

**PUBLIC ACCOUNTABILITY PRINCIPLES FOR
CANADIAN AIRPORT AUTHORITIES**

The Canadian Airport Authority ("CAA") shall be incorporated in a manner consistent with the following principles:

1. Not-for-profit Corporation

The CAA shall be incorporated as a "not-for-profit" corporation under the **Canada Business Corporations Act Part II** or under appropriate provincial legislation.

2. Purposes (Objects) of the CAA

The CAA shall be incorporated for the general benefit of the public in its region and its purposes shall be to:

- (a) manage, operate and develop the airport(s) for which it is responsible in a safe, secure, efficient, cost effective and financially viable manner with reasonable airport user charges and equitable access to all air carriers;
- (b) undertake and promote the development of the airport lands for which it is responsible for uses compatible with air transportation activities;
- (c) expand transportation facilities and generate economic activity in ways which are compatible with air transportation activities.

In the execution of its purposes the CAA shall confer regularly with governments and community entities on matters affecting the operation and development of the airport(s) for which it is responsible and shall engage in only those activities that are consistent with its purposes.

3. Definition of "Airport(s)"

The term "airport(s)" in the Articles of Incorporation shall mean the premises which Transport Canada will lease to the CAA and other airports for which the CAA may later assume responsibility.

4. Composition of the Board of Directors and Qualifications of Directors

The CAA shall be comprised of a Board of Directors of Canadian citizens nominated and appointed through a process acceptable to the local/regional municipal governments and the federal government.

The CAA Board of Directors shall be representative of the community and, as far as practicable, shall consist of individuals who collectively have experience and have

Note: in this document expression "Nominators" is similar in meaning to the expression "Appointers" used within the Alberta Regional Airports Authorities Act (Bill 14)

shown capacity in such disciplines as air transportation, industry, aviation, business, commerce, finance, administration, law, government, engineering, the organization of workers, or the representation of the interests of consumers, and who have the business acumen and experience to assist in the management of the affairs of the CAA as an ongoing, viable, commercial enterprise.

The Board of Directors shall include at least one representative of the business community, one representative of organized labour and one representative of consumer interests, each of whom shall be identified as such.

Directors of the CAA shall not be elected officials nor government employees.

The Chair of the Board of Directors shall not have been an elected official or government employee at any time during the two years prior to his* election as Chair of the board of the CAA.

5. Acceptance of the Process for Nominating, Appointing and Revoking the Appointments to the Board of Directors

Acceptance of the process of nominating, appointing and revoking the appointments to the Board of Directors shall be expressed by resolution of the councils of the local and regional governments as applicable and in writing by the Minister of Transport prior to the submission of an application for incorporation of the CAA.

6. Numbers of Directors

The Board of Directors shall have no fewer than seven and no more than fifteen members, and may include up to two Directors nominated by the federal government and one Director nominated by the provincial government. However, the federal government reserves the right to nominate an additional Director to any CAA during the period in which it continues to be subsidized by the government. In this circumstance the permitted maximum number of Directors shall be sixteen.

7. Appointment/Nomination of Directors

Nominations to the Board of Directors shall be made formally by a body or bodies corporate. The majority of all Directors shall be nominated by local/regional governments of the area immediately served by the airport as well as by the federal and provincial governments as described below. Other Directors may be nominated by business or other socio-economic organizations, such as Boards

of Trade/Chambers of Commerce, labour councils and consumers' associations. The Board of Directors shall appoint all the duly designated nominees who meet the selection criteria and the conflict of interest requirements.

*Wherever "his" is used it shall be interpreted as "his" or "her".

The federal government may nominate up to three Directors, as set out in Section 6, who shall reside in the province in which the airport is located.

The provincial government shall be invited to nominate one Director who shall reside in the province in which the airport is located and, where appropriate, also represent the satellite communities served by the airport.

The Board of Directors and, prior to incorporation of the CAA, the applicants for incorporation, shall consult with the nominators prior to the appointment of their respective Director(s):

- (a) to ensure that the candidates for the Board of Directors meet the qualifications set out in this document; and
- (b) to comply with the Declaration provision set out in Section 9 (Conflict of Interest).

The Board of Directors of the CAA itself may nominate no more than three Directors.

Each Director shall be appointed by the Board of Directors to hold office during good behavior for a term not exceeding four years. No Director shall serve for more than two terms or eight years, whichever is longer.

8. Revocation of Directors' Appointments

The Board of Directors shall, normally at the request of the nominator of a particular Director, by resolution approved by no less than two thirds of all Directors of the CAA except the direction in question, remove that Director for cause.

Directors who were nominated by the Board of Directors of the CAA may have their appointment revoked by a resolution passed by no less than two thirds of all Directors of the CAA except the Director in question.

9. Conflict of Interest

A. Declaration

Prior to accepting an appointment to the Board of Directors the nominee shall notify the CAA Board of Directors and his nominator in writing of any business activity by the

nominee or his associate (as defined in the **Canada Business Corporations Act**) which would pose an actual or perceived conflict of interest in his capacity as a Director of the CAA. The nominator may then decide to withdraw the nomination and, in any event, the Board of Directors itself shall then decide whether the nominee should be disqualified from appointment to the board of the CAA.

Similarly, if a change or anticipated change in circumstances creates for a Director a continuing conflict of interest he shall inform the CAA Board of Directors and his nominator in writing. The Board of Directors shall then consult the nominator and promptly decide thereafter whether the appointment should be revoked.

B. Code of Conduct

The Board of Directors shall adopt a Code of Conduct in its by-laws for directors, officers and employees, designed to prevent real and perceived conflicts of interest.

The Code of Conduct shall be provided to the nominators and published in local media at least 30 days prior to the first annual general meeting of the CAA together with invitations for written and oral comments to be submitted by the public. Subsequently, the Code of Conduct and proposed amendments shall be provided to nominators at least 30 days before each annual general meeting.

The code shall be no less stringent than the rules respecting conflict-of-interest applicable to a Director of a company incorporated under the **Canada Business Corporations Act**.

As a member of the CAA Board of Directors, each Director holds a fiduciary duty to the CAA notwithstanding whatever relationship exists between himself and his **Nominator** (or the so called "**Appointer**").

C. Non Arm's Length Transactions

The CAA shall obtain prior acceptance by the Minister of Transport that the financial terms and conditions of each intended use and occupancy of airport premises which would not be at arm's length from the CAA, would produce for the CAA, gross revenue equivalent to that from an arm's length use and occupancy of the premises.

The annual report shall provide information concerning the parties, the financial particulars and circumstances of each such transaction entered into in the preceding year.

10. Public Tenders

To the extent practicable and with due consideration to Canada's international obligations, CAAs, which are private sector "not-for-profit" corporate entities, shall endeavour to optimize Canadian content and industrial benefits in their procurement of goods, services and construction contracts, particularly in the area of high technology services and equipment and construction contracting, in line with good private sector commercial practices where there is sufficient competition for such procurement in the Canadian market.

As a general practice, goods, services and construction contracts in excess of a total value of \$75,000 (1994 dollars subject to

annual adjustment for inflation) shall be awarded following a competitive public tendering process.

The CAA shall report at its annual general meeting and in its annual report, information concerning the contractor, the amounts and the circumstances of each such contract in excess of \$75,000 which was not awarded on the basis of a public tendering process in the preceding year and the reasons for doing so.

11. Audits

The CAA shall cause financial audits to be conducted in accordance with generally accepted auditing practices.

Transport Canada shall at any time have the right to cause a complete audit by an independent auditor of the CAA's entire business affairs, records and procedures.

12. Annual General Meetings and Reporting to the Public

The CAA shall hold annual general meetings open to the public at which audited financial statements and the annual report are presented.

The CAA shall, within 135 days of the end of each of its fiscal year, hold an annual general meeting relating to the management, operation and maintenance of the Airport, at a location on or near the Airport and in premises that are adequate for the size of audience that may reasonably be anticipated.

The CAA shall:

- give at least 30 days' prior notice of each annual general meeting by using appropriate media to ensure public awareness of the meeting;
- afford a reasonable opportunity to the public for the asking of questions and the expressing of views;
- ensure that at least a majority of the members of its Board including the Chair (or in the event of his or her inability to attend, the Vice Chair) and the Chief Executive Officer are present at each annual general meeting; and
- present to the annual general meeting copies of its audited annual financial statements approved by the Board, together with the auditor's report and the CAA's annual report for the previous year.

In advance of each annual general meeting the CAA shall publish an annual report which shall include the financial statements of the CAA, the annual auditor's report, a summary of its affairs during the previous fiscal year and it shall, as a minimum:

- (a) report on performance relating to the business plan and objectives established by the CAA for the previous year and, as applicable, the past five year period;
- (b) explain variances and corrective actions taken by the CAA;

- (c) present for the up-coming year and for the forecast five-year period a summary of its business plan including specific objectives (measurable where feasible) relating to the purposes of the Authority;
- (d) report on the remuneration provided to each of the members of the board of Directors and either the salary or salary ranges of each of the senior officers of the CAA;
- (e) report on the CAA's compliance and/or non compliance with the Conflict of Interest principles (paragraph 9).

The annual report shall be provided to each nominator and the Minister of Transport in advance of the annual general meeting as well as to the public on request.

13. Public Notice of Changes in User Charges

The CAA shall give not less than 60 days advance public notice through appropriate local media of planned increases in airport user charges (excluding rent). The notice shall include an explanation of the justification for such increases.

14. Community Consultative Committee

The CAA shall establish a Community Consultative Committee to provide for effective dialogue on matters related to the airport, including:

- the dissemination of information on airport matters and plans;
- the timely discussion of planning and operational matters; and
- the consideration of municipal concerns.

The Committee shall meet not less than twice each year.

It shall be generally representative of the community and shall include persons capable of representing the interests of consumers, particularly the traveling public, and organized labour.

15. Special meetings with the Nominators (or the so called "Appointers")

At the request of any nominator, the CAA shall cause a meeting to be held with the duly authorized representatives of the nominators at which the Chair and such other Directors and officers of the CAA shall be present to respond to questions on matters of public interest concerning the business of the CAA. The request shall state the general nature of the business to be discussed.

16. **Reporting to Nominators** (Appointers)

A Director shall report in general terms to the representative of his nominator, no less than once a year, information on the affairs of the CAA that is not confidential to the CAA. Ideally the Board of Directors as a whole should report collectively to the representatives of all the nominators.

17. **Performance Review**

- at least once every five years, the CAA shall cause a review of the CAA's management, operation and financial performance to be conducted by a qualified independent person (the "reviewer").
- the reviewer shall prepare a written report incorporating his findings on the review.
- the performance review shall be conducted on such additional occasions as the Board of Directors or a majority of the nominators may demand;
- the report of the reviewer shall include but not be limited to:
 - (a) the terms of reference of the review;
 - (b) the extent to which the CAA was operating
 - i) a safe and efficient service to the public; and
 - ii) an efficiently run undertaking in accordance with its business plans and purposes
 - (c) the extent to which financial and management control and information systems and management practices were maintained in a manner that provided reasonable assurance that
 - i) the assets of the CAA were safeguarded and controlled; and
 - ii) the financial, human and physical resources of the CAA were managed economically and efficiently and its operations carried out effectively.
 - (d) any further information that is reasonably required by any nominator or a majority of the Board of Directors of the Authority; and

(e) any concerns or qualifications that the reviewed has with respect to any matter described in this subsection.

- The report shall be provided to the Minister of Transport within three months of the commencement of the review. The reviewer shall also provide to each nominator both a report and a summary of the report, excluding commercially confidential material or personnel information of a private nature. If issues arise in the course of the review which prevent it being concluded on time an interim report and summary shall be submitted by the reviewer by the due date and a final report shall be submitted not later than six months after the commencement of the review. The summary of any interim report and of the final report shall be provided to the public on request.

Any nominator shall have the right to convene a meeting of the Board of Directors with the reviewer and the other nominators to determine, with the reviewer, the course of action to be taken to resolve problems disclosed by the reviewer's report.

18. Public Access to Documents

The CAA shall make available to any person, on request, for examination at its head office during its usual business hours and free of charge:

- (a) the current Airport Master Plan;
- (b) a summary of its current business plan for a five (5) year period;
- (c) the most recent and the previous annual financial statements of the CAA and of each of its subsidiaries and of each corporation whose accounts are consolidated in the CAA financial statements, all with the accompanying auditor's reports on them;
- (d) its five (5) most recent annual reports each of which shall include a general summary of its affairs during the previous fiscal year;
- (e) summaries of its five most recent business plans;
- (f) its articles of incorporation and by-laws, including any amendments thereto; and
- (g) all signed airport transfer agreements as related to the transfer of the airport.

The CAA shall provide to any person, on payment of a reasonable fee, a copy of any document or portion of any document referred to above.

19. Dissolution or Winding Up of CAA

In the event of dissolution or winding up of the CAA all remaining assets, after payment of the CAA's liabilities, shall be distributed to the Government of Canada or alternatively to a successor organization to the CAA, acceptable to the Government of Canada.

20. **Amendments to Articles of Incorporation & By-laws**

No changes to the articles of incorporation or by-laws, insofar as they relate to the matters covered in these accountability principles, shall be made without the prior written approval of the Minister of Transport.

These 20 principles will be carried forward in the CAA constating/incorporating documents (e.g. Letters Patent and General Operating By-law), the ground lease as other instruments, as appropriate.