboration between the Province's three (3) largest NAS airports to ensure each of their air service development and airline outreach efforts are aligned with the Province's goal of increasing air services to the Province. GNB's support will complement existing and future support from local community and municipal stakeholders.

In this light, the Province will work closely with its airports to ensure its air service growth investments are optimized and in sync with their current air service development targets.



Arrivals at YQM.

FOCUS ON

Sustainable Scheduled Air Passenger Service Growth

Through a quantitative framework, the Province will set specific air service growth and capacity targets in collaboration with the NAS airports. The focus will be set on long-term, sustainable capacity growth that can generate long-lasting connectivity benefits and economic impact for the Province.

GNB will invest in opportunities to increase route offerings in New Brunswick while contributing to the overall competitiveness of New Brunswick's air sector. GNB will take a both an evidence-based and strategic approach to identifying air services development opportunities that represent the greatest increased connectivity and economic impact for the province.

An independent study has shown that non-stop air services to Western Canada and Northeast U.S. are suitable air service markets that will enhance connectivity for New Brunswick residents, attract inbound visitors, and generate the biggest economic impact for the Province. These air service target markets will also bolster air connectivity to support GNB's strategic priorities.

GNB will explore multi-year air service investments, recognizing that sustaining air service growth is a multi-year effort. The Province will closely monitor air service demand and supply shocks and adjust its air service expansion timeline and targets accordingly.



Sample of an electric vertical takeoff and landing aircraft.

NEW BRUNSWICK'S AIR SECTOR STRATEGY

Setting A Path to Sustainable Growth with Long-Lasting Impact

New Brunswick's airport system with three (3) main NAS airports serving approximately 800,000 provincial residents is unique in Canada. If these airports work together and in collaboration with other stakeholders, while leveraging financial support from GNB, New Brunswick can unlock further air service growth. New Brunswick's current aviation assets (see pp. 3-4) are key to the Province's social and economic growth and prosperity. For commercial air passenger services, a key component that underpins the optimal use of these assets is the enhanced collaboration between airports. Our province's airports already collaborate toward common goals, mutual opportunities, and to help address systemic challenges. GNB is seeking to build upon that strong foundation by working with New Brunswick airports (that offer scheduled passenger services) to identify the best route development opportunities for the province. This means a focus on routes that offer a strong likelihood for a positive return on investment and potential for long-term sustainability.

In addition, GNB is positioning its strategic aviation assets to be future-ready, maximizing the Province's Air Sector's long-term potential. New opportunities through advanced air mobility (AAM) technologies, such as electric vertical takeoff and landing (eVTOL) aircraft or unmanned aircraft systems (UAS), are emerging aviation opportunities for the Province's regional cargo and passenger needs in the future. GNB will continue to ensure its strategic aviation assets are ready to support new aviation developments and technologies over the coming years.

Government of New Brunswick Air Sector Project



BACKGROUND

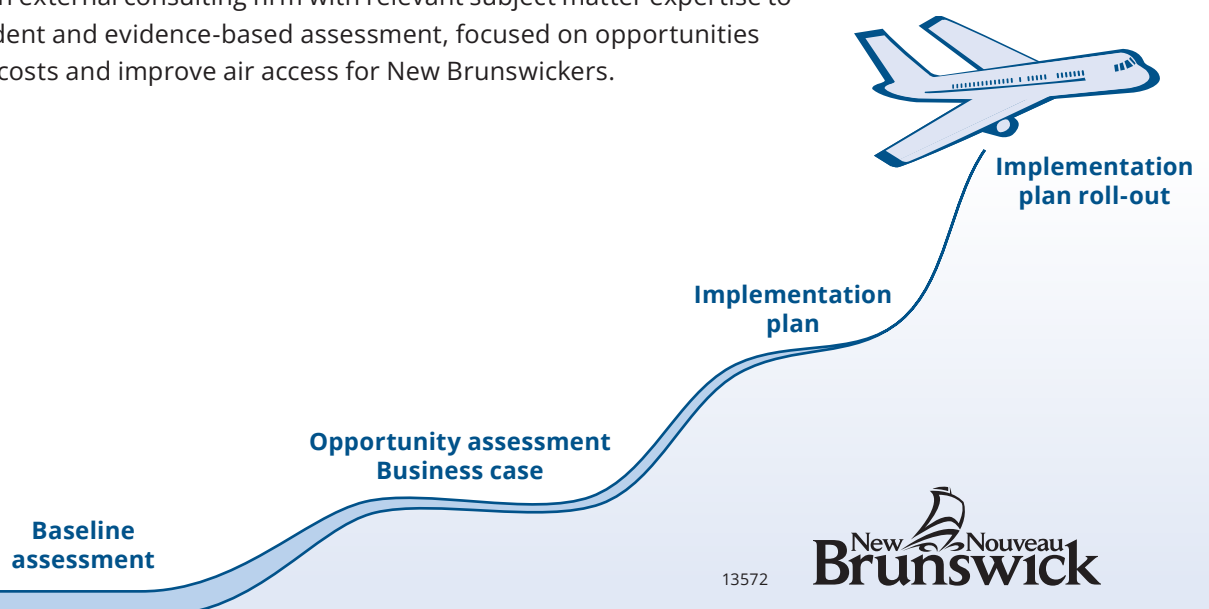
Initiated in December 2020, the NB Air Sector Project includes four phases: (1) Baseline Assessment, (2) Opportunity Assessment/Business Case, (3) Implementation Plan, and (4) Implementation Plan Roll-Out.

The purpose of Phase 1 (completed in April 2021) was to gain an in-depth understanding of the current state of New Brunswick's air sector, including provincial service needs, roles/responsibilities, challenges, opportunities, etc. This phase included extensive stakeholder consultation with a variety of groups, including airlines, airports, Atlantic Canada Airports Association, Atlantic Canada Opportunities Agency, cargo carriers, destination marketing organizations, local businesses and agencies representing the business sector, municipalities, post-secondary institutions, and Transport Canada.

The baseline assessment helped ensure that options considered for a possible future state are grounded in a firm understanding of current realities within the province, including what is going well and where there are opportunities for improvement. Stakeholders identified several ways through which GNB can support improvements in this sector, including:

- 1. Leading the development of a provincial air sector strategy;**
- 2. Advocating to the federal government for airline/airport support;**
- 3. Developing a safety plan to restore air traffic and open borders;**
- 4. Contributing funding to airports and airlines; and**
- 5. Offering and promoting tourism incentives.**

GNB has already been closely involved with federal partners in efforts to restore air traffic and advocate for additional support for this sector. Work is now underway to address the remaining feedback from stakeholders. To this end, Phase 2 of the air sector project involved hiring InterVISTAS, an external consulting firm with relevant subject matter expertise to provide an independent and evidence-based assessment, focused on opportunities to reduce air sector costs and improve air access for New Brunswickers.



INTRODUCTION TO PHASE 2

Phase 2 of the GNB Air Sector project involved analyzing and identifying strategies to maximize the air service attractiveness of the Province, while managing implementation risk and minimizing financial investments. The aim is to maintain, grow and enhance the Province's scheduled passenger air services, giving its residents a range of flight options at competitive prices while increasing accessibility to out-of-Province visitors that generate key economic activity to support New Brunswick's leisure and non-leisure sectors of the economy. The analysis incorporates input from the main commercial airports providing scheduled passenger service in the Province.

COMPREHENSIVE SCENARIO ANALYSIS: THIRTY (30) SCENARIOS ANALYZED

A comprehensive and data-driven analysis was performed, guided by three strategic considerations for optimizing air service development and maximizing air access in New Brunswick: (1) infrastructure, (2) governance, and (3) finance. These three considerations address questions around the physical capacity for expanded air service, the optimal governance structure to manage air service development, and the level of capital and operational expenditures required to bring it to fruition.

Thirty infrastructure scenarios were initially analyzed for their ability to optimize air service attractiveness, while ensuring maximum return on any necessary investments. This long-list of scenarios was then sorted based on geographical, infrastructure, air service and operational considerations to identify a refined short-list of scenarios for more detailed evaluation. The scenarios focused on changes to the three main commercial National Airport Systems (NAS) airports: Moncton (YQM), Fredericton (YFC), and Saint John (YSJ). Other local/regional airports and airfields in the Province were studied, but due to their smaller footprint, they were not part of the scenario analysis in maximizing air services to the Province.

Five scenarios, ranging from the status quo to a hybrid system, to constructing a new centralized airport, were identified from the long list to be evaluated in additional detail.

5

DEEP DIVE SCENARIOS: FIVE (5) FINALIST SCENARIOS STRESS-TESTED FOR MAXIMUM AIR SERVICE GROWTH AT OPTIMAL COST AND MINIMIZED RISK

The five deep dive scenarios were evaluated against quantitative and qualitative criteria at three future milestone years to account for both near-term and mature impacts.

- **Passenger/cargo growth** – primarily drives revenue generation for the airport
- **Capital expenditure needs** – estimates required to meet growth projections
- **Air Service Attractiveness** – ability to attract new opportunities for air services
- **Timing** – when changes occur and their impacts over time
- **Implementation risk** – the greater the change from existing conditions, the greater the uncertainty of future projections and thus risk

As the level of change to the existing system increases, so does the level of uncertainty and risk. These risks must be considered against passenger growth, financial investment, and airline and traveler response. For scenarios involving a new infrastructure build, benefits of potentially attracting additional air services (versus scenarios without a new centralized airport) were weighed against:

- risks associated with capital investment;
- time required for implementation;
- uncertainties regarding how travellers, businesses, industry, and airlines will react to a completely different airport.

NEW AIRPORT INFRASTRUCTURE BUILD & REPURPOSING CURRENT INFRASTRUCTURE SCENARIOS NOT RECOMMENDED

While one centralized airport infrastructure that can serve the majority of the Province's air needs may be ideal to maximize air service growth if no airports in New Brunswick were operational today, the current airport infrastructure that is in place must be considered when looking at each of the potential scenarios.

The analysis concluded that the benefits of a new airport in NB do not outweigh the following risks:

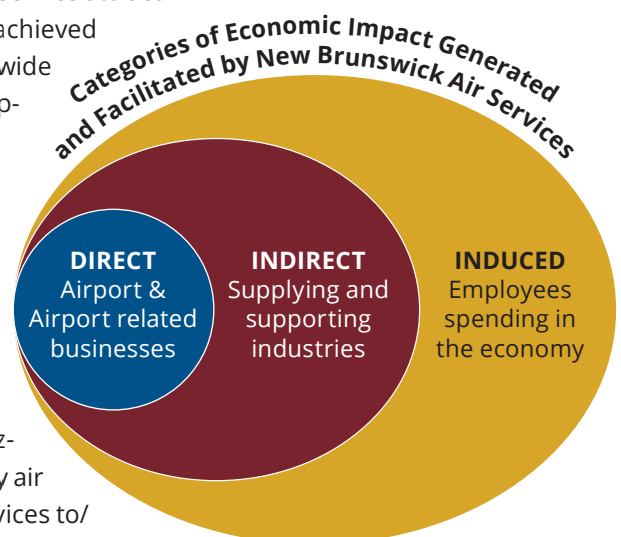
- a high level of financial commitments;
- the long lead time associated with building a new airport; and
- uncertainty of air service growth from a centralized airport

For scenarios involving the same airport infrastructure but repurposing one or more to general aviation needs, there remains a risk of losing potential new air services from airlines, especially during the transitional period. There is also a risk of permanent loss of air passenger demand due to less choice in the market.

Due to substantial levels of required capital investment, commercial uncertainty and associated risks, scenarios with a new airport build and repurposing current airports are not recommended.

Recommendation: **Maintain Current Airport Infrastructure with Enhanced Collaboration in Province-Wide Air Service Development Through A Provincial Air Service Development Fund**

InterVISTAS' recommended scenario is focused on optimizing air service attractiveness using the current airport infrastructure. This can be best achieved with the current airport infrastructure and a common, Province-wide air service incentive. An industry-tested and trusted approach to supporting airport air service development efforts is to offer risk-sharing incentive programs for airlines to add incremental services. Such incentives, usually in the form of cost rebates or marketing support, demonstrate that all community stakeholders will support additional future air service. These programs are also essential as similar programs are already in place in neighbouring Nova Scotia and Prince Edward Island. This air service development fund accounts for the economic impact of additional air links to the Province – the return of investment in such a fund lies in the sizeable direct, indirect, and induced economic impact that is driven by air services. This fund can effectively accelerate the growth of air services to/ from the Province, without the need of repurposing or building new infrastructure.



The implementation of, access to, and monitoring of the effectiveness of the Air Service Development Fund will be key. Through this fund, the main commercial airports must work collaboratively together to ensure that the fund is used optimally, rather than in competition. The success of retaining and attracting incremental air services to the Province will depend primarily on the establishment of collaboration between all airports. In this light, the formation of a Province-wide Air Service Committee was recommended to ensure the fund is used such that the outcomes of additional air service can be realized.

The consultant's analysis also concluded that there is value in the province supporting, where possible, the infrastructure *maintenance* of its local/regional and NAS airports. Meanwhile, with respect to opportunities for *growth and development*, investment in NB's NAS airports generally presents the highest potential for the greatest return on the province's investment.

TOWARDS AN OPTIMAL, PROVINCIAL AIR SERVICE DEVELOPMENT MODEL

The economic and social benefits of attracting incremental additional air services to the Province are undisputed. In light of the current demand recovery environment and other air service funding programs already in place in Atlantic Canada, the implementation of a New Brunswick Air Service Development fund will be timely and critical to growing air services in the Province, while minimizing onerous financial commitments and execution risk. Air service collaboration between all airports and the establishment of an Air Service Development Fund will ensure that New Brunswick offers a competitive and compelling market opportunity and for its airline partners to grow air services at its airports.

A strong collaborative approach to air service development can be achieved through an Air Service Development Fund that is guided by a Provincial Air Sector Strategy. Collaboration will be a key factor to ensuing success in the growth of air services, leading to greater air connectivity and increased choices for air travel for the Province's residents and visitors.

AIR CARGO IS EXPECTED TO BE SERVED PRIMARILY AT THE GREATER MONCTON ROMÉO LEBLANC INTERNATIONAL AIRPORT (YQM)

While the assessment of New Brunswick's air sector focused primarily on air passenger services, there were also considerations of air cargo services.

Air cargo traffic in New Brunswick is highly concentrated at YQM, the only airport in the province with dedicated air freight handling facilities. YQM has a geographic advantage for air cargo, being well situated for road access to the Maritimes where its cargo catchment area includes New Brunswick, PEI, and Nova Scotia; additionally, two major, uncongested Canada/US border crossing points are within a 3-hour drive. Cargo demand is expected to continue to be served primarily at YQM due to its geographic advantage and existing network of cargo carriers, trucking companies, warehouses, and CBSA that form the air cargo logistics chain.

NEXT STEPS

New Brunswick's air sector is an essential economic driver in our province, and we want to encourage growth within this sector. GNB is working diligently to consider the feedback of stakeholders and advice from external experts on how best to optimize the province's air sector. There were no recommended airport closures as part of the external consulting firm's study. GNB's efforts will focus on supporting the infrastructure and operations that are currently in place.

