APPLICATION BY RIVEROAK STRATEGIC PARTNERS LTD ("THE APPLICANT")

FOR AN ORDER GRANTING DEVELOPMENT CONSENT FOR THE UPGRADE AND REOPENING

OF MANSTON AIRPORT (PINS Reference Number: TR020002)

STONE HILL PARK LTD'S COMMENTS ON THE APPLICANT'S WRITTEN SUMMARY OF ORAL SUBMISSIONS PUT AT THE NEED AND OPERATIONS ISSUE SPECIFIC HEARING HELD ON 21 MARCH 2019

1. BACKGROUND

1.1 The Need and Operations Issue Specific Hearing ("Hearing") was held at 10:00am on 21 March 2019 at Discovery Park, Sandwich, CT13 9FF.

1.2 The Applicant's Written Summary of Oral Submissions ("Applicant's Written Summary") was published on 5 April 2019.

1.3 The purpose of this note is to highlight anomalies, discrepancies and a number of issues of serious concern relating to the information submitted by the Applicant.

2. AGENDA ITEM 4: POLICY

2.1 Despite the length of the Applicants' submissions on planning policy, the relevant position is clear and can be briefly stated. In summary, Manston is not referred to or relied upon in any national aviation policy document and the local planning policy evidence base is clear that an airport is very unlikely to be financially viable in the long term and almost certainly not in the period to 2031.

2.2 The position is as set out in section 3 of SHP's Written Summary of Oral Submissions an extract of which is noted below;

"3.1.1 The Airport's NPS does not have effect for the Manston application, although the NPS is important and relevant to the determination. As paragraph 1.41 of the NPS explains, amongst the considerations that will be important and relevant are the findings in the Airports NPS as to the need for new airport capacity and that the preferred scheme (at Heathrow) is the most appropriate means of meeting that need.

3.1.2 For both of these reasons (no NPS and the need having been settled), there is no policy presumption that a need exists and the Examining Authority have rightly made the need for the development of Manston a Principal Issue. As paragraph 1.42 of the NPS makes clear, applications for more intensive use of existing runways will be judged on the application's individual merits and it will be for the applicant to demonstrate that a need exists.

3.1.3 The requirement for any such application to be treated on its merits is clearly stated both at paragraph 1.39 of the Airports NPS and at paragraph 1.29 of Making Better Use.

3.1.4 The other relevant consideration that arises from the NPS is the requirement to demonstrate that the scheme is cost-efficient and sustainable, and seeks to minimise costs to airlines, passengers and freight owners over its lifetime (Airports NPS paragraph 4.36). Whilst the NPS does not directly have effect, it is important and relevant and these principles represent no more than the common sense principles of sustainable planning.

3.1.5 Manston is not referred to or relied upon in any national aviation policy document.

3.1.6 The extent to which Manston was considered by the Airports Commission is fully set out in SHP's Written Representations at paragraph 2.21 of the York Aviation Report in Appendix 4 [REP3-025] and in SHP's Comments on RSP's responses to Written Question ND.1.1 [REP4-067]. SHP's comments on the Applicant's response to written question is noted below

"*The response to this question claims that the Airports Commission did not consider the potential role that Manston might play as a freight airport. In its response to the ExA's questions, the Civil Aviation Authority helpfully provides the submission made by the previous operator of the Airport to the Airports Commission. It is clear here that the proposition submitted by Manston was for a major freight airport (point b) of the submission, which we note was written by the Aviation Strategy and Policy Consultancy now part of Northpoint and one of RSP's current advisers.*

In the light of this, it is not credible to suggest that the Airports Commission did not consider Manston other than in terms of a role in meeting passenger demand. It is also disingenuous to say that the Airports Commission's Interim Report and shortlisting did not consider freight as benefits to freight users were extensively discussed throughout the Commission's Interim Report (Section 3) and formed part of the consideration of benefits, albeit these could not be specifically quantified (AC Interim Report, para. 3.100). The inclusion of air freight benefits as part of the Commission's Sift criteria is made clear at para. 3.7 of their Guidance Document 02: Long Term Capacity Options: Sift Criteria May 2013. Whilst there may have been further submissions on air freight by TfL on behalf of the Mayor of London (Ramboll/Oxford Economic Report Impacts on the Air Freight Industry, Customers and Associated Businesses 2013) later in the process, it is clear that the Airports Commission gave full consideration to the implications for the air freight sector in its shortlisting process.

The proposal that Manston could act as a major freight airport to relieve congestion at the other airports was not followed through/rejected by the Airports Commission, which only mentioned Manston as a possible reliever airport for General Aviation (see our 2019 Update Report para. 2.21). RSP have added reference to passenger capacity in square brackets to quotation from Appendix 2 to the Airports Commission's Interim Report. This is not correct and seeks to mislead the reader. The quotation needs to be read in context of proposition submitted by the operator of Manston which put forward a major freight role."

3.2 Neither are the Applicants in a position to claim the support of local planning policy. The Thanet Local Plan is currently at examination and paragraph 1.41 of the Local Plan confirms that the Council is not proposing to allocate the airport site for any specific purpose in the draft Local Plan.

3.3 The current draft Local Plan confirms the existing use of the site for aviation (paragraph 1.43) but sets out clearly that the Council's evidence base has concluded that it is very unlikely to be financially viable in the long term and almost certainly not possible in the period to 2031 (paragraph 1.40).

3.4 The existing Thanet Local Plan 2006 is now so out of date that no significant weight could be attached to its policies. In this context, it is relevant to note:

3.4.1 the 2006 Local Plan only sets policies up to 2011 (paragraph 2.62);

3.4.2 the strategies on which the Local Plan is based derived from the now abolished RPG for the South-East and the Regional Economic Strategy 1999 (paragraph 2.19);

3.4.3 at the time the 2006 Local Plan was being prepared the airport had just been taken over by Infratil, leading the Council to express that there is an undoubted market opportunity and that "the Council has every confidence the airport will be successful" (paragraphs 2.47 and 2.61).

3.5 Given the age of the plan and the up to date evidence about viability, no significant weight should attach to the 2006 policies.

3.6 It is relevant to note that Policy EC4 from the 2006 Local Plan did identify the Northern Grass Area for development but specifically for "airside development", which has an operational requirement for direct access to aircraft, and for which such a location is essential. The Applicant's proposals for the Northern Grass are explained in the Planning Statement as a "business park" and were explained at the hearing to relate to uses "beyond the security fence", thereby failing the Local Plan test. "

2.3 Whilst the Airports NPS does not directly have effect, it is important to note that the Applicant's evidence does not demonstrate;

2.3.1 that a need exists for an airport at Manston – indeed the compelling, detailed evidence from York Aviation and Altitude Aviation Advisory demonstrates that there is no need for the Applicant's scheme;

2.3.2 that the Applicant's scheme is cost efficient and sustainable, and seeks to minimise costs to airlines, passengers and freight owners over its lifetime – again the evidence contained in the York Aviation and Altitude Aviation reports submitted by SHP demonstrates the opposite and the Applicant's own evidence shows that airlines and freight owners would be charged costs materially ahead of other airports.

3. AGENDA ITEM 5: FORECASTS AND FREIGHT TYPES / PATTERNS

3.1 SHP has made a number of detailed written and oral submissions to the examination, supported by detailed evidenced backed reports prepared by its highly regarded and experienced aviation advisers. The evidence submitted by SHP contrasts sharply with the unevidenced assertions submitted by the Applicant.

3.2 The purpose of the comments below is not therefore to repeat SHP's evidence (which has not been refuted by the Applicant), but to highlight some of the clear anomalies, discrepancies and misleading statements in the written summary provided by the Applicant.

3.3 Should the Examining Authority have any queries on the evidence submitted by SHP and its aviation advisers, SHP is ready to assist and provide further information / supporting evidence as required.

3.4 **Paragraph 3.1:** The Applicant has provided its summary of projected average freight loads that were used in the Azimuth report at Appendix 1 to its written summary. In paragraph 3 of the Appendix 1, Azimuth explain the projected freight loads for its E-commerce integrators as follows;

> *"3. E-commerce integrator aircraft types were assumed to be Code D initially swapping to Code E as volumes build. Feeder aircraft are modelled as Code C.* ***For e-commerce integrator movements, tonnage was calculated as 100% outbound (being 65% of maximum payload) with a return (import) calculation of 20% included in Years 2 and 3, rising by an additional 5% every two years [emphasis added].*** *Integrator feeders were assumed to carry 100% inbound traffic with 10% return loads added to Year 5, 15% to Year 9, and 20% thereafter." [emphasis added]*

3.4.1 As explained in paragraphs 35-38 of Appendix NOPS.5.2 (Altitude Aviation) of SHP's Written Summary of Oral Submissions, the "integrator movements assumed in the Azimuth report are in no way compatible with an import-based e-commerce airline model." The Applicant explained at considerable length in the hearing the view that this new E-commerce integrator model will require freight to be imported into the UK to stock fulfilment centres to then supply consumers based in the South-East. However, Azimuth's explanation (as noted above and set out in its report) confirms that the Azimuth forecasts assume the opposite i.e. tonnage on integrator flights is forecast to be 100% outbound with a return calculation of 20%, more akin to traditional integrator operations.

3.4.2 This is a wholly contradictory and illogical position and would suggest a serious material error in the split of import and exports assessed and further materially undermines the credibility of the "forecasts". It is also incredible that, even in the course of preparing the Appendix 1 note, neither the Applicant nor Azimuth appears to understand the fundamental contradiction with the information being submitted to the examination. This displays a gross lack of understanding.

3.5 **Paragraph 3.2:** We would refer the Examining Authority to paragraphs 4.18 and 4.19 of SHP's Written Summary of Oral Submissions put at the Need and Operations

Hearing, which explains the anomalies and discrepancies regarding the type of aircraft that the Applicant claims would be used. For example, it is claimed that ATR-72 turbo-prop aircraft would account for around 25% of all freighter aircraft movements and be linked to integrator flights, despite the future "new" integrators not operating these aircraft types. This erroneous fleet mix will have material knock on effects on the Applicant's noise and environmental assessments that have not been fully considered.

3.6 **Paragraphs 3.5 to 3.7:** The Applicant seeks to give credibility to its own forecasts for cargo movements at Manston by claiming that the recently submitted Northpoint Report uses top down forecasting techniques and Azimuth uses bottom up forecasting techniques, going onto dismiss the York Aviation forecasts as being based erroneously on the extrapolation of past trends. This is simply not correct.

3.6.1 The flaws in the bottom up approach adopted by Azimuth and the resultant lack of realism have been explained in detail in the York Aviation November 2017 and February 2019 Reports attached as Appendix 4 to SHP's Written Representations [REP3-025]. The more recent attempt by the Applicant to justify these forecasts after the event by Northpoint is also flawed, as set out at length in paragraphs 28-38 of the York Aviation Supplementary Note appended as Appendix NOPS.5.1 to SHP's Written Summary of Oral Submissions to the Need and Operations hearing [Reference to be allocated].

3.6.2 In practice, both Northpoint and York Aviation have adopted a form of top down approach, examining the growth in demand for air cargo services based on a relationship to GDP, which the base case produces virtually identical forecasts of underlying cargo tonnage in future. Once again, the Applicant appears not to recognise the approach adopted by its own consultant when it seeks to dismiss a GDP multiplier based approach at para 3.7 *"For example, York Aviation appear to have looked at the past relationship between GDP and growth in freight traffic and assumed that the relationship will remain constant into the future. The Applicant considers this to be a wholly unsuitable approach"*. In essence, the Applicant is rejecting the approach adopted by Northpoint, which relied on an historic GDP relationship, albeit relying erroneously on growth back to 1990 to justify a higher GDP multiplier adopted in its high case projections.

3.6.3 From this point on, the approaches adopted by Northpoint and York Aviation diverge. Northpoint uses a simple spreadsheet deterministic approach, with a hard coded assumption of clawback of trucked freight set out its scenarios of potential tonnage at Manston. As explained in York Aviation's Supplementary Note referred to above (at paragraph 28), having identified the factors that should be taken into account in a top down model to determine which airports would be used to meet that demand, the Northpoint 'model' does not take any of these into account. It is not a top down model in any proper sense of the expression. In contrast, York Aviation used a top down allocation model based on that derived for the Freight Transport Association (upon which RSP otherwise seek to rely) to examine the likelihood of Manston being able to attract a share of that demand in a competitive market.

3.7 **<u>Paragraph 3.6:</u>** The Applicant claims in paragraph 3.6.3 that the bottom up approach to forecasting adopted by Azimuth Associates is *"more commercially focussed"* yet Dr Dixon accepted at the hearing that no regard was paid to viability or costs in preparing the forecasts and she had no relevant experience of air freight forecasting. Therefore, it is simply wrong to suggest that the Azimuth approach is more commercially focussed. In absence of any assessment of viability or any consideration of switching costs and the relative competitiveness of the charges to be levied at Manston, the so-called 'forecasts' can have no validity as they neither reflect market realities or the Applicant's need to charge airlines and freight forwarders materially higher costs than competitor airports currently charge.

3.7.1 The York Aviation and Altitude Aviation Advisory Reports submitted as appendices 4 and 5 to SHP's Written Representations [REP3-025] provide detailed critiques of the Azimuth forecasting methodology. The evidence showing the flaws in the Azimuth approach is so extensive that it cannot be summarised briefly. We would therefore request that the Examining Authority consider the relevant evidence contained primarily in section 3 of York Aviation's 2019 report, Section 2 of York Aviation's 2017 Report and section 8 (specifically 8.5) of the Altitude Aviation Advisory 2018 Report.

3.8 **<u>Paragraph 3.8:</u>** The Applicant continues to make assertions (e.g. regarding British Airways decision not to use Manston), that are not supported by any evidence that is before the examination.

3.9 **<u>Paragraph 3.9:</u>** Here, the Applicant quotes from the Inspector's Report into the London Ashford Airport Inquiry. The quote is not actually taken from Louise Congdon's evidence but is the Inspector's summary of the gist of the applicant's case. At the outset, it is important to note that this Inquiry took place in 2011, soon after the Government had cancelled its support (as expressed in the 2003 Future of Air Transport White Paper) for the provision of any additional runway capacity serving London. Hence, any remarks regarding the role of spill in terms of the use of airports such as Lydd and Manston need to be seen in the context of a very different landscape in terms of the potential shortage of airport capacity serving London.

3.9.1 The point actually being made by Louise Congdon in evidence was that Manston has a substantially smaller catchment area than Lydd and so would be more dependent on spill if it was to achieve its then Master Plan forecasts**.** <u>The evidence also related solely to passenger flying as cargo was not an issue at the Lydd Inquiry</u>:

"4.16 ………….In terms of the scale of its local catchment area, Manston is more dependent on spill from the congested London airports to achieve its Master Plan growth projections.

4.17 The fact that Manston has historically struggled to sustain commercial air services does not provide a proper indication as to LAA's ability to support viable operations to the identified destinations in future, not least as conditions of congestion at the main London airports have not yet reached the critical levels overall, as opposed to at Heathrow, which would have led to airlines seeking alternative airports from which to serve the London market. In this, I differentiate clawing back local demand which *currently uses the London airports, as I expect to happen at LAA, from depending on London based demand spilling to other airports."*[1].

3.9.2 When properly read, the evidence being given at the Lydd Inquiry was that Manston could only succeed if the conditions existed for there to be a substantial spill of traffic from a congested London system, in contrast to Lydd which had a sufficient catchment area for there to be a prospect of clawing back local demand. As has been set out clearly in the York Aviation and Altitude Aviation reports, the circumstance of excess demand for pure freighter services across the London airports simply will not arise given capacity and facility developments at the other airports, including Heathrow. The references to the evidence at the Lydd Inquiry do not support the Applicant's case.

3.10 **Paragraph 3.10**: The Applicant has submitted a 51 page academic study concerning Qantas Freighter operations at Appendix 2 to its Written Summary of Oral Submissions without any real context or explanation as to how it supports its case.

3.10.1 From a review of the study, we are surprised that the Applicant considers it is helpful to its case. As is common throughout the Azimuth Report, the Applicant appears to have selectively latched on to a couple of paragraphs that it asserts supports its arguments, yet completely ignores the wider context of the study.

3.10.2 The wider context of the study and its findings demonstrate the dominance of bellyhold and the weakness of the Applicant's arguments (please note that the dominance of bellyhold is also evidenced in the Australian Government report attached as Appendix A, and referred to in our comments on paragraph 13.3 below).

3.10.3 A closer review of the Qantas study would highlight both the very limited number of dedicated freighter flights operated by Qantas Freight and the concentrated focus on a few key trade lanes that are not well served by passenger flights (with bellyhold freight capacity). For example, the key dedicated freighter routes include North America, where Qantas has very limited passenger flight connectivity.

3.10.4 This is in contrast to London Heathrow, which has huge connectivity to North America, from which the UK derives significant advantages. This passenger flight connectivity at London Heathrow serves to reduce the need for dedicated freighters to operate between the UK and North America (and similarly other global gateway cities). As noted in our comments on paragraph 3.18 of the Applicant's submissions, the strength of London Heathrow's bellyhold route network is such that "*goods destined for North America are also often trucked to the UK, in particular Heathrow, from continental Europe in order to take advantage of cheaper rates from the UK on North American routes*" (Paragraph 2.25 of the Steer Report 2018).

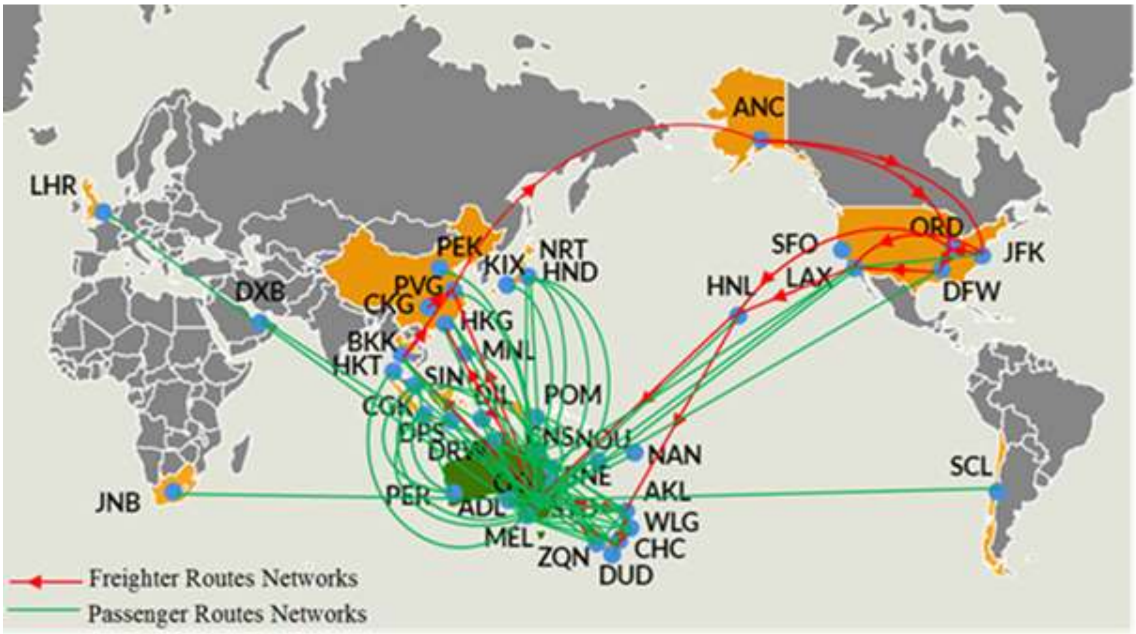
3.10.5 Section 4.3 through to the conclusion in section 5 of the Qantas study explains that Qantas **only operated 3 dedicated freighters on international**

[1] Socio-economic Rebuttal Proof, paras. 4.16-4.17.

routes, flying a total of 6 routes. The study explains that Qantas's two Boeing 767-400 aircraft fly a total of 4 weekly routes taking in Asia and the US before returning to Australia, whilst the single Boeing 767-300 aircraft flies 5 weekly rotations to New Zealand airports and a further single rotation to Hong Kong. Despite the geographic remoteness of Australia and less developed international bellyhold network, the study shows there is a total of only 20 Qantas international cargo ATMs per week at Australian airports (equivalent to c.1,000 cargo ATMs per annum), half of which are to/from New Zealand.

3.10.6 It is important to note that a single flight route can take in 8 different airports. For example, Route 1 starts in Sydney on a Monday and flies the following route: Sydney / Chongqing / Pudong International Air-port (Shanghai) / Anchorage / O'Hare International Air-port (Chicago) / Dallas FortWorth / Los Angeles /Honolulu before returning to Sydney on the Friday. These 8 individual flight legs comprise 16 ATMs per week (each flight = 2 ATMs i.e. one landing plus one take-off), however, **only 2 (12.5%) of the ATMs** are in Australian airports. The size of the market is extremely small in ATM terms, and as noted in Table 14, this is because Qantas Freight's dedicated freighter services are concentrated on key trade lanes.

3.10.7 We note below an extract of Figure 15 from the Appendix 2 which shows Qantas International passenger and dedicated freighter route networks (during the 2017/2018 northern winter flight schedule period). This demonstrates the lack of freighter services, but also the lack of passenger aircraft (bellyhold freight) connectivity from Australian airports to North America.



3.11 **Paragraph 3.11:** It is inexplicable that the Applicant does not yet have an understanding of the relative costs associated with different air freight modes. At the hearing, Azimuth accepted that it had no regard to costs or viability in preparing its forecasts, and it now appears clear that the Applicant's "business plan" was not informed by the required research or analysis to support its assessment of the scale of the market which might actually be available to Manston and the realism of its revenue projections. The only conclusions that can be reached are that either the Applicant is aware that its revenue projections are completely unrealistic, including its claim at Appendix 6 (paragraph 1.3) that it would be a "price setter" in the market, and cannot be substantiated, or it really does not have an understanding of the relative costs of using bellyhold freight capacity or dedicated freighters. This lack of understanding further reinforces the expressed concern over the validity of the Applicant's business model. If the Applicant had a credible position that could be substantiated, it would have been able to attempt an explanation to the Examining Authority at the hearing.

3.12 **Paragraph 3.12:** It is unclear what case the Applicant is trying to make. Firstly, it is a generally accepted fact that shippers will seek to use the most effective route for shipping air freight, which means that belly hold is preferred to dedicated freighters where capacity is available.

3.12.1 As SHP's aviation adviser, York Aviation, explained in detail in SHP's comments on the Applicant's response to written question ND.1.6 [see REP4-067], the context for the greater number of dedicated freighter aircraft operated to Amsterdam, Paris and Frankfurt airports is easily explained by the difference in bellyhold capacity offered for sale to non-European points at each of these airports. As supporting evidence, York Aviation provided the following information on the tonnage capacity offered in the bellyhold of departing passenger aircraft in the week beginning 4th March 2019 (based on the Official Airline Guide database (OAG)):

- Heathrow - 41,275 tonnes
- Paris - 25,382 tonnes
- Amsterdam - 20,707 tonnes
- Frankfurt - 17,122 tonnes

3.12.2 The relative share of freight carried in dedicated freighter aircraft is in inverse proportion to the amount of bellyhold capacity available at each of the airports.

3.13 **Paragraph 3.13:** The Applicant has provided a simplistic answer that is not supported by the evidence.

3.13.1 Throughout SHP's submissions, detailed evidence has been submitted to the examination from SHP's highly experienced aviation consultants, which explains the rational reasons behind both the dominance of bellyhold freight in the UK and the important role trucking plays in the air freight market. For example, paragraphs 18-21 of Appendix NOPS.5.1 to SHP's Written Summary of Oral Submissions to the Need and Operations hearing provides a summary explanation on trucking of air freight between the UK and Europe, why these truck movements would not be divertible and the commercial reasons why trucking is common place and an integral part of the general and integrator sectors, rather than something to be remedied with freighter aircraft. This builds on the detailed analysis provided in paragraphs 4.7-4.15 of the York Aviation 2019 report and throughout the

Altitude Aviation 2019 report attached as Appendix 4 and Appendix 5 to SHP's Written Representations [REP3-025].

3.13.2 The level of detailed analysis (supported by evidence) provided by SHP's advisers continues to contrast sharply with the highly simplistic arguments from the Applicant that trucking is a consequence of capacity constraints and which ignores the commercial realities that freight will seek the most cost-effective solution. This was illustrated by the Applicant's inability to provide a coherent answer/explanation during the hearing on Need and Operations when questioned by the Examining Authority on the logistics/economics of transporting racehorses and seafood by air – SHP has sought to provide more clarity that addresses that point in its response to Question ND.2.5.

3.13.3 It is evident that Azimuth Associates, which accepted it has no relevant experience of air cargo forecasting, has fundamentally misunderstood the market. Apart from the mis-reliance on the York Aviation reports, trucking is the principal explanation for the Applicant's 'need' case. However, had Azimuth or the Applicant given any consideration to the relative price of dedicated freighter operations v. bellyhold for the shipper, the critical role of trucking of air freight would have been apparent to them. In absence of this, or any consideration of switching costs and the charges to be levied at Manston, the so-called 'forecasts' can have no validity as they do not reflect market realities.

3.13.4 Building on the Australian theme (the Applicant's flawed reliance on the Qantas study) we attach as Appendix A the Australian Government's recent Air Freight paper published as part of the Inquiry Into National Freight and Supply Chain Priorities, which we consider provides useful context.

3.13.5 Published in March 2018, the paper acknowledges that the air freight market in Australia, like the UK, is primarily a belly hold market supported by "some dedicated freighters". Tellingly the inquiry considered the potential to establish regional air cargo hubs in the North of Australia and we note below relevant extracts of the report.

"*Some stakeholders are optimistic that future investment could support 'air freight hubs' in regional Australia, although the business cases for such proposals are challenged by a range of factors. Infrastructure Australia's Northern Australia Audit (January 2014) explored some of these issues in the context of Northern Australia, although its findings may have broader relevance:*

> *"Anecdotally, substantial volumes of fruit and vegetables are trucked to Brisbane, Adelaide and Melbourne, taking advantage of competitive trucking back haul rates, for subsequent air freighting to Southeast Asia (together with domestic capital city use). A combination of factors—a substantial domestic market in the southern capitals, a highly efficient road freight sector (with refrigerated capability), low international air freight rates from airports in southern capitals, due to wide-body passenger aircraft use that northern air markets could not sustain—appear likely to*

preclude development of northern air freight capacity for the foreseeable future".

3.13.6 It must be remembered that these products are being trucked South only to be flown back North to Asian markets in bellyhold. There is plenty of runway capacity in Northern Australia that could facilitate direct air freighter routes to markets, yet the chosen, most efficient option is to truck for 1,000s of km to benefit from low cost bellyhold capacity. This, like the UK, is a choice driven by economics not by lack of air freight infrastructure capacity.

3.14 **Paragraph 3.14:** The Applicant makes reference to the York Aviation Report of 2015 and the Steer Report of October 2018 appended as Appendix ND.1.7 and Appendix ND.1.13, respectively to the Applicant's first written questions [REP3-187]. In addition to the information commenting on paragraph 3.13 above, we would respectfully refer the Examining Authority to SHP's comments on the Applicant's responses to written questions [REP4-067] and related appendix [REP4-065], with regard to questions ND.1.7 and ND.1.13, to demonstrate the incoherence of the Applicant's position.

3.15 **Paragraph 3.15 – 3.17:** We would refer the Examining Authority to paragraph 4.5 of SHP's Written Summary of Oral Submission put at the Need and Operations, together with the detailed submission in paragraphs 2-17 of the Appendix NOPS.5.1, which provides a correct interpretation of York Aviation's work for the FTA and TfL. An extract of paragraph 4.5 is shown below;

"4.5 York Aviation expressed its frustration and irritation that the Applicant continues to rely erroneously on its work for TfL and the FTA. As explained in York Aviation's report appended to SHP's Comments on the Applicants responses to Written Questions, York Aviation had made Dr Dixon of Azimuth Associates fully aware of the misinterpretation of this work in 2017 (see comments on ND.1.7 and correspondence attached at Appendix B to that submission). In view of the continued misrepresentation of the York Aviation work and selective quoting of that work during the hearing, paragraphs 2-17 of Appendix NOPS.5.1 provides a correct interpretation of York Aviation's work for the FTA and TfL."

3.16 **Paragraph 3.18:** Again, the Applicant is highly selective in its quotes from the Steer Report and demonstrates a lack of understanding of the market realities of air freight. The Applicant refers to the Steer Report of 2018, yet fails to bring to the Examining Authority's attention a number of points that contradict its position as referred to throughout the York Aviation 2019 Report attached as Appendix 4 to Written Representations [REP3-025]. For example, it ignores the fact that "*goods destined for North America are also often trucked to the UK, in particular Heathrow, from continental Europe in order to take advantage of cheaper rates from the UK on North American routes. As Heathrow is the primary European hub for North American passenger connections, there is a significant level of bellyhold capacity available, which means air freight rates are cheaper compared to other European airports." [Paragraph 2.25 of the Steer Report 2018).*

3.17 **Paragraph 3.19:** The Applicant again fails to provide any evidence to support its assertions about the future of air freight in the UK. Instead, the Examining Authority is asked to place its complete trust in an Applicant with no experience, that has a need case and forecast prepared by someone without any relevant experience or expertise, that is claiming its airport would be price setter charging rates far in excess of competitor airports, yet at the same time would be reliant on attracting a new e-commerce integrator that doesn't currently operate flights to the UK for c.50% of its cargo flights.

3.17.1 In any event, to the extent that there is emerging evidence that there is a role for a number of specialist air freight airports, it is clear that centrally located East Midlands Airport fulfils that role for the UK, which is geographically too small to justify more than one air freight hub.

3.18 **Paragraph 3.20:** The Applicant's claims regarding a digitalised state of the art facility contradicts its other claims regarding employment, for example in the Applicant's response to first written question SE.1.3 [REP3-195]. We note that the Examining Authority has raised a further question on this subject in its 2nd written questions (ND.2.5). We also note that the Applicant has provided no evidence to the examination to support its assertion that *"[T]he offer at Manston will be extremely attractive to the market."* The Applicant's summary "business plan" suggests that operating out of Manston would be significantly more expensive that using other airports in the UK so it is hard to see how, in a market that is fundamentally focused on getting goods from A-B at the lowest possible cost such a premium price air freight service on the periphery of a well-served market could ever be *"extremely attractive to the market".*

3.19 **Paragraph 3.21:** The Applicant makes a number of references to airports that it claims would be comparable to a reopened Manston. In keeping with its previous "evidence", the information is incomplete and gives a highly misleading impression to the reader.

3.19.1 Firstly, we take the example given of Rockford International Airport in the US and set out some real facts on this airport that the Applicant either is not aware of, or has elected not to share with the Examining Authority. These facts clearly undermines the Applicant's arguments. This factual information is contained in the Greater Rockford Airport Authority's 2018 Annual Financial Report attached as Appendix B, sections of which are referenced below;

3.19.2 The airport is publically owned by the Greater Rockford Airport Authority, and is heavily subsidised;

3.19.3 The Schedule of Staffing (see page 47 of the annual report) shows Rockford International airport employed 41 members of staff at the end of financial year to April 2018. This included the 7 members of the Board of Commissioners;

3.19.4 Whilst air freight increased significantly in the last financial year this is principally as a result of UPS transferring (i.e. displacing) operations from Des Moines airport, consisting of 13 daily flights to Rockford International Airport, in July 2017 (see page III of the Introductory section) – it is noted that press articles also reference growth resulting from some Amazon related flights;

3.19.5 In the year to 30 April 2018, the airport handled a total of 526 million pounds (lbs) of air freight (see page 48). This is equivalent to c.238,710 tonnes, a level of freight throughput that the Applicant is forecasting to reach in Year 13 (2034). Rockford also had c.225,000 passengers through the airport based on published news articles (please note that the 2018 annual financial report only gives figures for passengers leaving the airport of 114,881 passenger enplanements - numbers are not available for arrivals);

3.19.6 Despite the significant level of freight throughput, page 13 of the annual financial report shows;

(a) the airport generated Airport Fees (includes landing fees, fuel margin and rental car commission) of $4.331m (equivalent to £3.357m), $1.913m in property lease revenue and $0.887m in other revenue, giving total revenues of $7.131m (£5.527m).

(b) The airport's operating expenses (excluding depreciation) totalled $8.849m with depreciation of a further $12.009m resulting in a loss of $13.727m (£10.641m). This financial performance is comparable with prior years.

(c) The airport is subsidised by local and federal authorities, and in the financial year 2018, received a capital contribution of $10.188m (£7.898m), up from $7.744m (£6.003m) in 2017.

3.19.7 The annual financial report does not set out fees generated from passenger operations, although it does separate out rental car commissions of $203,659 (page 38). Therefore, even if we were to assume that the airport generated nil revenue from passenger flights, the disparity between the performance of Rockford in 2018 versus the aeronautical revenue forecast by the Applicant in its first year of operations (Year 2) is extremely stark.

(a) Rockford achieved aeronautical revenue of $4.128 million (£3.178 million equivalent) on 238,710 tonnes of freight and 225,000 passengers. Even assuming nil passenger revenues and excluding the passenger work load units ("WLU"), this works out at £1.32 per WLU – each WLU equates to 100kg of freight. If passenger WLUs are included and the rental car commissions added back, revenues reduce further to £1.27 per WLU.

(b) In its summary "business plan" attached at Appendix F.1.5 to its written questions [REP3-187], the Applicant claims it would generate £16.682million of aeronautical revenue in its first year of operations, from 96,553 tonnes of air freight. This works out at £17.27 per WLU (more than 12x the level achieved at Rockford).

(c) Comparative information is summarised in tabular format below - revenues in USD have been converted to Sterling (at the current exchange rate of $1.29:£1) and imperial weights (lbs) have been converted to UK tonnes. Whilst the Applicant has sought to showcase the increased freight going through Rockford to support its case, it is not surprising to us that it has elected not to share information on Rockford's financial performance with the Examining Authority.

	Rockford International Airport 2018	**Riveroak Strategic Partners Manston – Yr 2**	**Variance %**
Aeronautical Revenue	£3.357m	£16.682m	**497%**
Freight Tonnage	238,710	96,553	40%
Work Load Units ("WLU")	2,387,100	965,530	40%
Revenue per WLU	£1.40	£17.27	1,234%

3.19.8 Secondly, the Applicant also references Liege and claims its geographic advantages are similar to Manston, being 60 miles from Brussels.

3.19.9 It is true that Liege Airport is close to Brussels. It is also close to Antwerp, Rotterdam, Cologne, Bonn Luxembourg, Dortmund and Dusseldorf. It is also **not** surrounded on three sides by sea, further demonstrating that the comparison to Liege is wholly inappropriate. As paragraph 3.21 of the Steer Report 2018 states *"[M]any of the largest freight airports in the EU are concentrated in North-West Europe, which is relatively well off and densely populated (therefore generates demand for imports), and is the home of a lot of European industry (therefore produces a large amount of goods for export)."*

3.19.10 We are left in a position whereby the Applicant is refusing to provide any evidence or detail to support its unrealistic revenue assertions, yet it provides highly selective information of the sort provided on Rockford International Airport in an attempt to bolster its case, without demonstrating any understanding of the underlying financial performance of these "comparator" airports and the market realities they face.

3.19.11 In light of the quality of the "evidence" submitted by the Applicant, it is not unfair to remind the Examining Authority that the need case and forecasts were prepared by someone without any relevant experience (who had no regard to costs or viability in preparing the forecasts) and the Applicant (and its directors) have no experience of airport development. It is also revealing that the Applicant has elected not to submit any information to the examination on the track record of Anthony Freudmann, the only RSP director that has any experience of airport operations. We do note that a number of other parties have submitted evidence to the examination and, as far as we are aware, this remains unchallenged by the Applicant. SHP continues to be frustrated that it is having to expend significant time and resource explaining the serious deficiencies and contradictions in the information the Applicant has submitted to this examination.

3.20 **Paragraph 3.22:** The Applicant continues to make enormous assumptions about how the market will evolve without providing any evidence that it will actually do so. The Applicant is effectively asking the Examining Authority to take a leap of faith and trust its assertions about the future with no evidence. However, as set out above, and in SHP's previous submissions, the Applicant's submissions on need, aviation forecasts and its "business plan" have been shown to be deeply flawed and demonstrates a fundamental lack of understanding of the market.

3.20.1 The Applicant has assumed that c.50% of its cargo ATMs will be from a new e-commerce integrator, despite this being an unproven market (the lack of supporting commentary/evidence in the Azimuth Report is highly concerning), but one that would be aggressively targeted by other airports that could offer materially lower charges than a reopened Manston.

3.20.2 In the absence of any evidence provided by the Applicant, it appears SHP, and the Examining Authority, are being led to believe that Amazon and Alibaba are putting their UK distribution strategies on hold pending the opening of a new Manston airport. A project that is being managed by promoters with no relevant experience and no funding behind them.

3.20.3 We are also expected to believe that Amazon and Alibaba, who are well known to be hard-nosed cost focussed operators, would be attracted to an airport that aims to be a price setter and aims to command a significant premium to other airports in the UK. As this is simply not credible, we are not surprised that the Applicant continues to refuse to provide any detail on its business plan, or any evidence that is capable of being adequately and fairly tested.

3.20.4 With regard to the Applicant's statements that flights would primarily be for Business-to-consumer operations and used to stock fulfilment centres, we would refer the Examining Authority to our comments on paragraph 3.1 above where we explain the fundamental errors in the Applicant's import and export freight forecasts.

3.20.5 With regard to the Applicant's claims that this new e-commerce integrator model would not require night flights, we refer the Examining Authority to paragraphs 4.13–4.17 of SHP's written summary of oral submissions put at the Need and Operations hearing for a detailed rebuttal (with supporting evidence) of the Applicant's assertions.

4. AGENDA ITEM 6 – EXISTING AND FUTURE CAPACITY CONSTRAINTS IN THE SOUTH EAST AND WIDER UK AIRPORTS

4.1 **Paragraph 4.2:** the claim that most airlines *"view freight merely as useful additional income"* is wholly misleading. As can be seen from the high number of recent airline failures, aviation is a very competitive business and the ability to secure marginal revenues at limited additional costs from bellyhold freight is a critical component of an airlines business model, particularly those that fly longer routes (the very part of the market that the Applicant is claiming to target based on the statements in Volume III of the Azimuth Report). In practice, the ability to carry bellyhold freight is fundamental to the viability of most long haul scheduled passenger operations and not simply a marginal source of revenue.

4.2 **Paragraph 4.3:** the note on Doncaster Sheffield attached as Appendix 3 simply confirmed what SHP's advisers said at the hearing was accurate (see paragraph 5.7 of SHP's Written Summary or Oral Submissions), i.e. that the CAA statistics shows cargo ATMs fell to 147 in 2018 from 340 in 2017 despite the airport heavily marketing itself as a specialist freight airport. As Mr Cain accepts, freight tonnage also fell in 2018, whilst average tonnage per ATM increased to 47.8 tonnes, materially ahead of the tonnages in Azimuth's forecasts (which would suggest the number of ATMs is overstated).

4.3 **Paragraph 4.4:** unlike the detailed, evidence backed reports prepared by York Aviation and Altitude Aviation, neither Northpoint or Azimuth has provide any real analysis of UK airport freight capacity and how this is expected to change over time. The SHP evidence is primarily set out in appendices 4 and 5 to SHP's Written Representations [REP3-025], with the detailed capacity analysis explained in the initial 2017/2018 reports with updating commentary in the 2019 reports.

4.4 **Paragraph 4.5:** SHP's Written Summary of Oral Submissions to the Need and Operations hearing explained the position on Stansted in detail in paragraphs 5.4-5.6. In particular, paragraph 5.4 makes reference to SHP's detailed comments (prepared by York Aviation) on the Applicant's response to Written Questions ND.1.13 and ND.1.18 [REP4-067], which provides evidence to refute the Applicant's assertions regarding Stansted.

4.4.1 Appendix 4 to the Applicant's Summary of Oral Evidence again shows a lack of understanding of the current demand and capacity position at Stansted and makes unsubstantiated assertions about passenger flights crowding out freighter operations leading to a reduction in the number of freighters being operated. There is simply no evidence for this as made clear in York Aviation's comments on the previous written answers from the Applicant.

4.4.2 As to whether Stansted is reaching the cusp of 75% utilisation of available capacity such that congestion and delays would deter further growth, it is important to take into account that the limit of 274,000 annual air transport movements is a planning cap rather than an assessed limit of capacity and so may not be the relevant consideration. Examination of the extent to which available slot capacity is taken up on an hourly basis (see York Aviation commentary on ND.1.13 referred to above) would suggest the physical limit is quite some way from being reached.

4.4.3 We note that the CAA Airport Statistics show no freight on passenger aircraft at Stansted in 2018, despite Emirates advertising the availability of 20 tonnes per movement on its daily service which started in June 2018, increasing to double daily in July 2019[2]. It does not seem plausible that Emirates, with its well established 'Skycargo' brand, did not carry any bellyhold freight at all on its passenger service to/from Stansted. SHP believes that this is an error in the CAA statistics and has made inquiries of the CAA, who have confirmed that there appear to be discrepancies in the

[2] https://mediacentre.stanstedairport.com/emirates-to-launch-second-daily-flight-to-london-stansted/

published statistics. SHP will provide further information in relation to Stansted freight when the CAA confirms the correct position.

4.4.4 The Emirates service provided capacity for over 8,000 tonnes of freight in 2018, which is relatively small in relation to overall cargo tonnage at Stansted of over 225,000 tonnes. Nonetheless, the Emirates service alone will provide annual capacity for 14,600 tonnes of bellyhold freight on a double daily basis – around ¼ of the target bellyhold uplift cited in Stansted's 2015 Sustainable Development Plan3. Although other long haul services operated in 2018, other than charter services, which tend not to carry freight, the three routes cited by Northpoint for the Applicant to New York, Washington and Toronto were all operated by the short lived low cost long haul airline Primera, which ceased operating in October 2018. It is unsurprising that no freight was recorded on these services. Given the growth of the Emirates service and the reasonable expectation that additional long haul services will be attracted to Stansted, the achievement of 60,000 tonnes of bellyhold freight at Stansted does not seem unreasonable.

4.4.5 SHP maintains that the evidence supports the position that there will be material growth in freight capacity at Stansted over the next decade or more such that, in combination with Heathrow and East Midlands, there would be simply no need for demand to be displaced to Manston.

4.5 **<u>Paragraph 4.6:</u>** the Applicant states that "[A]s requested by the ExA, the Applicant provided a note explaining its business model" at Appendix 6.

4.5.1 We would note that the Examining Authority explained in the hearing that they only had a spreadsheet without any detail and requested a more comprehensive business model by Deadline 5. Despite the Applicant's commitment to do so, it has not answered the Examining Authority's question and instead, has provided a very high level "Janet and John" style explanation of the constituent parts that make up an airport's revenue and cost lines.

4.5.2 We are now nearly 4 months into the examination and there is still no information about the Applicant's actual business plan that can be properly assessed or tested by the Examining Authority. In its previous submissions, SHP provided a detailed explanation by Altitude Aviation Advisory of the scope and detail of information that would be required in a Business Plan.

4.5.3 The only comment of note in the Appendix 6 is the Applicant's assertion in paragraph 1.3 that Manston would be *"a price-setter rather than a taker"*. This is at least an acknowledgement from the Applicant that its revenue assumptions are above what airports actually achieve in the real world.

4.5.4 SHP has submitted detailed evidence to the examination that demonstrates Manston would not be viable even if its wholly unrealistic ATM and freight forecasts were to be achieved. We would refer the Examining Authority to the 2019 reports prepared by York Aviation and Altitude Aviation Advisory attached as appendices 4 and 5 to SHP's Written Representations [REP3-

[3] Land use volume, page 26.

025] and Section 6 (and Appendix CA.10.1) to SHP's Written Summary of Oral Submissions to the Compulsory Acquisition, which further explains the lack of credibility of the Applicant's revenue assumptions that were first provided in the Applicant's Deadline 3 submissions.

4.5.5 We would further highlight that the evidence of Rockford International Airport as a comparator airport (see comments on paragraph 3.21 above) demonstrates that revenues generated from the Applicant's target market are highly likely to be significantly below revenues per WLU from traditional freighter business. As set out above, the Applicant is forecasting aeronautical revenues that are >12x the level achieved by Rockford International Airport. This further demonstrates that the Applicant's assertion that Manston would be a *"price setter rather than a taker",* which would be able to achieve massive premiums over other UK airports, is patently not credible.

5. **AGENDA ITEM 9: OPERATIONS – SCALE AND CAPACITY**

5.1 **Paragraphs 7.1 – 7.4:** The Applicant has provided a completely inadequate explanation of the Applicant's case in relation to scale and capacity. It is also wholly inadequate in relation to both principal development and associated development. A summary of SHP's submissions is set out in paragraphs 57-74 of Appendix NOPS.5.1 to SHP's Written Summary of Oral Submissions put at the Need and Operations Hearing.

5.1.1 There is little over two month's remaining in the examination phase and the Applicant is yet to provide the examination with the explanation and justification of the Works that form the NSIP development and the Works that comprise Association Development. This is despite the request made by the Examining Authority and the specific commitments given by the Applicant at the dDCO hearing held on 10 January 2019 and subsequently, the many submissions SHP has made on this matter. The only conclusion that can be reached, is that the Applicant is unable to explain, justify and evidence their assertions.

5.1.2 For any development to qualify under section 23 of the Planning Act 2008, they must have the requisite effect referred to in section 23(5)(b) which is *"to increase by at least 10,000 per year the number of air transport movements of air cargo movements for which the airport is capable of providing air cargo services".* Any development that does not have this requisite effect is therefore **not** NSIP development.

5.1.3 Section 115(1) of the Planning Act 2008 is clear that there are only **two** categories of development for which development consent may be granted. These are (a) development for which development consent **is required**, or (b) associated development.

5.1.4 As set out section 5 of Appendix 1: Rebuttal of NSIP Justification appended to SHP's Written Representations [REP3-025], even on the most favourable interpretation, Works 2, 10, 11 and 13 in no way satisfy the NSIP criteria.

Quite simply these works would have no effect on the airport's ability to operate air cargo movements whatsoever.

5.1.5 For the reasons set out in 5.3-5.6 of that Appendix 1, which is largely based on the Applicant's own evidence, Works 1 (the airside cargo facilities) would also not qualify as NSIP development. There also a number of other works that are discretionary (e.g. new fire station) that do not require development consent, and should therefore be treated as associated development.

5.1.6 In view of the Applicant's continued failure to furnish the examination with an explanation and justification of the Works that form the NSIP development and the Works that comprise Associated Development, and given the very limited time left in the examination, SHP wrote to the Planning Inspectorate expressing its deep concern that this omission was not flagged to the Applicant in the second round of written questions issued on 5 April.

5.1.7 As set out in SHP's detailed submissions, there are many elements of development that the Applicant has listed as NSIP development that do not meet the required criteria under s23 of the Planning Act 2008. There are also many elements of the purported Associated Development that do not comply with the relevant guidance criteria.

5.1.8 In order to assess whether development satisfies the criteria for associated development set out in the relevant guidance, **an assessment must first be made about development that comprises the principal (i.e. NSIP) development**. This requires a clear explanation and justification of the NSIP development to be provided by the Applicant and for the evidence to be tested in the examination to ensure it satisfies the required tests under section 23.

5.1.9 Under the guidance, associated development must be **proportionate to the nature and scale of NSIP development, the purpose of associated development should not be to cross-subsidise and associated development should be subordinate to principal development.** Without having clarity over the applicability of the claimed NSIP development, no assessment of these tests can be made.

5.1.10 There are also further prerequisites, which the Examining Authority placed on record in the hearings regarding **the need for detailed business plan and financial forecasts to be provided by the Applicant to allow an assessment of the cross-subsidy test**. As a minimum, this would require the Applicant to have submitted detailed granular evidence showing the capital costs and the ongoing revenues and costs attributable to the NSIP works and also each element of associated development works. Based on the wholly inadequate information before the examination, the Examining Authority cannot even start to make an assessment against the tests.

5.1.11 It is clear from our review of historic and current DCO applications that the commercial nature, scope, scale, proportionality and dominant nature of the purported associated development in the Applicant's application is without precedent.

5.1.12 This requires a detailed, robust assessment of the evidence, however the failure of the Applicant to provide information that is critical to the examination, is preventing the Examining Authority from being able to adequately test the evidence and, for affected parties such as SHP, a fair chance to put their case.

5.1.13 As we stand today, SHP's submissions provide the only detailed analysis on the applicability of the purported NSIP development and Associated Development that is before the examination.

5.1.14 A summary of SHP's post application submissions on this point are summarised below;

- 8 October 2018: Submission of Relevant Representations. Please refer to paragraphs 3.11, 5.5, 5.6, 5.8, 7.6 – 7.12 and 9.8 of SHP's Relevant Representations [RR-1601];

- 19 January 2019: Deadline 1 Submission: Please refer to paragraphs 3.1 – 3.14 of the written summary of SHP's oral submissions at dDCO Hearing [REP1-023] which confirms the request that was made by the Examining Authority and the commitment provided by the Applicant. This can be checked via the recordings from the hearing;

- 15 February 2019: Deadline 3 Submissions: Please refer to sections 5 and 6 of Appendix 1: Rebuttal of NSIP Justification, which forms part of SHP's written representations [REP3-025]. As set out in the analysis, Works 1, 2 10, 11 and 13 would not qualify as NSIP works as they do not have the effect required by section 23 of the Planning Act 2008. Further detailed analysis is also provided on the non-compliance with the associated development criteria;

- 8 March 2019: Deadline 4 Submissions: Please refer to paragraphs 1.3, 3.8 and 3.9 of SHP's covering letter [REP4-064] and SHP's comments on the Applicant's Response to Written Question DCO.1.1 [see page 10 and 11 of REP4-067];

- 29 March 2019: Deadline 5 Submissions: Please refer to paragraphs 2.9.3, 2.9.16 and 2.9.17 of SHP's Comments on the Applicant's Comments on the Written Representations [Rep5 - reference to be provided] and paragraphs 3.1.2 – 3.1.5 and 9.1 of SHP's written summary of oral submissions put at the Compulsory Acquisition hearing on 20 March 2019 [REP5 reference to be provided].

5.2 **<u>Paragraphs 7.3-7.4:</u>** At Appendix 11 to the Applicant's Written Summary of Oral Evidence to the Compulsory Acquisition Hearing, a table is set out showing how the number of stands required was calculated. However, this is based on an asserted number of 'based' aircraft each needing a dedicated stand available to it all day long and then adding the requirements for non-based aircraft over the rest of the day. First of all, there is simply no explanation provided for the claimed number of based aircraft as this is not set out in the Azimuth Reports. Secondly, once the overnight based aircraft have departed, the stands would be available for other aircraft during the day. Hence, there is double counting in the number of stands required.

5.2.1 A calculation is also set out for the amount of warehousing space required to accommodate the asserted freight tonnage. Importantly, no account is taken of the e-commerce/integrator freight which would likely to be taken immediately off-site to the e-commerce integrator's own fulfilment centre(s) and not require storage at the airport. Hence, the tonnage requiring warehousing on site has been overstated in the first instance. Secondly, the tonnage per sq. m. assumed in relation to the area of warehousing required is unrealistically low and inconsistent with the claim that Manston is going to operate a modern digitalised facility, which would necessarily reduce the time which goods spend in warehousing on airport. Detailed information on the appropriate scale of warehousing required is set out at paragraphs 6.19 to 6.24 of York Aviation's 2019 Report.

5.2.2 As noted in evidence provided by SHP, the infrastructure is vastly overstated as the comments above would corroborate. SHP's case in relation to the necessary scale of facilities for the principal development is set out in its Written Representations, Appendix 4, Section 6 [REP3-025]. That analysis shows that the facilities proposed (and the consequent land take) are grossly over-scaled and that the same applies to the "associated development" proposed for the Northern Grass. We would also refer the Examining Authority to SHP's evidence set out in paragraphs 57-74 of Appendix CA.15.1 to its written summary of oral submissions, which, inter alia, also explains why the proposed scale of infrastructure provision is completely inconsistent with claimed cost efficiency of the development (as required by the Airports NPS) nor likely to facilitate RSP being able to offer operators competitive terms as claimed by them, given the scale and cost of the infrastructure it proposes to provide and the consequent implications for the level of charges that it would have to levy to cover the costs of investment.

5.2.3 The information on "associated uses" contained in Appendix 7 is completely inadequate. The Applicant's continued inability to explain and justify the most basic elements of its development proposals on the Northern Grass area (which extend to well over 1 million square feet) are considered disrespectful to examination and those taking part in it. We would respectfully bring to the Examining Authority's attention that it is now over 9 months since it submitted its second Application and over 3 months on from the following commitment made in paragraph 18 of Annex 4 of the Revised NSIP Justification [REP1-006] to provide additional information at Deadline 3;

"18. Having indicated the kind of occupiers that are likely to be attracted to the Northern Grass and their role in supporting the airport's operation, the Applicant will seek to provide to the Examining Authority further examples

of this type of airport-related development from other UK airports and important cargo led airports in Europe and North America. This additional evidence will be submitted by Deadline 3."

5.2.4 To the extent that RSP has provided further examples of the type of business park development it would expect on the Northern Grass at Appendix 7, these relate principally to non-airport related uses on land adjacent to airports such as the Aerohub at Newquay and Aerospace park at Prestwick (see paragraphs 70 - 73 of York Aviation's supplementary note appended as Appendix NOPS.5.1 to SHP's Written Summary of Oral Submissions to the Need and Operations hearing) as well as introducing new examples of non-airport related business parks adjacent to airports such as the Meteor Business Park at Gloucestershire, which supports non-airport related activities and provides a financial cross-subsidy to the operation of the airport.

5.2.5 Similarly, business parks adjacent to airports such as Doncaster Sheffield, Biggin Hill and Bournemouth, other than where buildings have direct airside access which is not the case for the Northern Grass at Manston, contain general manufacturing and business uses. This would not meet the airport related test, particularly if strictly limited to uses associated with the NSIP development. Even the examples cited at larger airports contain substantial non-airport related uses, such as the Estuary Business Park at Liverpool or the Enterprise Zone at Manchester Airport.

5.2.6 The Applicant appears confused itself as to its intentions regarding the Northern Grass. On the one hand, it seeks to justify the area of land proposed by reference to development on land with airside access and with non-airport related business parks adjacent to airports neither of which are relevant comparators for the Northern Grass, whilst on the other appearing to accept that only associated development to the primary NSIP purpose can be allowed. The position is fundamentally contradictory.

6. AGENDA ITEM 10 – OPERATIONS – AERODROME CERTIFICATE

6.1 **Paragraph 8.1:** The Applicant continues to be imprecise in the claims it is making regarding the timing of the CAA certification process. We refer the Examining Authority to the explanation provided in paragraphs 8.1 – 8.4 of SHP's written summary of oral submissions and the correspondence from the CAA dated 29 April 2019 attached as Appendix C, which confirms the accuracy of SHP's submissions on this matter and demonstrates that the Applicant has been "economical" with the facts.

7. AGENDA ITEM 11 – OPERATIONS – AIRSPACE CHANGE PROCESS

7.1 **Paragraph 9.4:** The Applicant continues to gloss over the issues raised by SHP at the Need and Operations hearing. We would refer the Examining Authority to paragraphs 9.1 – 9.5 of SHP's written summary of oral submissions.

8. **AGENDA ITEM: 12 – OPERATIONS – PUBLIC SAFTEY ZONES**

8.1 **Paragraph 10.2:** in stating that *"it is therefore possible that PSZs may need to be introduced towards year 20"* it is clear the Applicant does not understand the requirements for PSZs. SHP's comments on the Applicant's responses to Examining Authorities Written Questions OP.1.7 and OP.1.8 [REP4-067], **explained that PSZs would be required to be put in place just after the third year of operations (i.e. Year 4 of the forecasts**). At this point, the Applicant is forecasting to exceed 1,500 movements per month (including general aviation movements), and would have a forward looking forecast showing that it would be exceeding 2,500 movements per month within 15 years of that point. This is consistent with paragraph 3 of the relevant Guidance which states that *"[T]he Public Safety Zones are based upon risk contours modelled looking fifteen years ahead, in order to allow a reasonable period of stability after their introduction."* Notwithstanding the clarity in the guidance and the information submitted by SHP at Deadlines 4 and 5, the Applicant continues to misrepresent the position on PSZs.

8.2 **Paragraph 10.3:** We would note that the PSZ drawing submitted by the Applicant at Deadline 5 only shows an indicative 1 in 10,000 risk contour. As the Applicant and its advisors should be aware, the 1 in 100,000 PSZ contour would extend much further based on the comparison to the airports identified by the Applicant. Whilst detailed modelling (taking into account the higher accident rates of cargo aircraft) would be required to properly assess the risk contour, at a minimum it would expect the 100,000 PSZ risk contour to extend at least 2.5km from the end of the runway and would therefore cover a large part of Ramsgate. We would seriously question why the Applicant has failed to provide the Examining Authority with an indicative 1 in 100,000 risk contour given the significant impact it would have on the rights of occupiers and landowners within the relevant affected area.

8.3 **Paragraph 10.4:** It is noted that the Applicant has advised that it will consider the environmental effects of introducing PSZs and report to the ExA at the next Deadline. The failure to assess the environmental effects (and consult on them) in its application is a material failure that cannot be rectified at this late stage, however we look forward to reviewing the Applicant's submission.

9. **CONCLUSION**

9.1 As the comments above clearly demonstrate, there remains significant gaping holes in the information that the Applicant has submitted to the examination. Where the Applicant has submitted information to support its assertions, this has generally been shown to be deeply flawed.

9.2 It is highly concerning to SHP that there is only two months left in the examination phase and the Examining Authority and affected parties do not have access to the most basic of information that would allow the Applicant's application to be properly and fairly tested.

9.3 SHP consider that there is no information or evidence that the Applicant could submit to "fix" the material deficiencies and shortcomings in its application. In view of the short time left in the examination phase, SHP also considers that it is now too late in the process for information (that should have been in the application itself or at least provided by Deadline 1) to be submitted to the examination that would allow for the application to be adequately and fairly tested.

Appendix A: Australian Government - Inquiry National Freight and Supply Chain Priorities - Air Freight

Australian Government

Inquiry into National Freight and Supply Chain Priorities

SUPPORTING PAPER NO. 1

AIR FREIGHT

March 2018

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Air freight key facts

Australia’s domestic and international air freight task represents 21 per cent of our total international trade value, while being less than 0.1 per cent by volume.

The majority of air freight is carried in the cargo hold of passenger aircraft, supported by some dedicated freighters. Goods are typically characterised as high value, time sensitive and perishable.

Australia’s major domestic and international airports are operated by private companies under long term Commonwealth leases. These airports have significant freight specific infrastructure, including hangars and cargo handling facilities.

While approximately 80 per cent of domestic cargo movements occur between main airports in capital cities, air freight is important to delivering supplies to regional and remote Australia. Road transport often can’t reach isolated towns due to distance and poor road access.

International air freight is largely carried on passenger services and capacity will increase with growth in international air movements to and from Australia.

Relaxation of operational restrictions, such as curfews, on new airports, and modifying operational curfews at existing airports, will assist the air freight sector to improve productivity.

Despite its curfew and capacity limitations, Kingsford Smith Airport (KSA) at Sydney is expected to retain the role of Australia’s most significant international air cargo gateway due to the volume and variety of its international passenger connections. Western Sydney Airport is expected to become an important freight hub for Sydney as it will attract dedicated overnight freighters unable to land at KSA due to curfew restrictions, or carrying cargo destined for Western Sydney logistics centres.

Airport access issues, in particular road congestion around key access points and better rail connections, are important to ensuring air freight remains viable for time sensitive products.

Tightening of the air security arrangements in response to emerging threats against aviation transport, may impact on productivity and affect the future viability of some routes.

1. Introduction

Air freight is a relatively small but highly valuable part of the overall freight task in Australia. The total weight of domestic and international air freight, around 1.5 million tonnes in 2016-17, represents less than 0.1 per cent of the freight moved in Australia. About 70 per cent of air freight is international freight, meaning it is a major contributor to the nation's economy.

The Bureau of Infrastructure, Transport and Regional Economics (BITRE) reported in 2014 that air freight in international merchandise trade makes up 21 per cent of total trade by value[1], worth over $130 billion in 2016-17. The value of trade flowing through Sydney and Perth airports is about the same as that shipped through the ports of Botany and Fremantle.[2]

The International Air Transport Association (IATA) reports a recent study calculated the global value of air freight is now $18.6 billion each day, and the benefits of air transport include driving economic and social progress, providing access to global markets, generating trade and forging links between nations.[3]

2. Overview of the air freight sector

On average, air freight is 20 times more expensive than road freight and 70 times more expensive than sea freight. Goods most suited to air freight are those that are time sensitive, light, compact, perishable or highly valuable. These include medicinal supplies, pharmaceuticals, meat, seafood, jewellery, currency and gold, live animals, high value electronics and critical spare parts.

While there are dedicated air freighters servicing Australia's major capital city airports, the bulk of domestic and international air freight is carried in the holds of passenger aircraft. Dedicated freight aircraft within Australia are operated by Toll, Qantas and Virgin, providing services for freight forwarders, corporate shippers, businesses and individuals. Virgin Cargo reports it uses dedicated freighter aircraft to service Cairns, Townsville, Brisbane, Sydney, Melbourne, Launceston, Adelaide and Perth airports.[4] Qantas ships more than 4,000 air freight items each day to over 500 destinations globally.[5]

Australia's major capital city airports are owned by the Commonwealth and operated by private companies with very long-term leases and provide a range of aviation infrastructure dedicated to freight operations, including hangars, freight aprons, aircraft parking bays and cargo handling facilities. Air freight activities at airports compete with passenger based facilities, including passenger terminals, passenger parking and other airport-related businesses.

Rapid growth in passenger numbers at the major airports has promoted the expansion of passenger based facilities, placing pressure on freight facilities located close to the runways and terminals. Many businesses involved in air freight operations would like to see airports place a greater priority on servicing freight needs. Airport land not required for aviation purposes has been developed for major freight forwarding facilities and distribution centres at some airports, such as Melbourne Airport.

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[1] BITRE (2014) *Freightline 1.* https://bitre.gov.au/publications/2014/freightline_01.aspx
[2] BITRE (2015), *International trade and Australian cities: what house prices say*, Information Sheet 67, https://bitre.gov.au/publications/2015/files/is_067.pdf
[3] IATA Fact Sheet Economic and Social Benefits of Air Transport, June 2017. http://www.iata.org/pressroom/facts_figures/fact_sheets/Documents/fact-sheet-economic-and-social-benefits-of-air-transport.pdf
[4] Virgin Australia (2017) submission 85 to the *Inquiry into national freight and supply chain priorities*, page 1https://infrastructure.gov.au/transport/freight/freight-supply-chain-submissions/index.aspx
[5] https://freight.qantas.com/our-freight-business.html

Curfews restrict dedicated air freight movements between 11.00pm and 6.00am at Sydney and Adelaide airports. The *Sydney Airport Curfew Act 1995* (Cth) allows only 74 freight take-offs and landings each week during the curfew period, with only Bae-146 aircraft permitted to operate. At Adelaide Airport freight aircraft are permitted to operate during the curfew period provided the noise levels are less than 95 decibels on landing. While these restrictions also apply at the Gold Coast and Essendon airports there is minimal demand for such services at these sites. Gold Coast Airport has further restrictions on the level of operations and the type of aircraft allowed to operate.

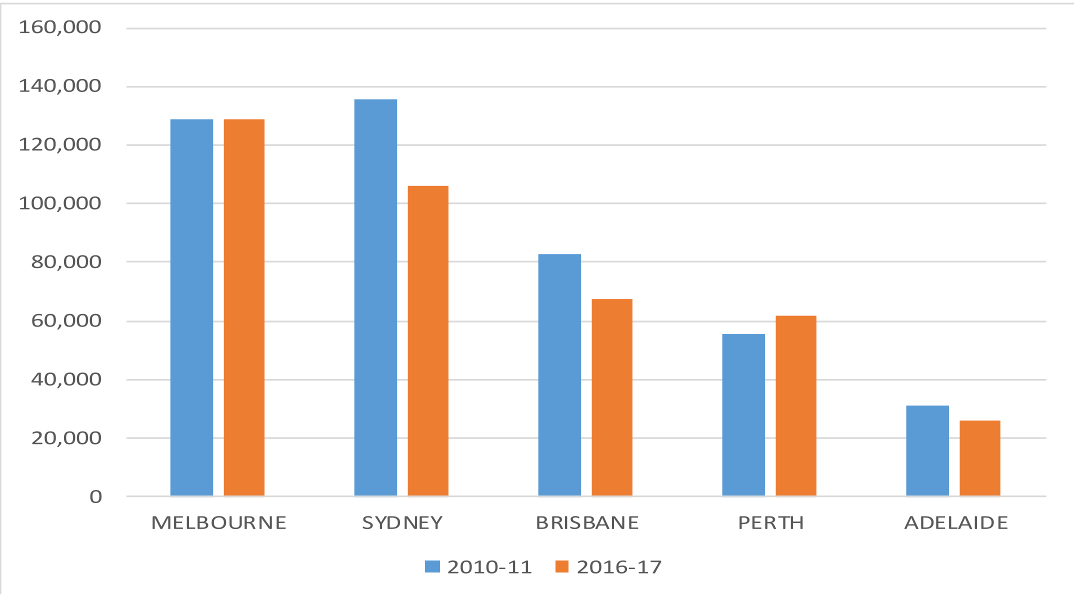
3. The sector in Australia today and future trends

Domestic air freight

More than 450 thousand tonnes of air cargo movements were carried on domestic air services at Australian airports in 2016-17.

In 2016-17, Melbourne Airport had the largest share of domestic air cargo (28.7 per cent) followed by Sydney (23.6 per cent), Brisbane (15 per cent), Perth (13.8 per cent) and Adelaide (5.8 per cent). Cargo movements at these airports accounted for 86.8 per cent of total domestic air cargo movements.

Figure 1 – Domestic cargo movements (tonnes) 2010-11 and 2016-17[6]



In 2016-17, approximately 80 per cent of domestic cargo movements were from the main airport in one capital city to the main airport in another capital city, with 44.2 per cent of domestic cargo movements made on dedicated freighter aircraft.

Air freight also plays an essential role delivering supplies to remote and isolated regions in Australia. Due to long distances involved and with road access to many communities often cut for

[6] BITRE domestic aviation activity data collection — 2017 (note: cargo refers to freight and mail)

several months during the wet season, a regular air service offers the only reliable means of transporting goods such as educational materials, medicines, fresh foods and other vital supplies to these communities. Such services typically involve small piston powered aircraft, often operating at unsealed airstrips.

International air freight

Sydney, Melbourne and Brisbane are currently the only airports in Australia with markets large enough to sustain dedicated international freighter services, except for one weekly service operating from Toowoomba Wellcamp Airport.

Nationally, only 17 per cent of scheduled international air cargo carried to and from Australia is on dedicated freighter aircraft while the rest is on passenger aircraft.

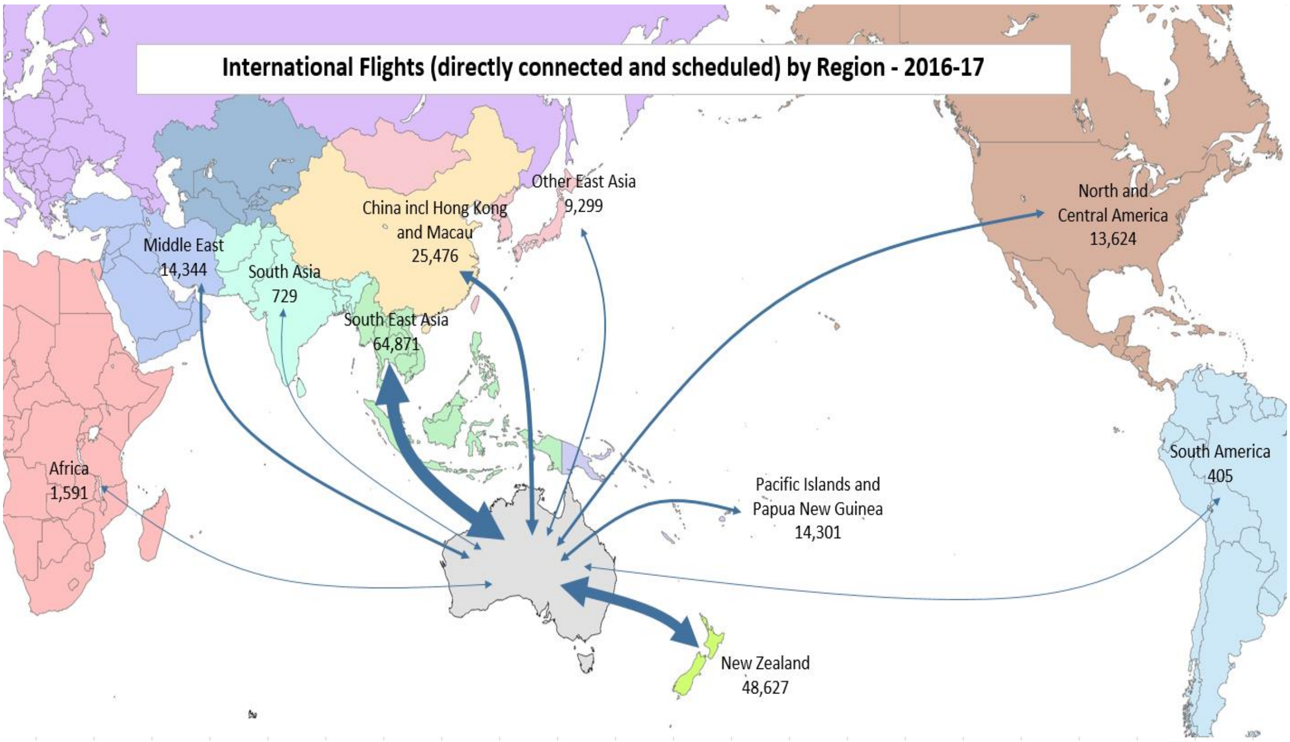
At Sydney, around 28 per cent of international air cargo is carried on dedicated freighter aircraft. Therefore, the amount of air freight that can be carried and the destinations served depend significantly on the passenger aircraft routes; as these expand or contract, so do the opportunities for air freight exports.

Conversely, the profitability of international passenger routes may depend on the amount of air freight the route can attract. IATA estimates that on average, air cargo generates 9 per cent of airline revenues.[7]

The map at Figure 2 shows the number of directly connected scheduled flights operated between Australia and international regions during 2016-17. All cargo carried to or from Australia other than on charter services was carried on one of these flights.

[7] IATA Air Cargo home http://www.iata.org/whatwedo/cargo/Pages/index.aspx

Figure 2 – Number of directly connected scheduled flights operated between Australia and international regions during 2016 to 2017[8]



Almost half of Australia's scheduled international air cargo by weight is cleared through Sydney Airport and Sydney's share of international air cargo has remained relatively stable over the years.

Table A – Sydney Airport's share of international air cargo[9]

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Sydney	389,501	414,471	366,335	401,204	421,114	444,614	443,728	434,250	450,283	482,681	512,531
Australia	787,932	819,899	745,955	798,120	864,808	900,468	924,879	922,918	980,457	1,032,393	1,082,400
Sydney's share	49.4%	50.6%	49.1%	50.3%	48.7%	49.4%	48.0%	47.1%	45.9%	46.8%	47.4%

By monetary value, Sydney Airport also has the largest share of imports, worth $43.4 billion in 2016 (56.4 per cent of the total of $77.1 billion in air freight imports). For exports, Perth Airport has the highest value at over $22.6 billion (40.8 per cent of the total of $55.4 billion in air freight exports). Detailed air freight statistics for the major airports are at Attachment A of this report.

The major products imported and exported via air freight vary from airport to airport. Table B shows the three highest value imports and exports, as well as the main countries of origin or destination.

[8] BITRE International airline activity data collection — 2017 (note: cargo refers to freight and mail)
[9] Ibid

Table B – The three highest value imports and exports and the main countries of origin/destination[10]

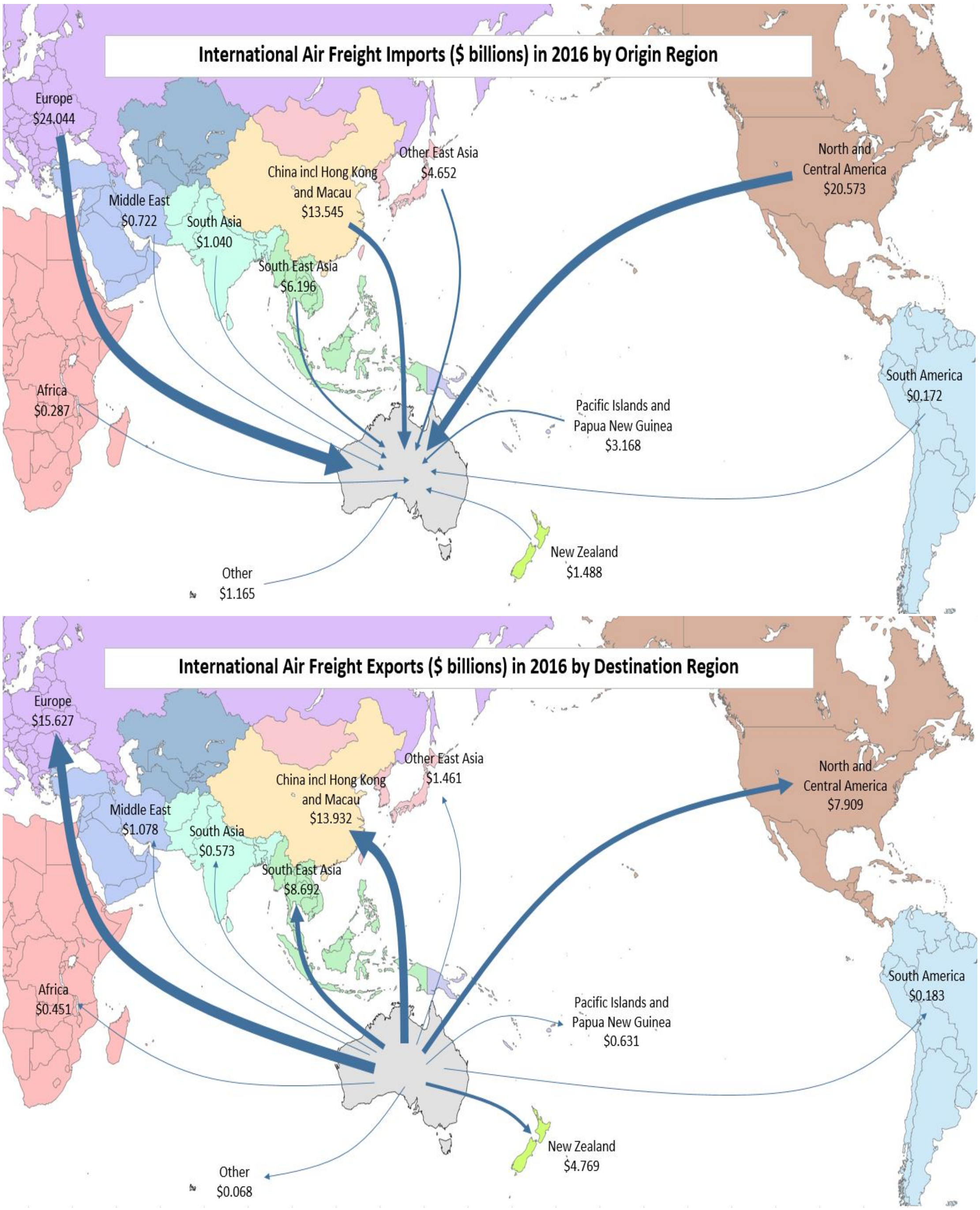
Airport		Highest value products	Main countries of origin or destination
Sydney	**Imports**	Telecommunications and sound recording equipment; medicinal and pharmaceutical products; commodities and transactions not in merchandise trade*	China USA France
	Exports	Commodities and transactions not in merchandise trade*; miscellaneous manufactured articles; professional, scientific and controlling instruments	USA New Zealand UK
Melbourne	**Imports**	Commodities and transactions not in merchandise trade*; office machines and automatic data processing machines; telecommunications and sound recording equipment	USA China France
	Exports	Commodities and transactions not in merchandise trade*; medicinal and pharmaceutical products; meat and meat preparations	USA New Zealand Singapore
Brisbane	**Imports**	Commodities and transactions not in merchandise trade*; miscellaneous manufactured articles; professional, scientific and controlling instruments	USA China France
	Exports	Commodities and transactions not in merchandise trade*; transport equipment excluding road vehicles; meat and meat preparations	New Zealand USA Singapore
Perth	**Imports**	Non-monetary gold; Commodities and transactions not in merchandise trade*; general industrial machinery and equipment.	Japan USA Papua New Guinea
	Exports	Non-monetary gold; commodities and transactions not in merchandise trade*; gold coin and other coin being legal tender	UK Hong Kong China

*The category 'Commodities and transactions not in merchandise trade' includes:

- goods exported after being imported on a temporary basis—ships, boats, floating structures, goods for public exhibition and goods such as racing cars and associated equipment, race horses, paintings for art exhibitions
- goods exported on a temporary basis and intended to be re-imported
- goods exported for repair, alteration or renovation and subsequent re-importation
- goods re-exported from Australia after being imported for repair, alteration or renovation
- passengers' personal effects for which a customs entry is required
- goods exported by the Australian Defence Force (ADF), for use by the ADF, for operational, training or military exercise deployment.

[10] Australian Bureau of Statistics (ABS), 2017, Customised report based on International Merchandise Trade data – prepared by BITRE

Figure 3 – Key air freight routes for imports and exports[11]



[11] Australian Bureau of Statistics (ABS), 2017, Customised report based on International Merchandise Trade data – prepared by BITRE

International supply chains (origin and destination)

Air freight is often a component of more extensive supply chains, which may involve road, rail and sea transport on the journey to the ultimate user. While there are few statistics on international air freight export supply chains, BITRE data indicates the airport of export origin and the destination for different categories of goods. Examples have been drawn from this source for seafood exports and medicinal and pharmaceutical exports.

Just over $1 billion worth of seafood (fish, crustaceans, molluscs and preparations thereof) were exported from Australia in 2016. Of this, almost half was exported from Western Australia, with Vietnam being the major overseas market. Other states mainly exported to China, Hong Kong and Vietnam.

Table C – Air freight exports of fish, crustaceans, molluscs and preparations thereof, 2016[12]

State of origin	Value of exports ($ million)	Main destination countries (exports valued at over $10 million)
New South Wales	15.6	Japan
Queensland	112.3	Hong Kong, USA
South Australia	120.9	Vietnam, Hong Kong, Japan
Tasmania	136.9	China, Hong Kong, Vietnam, Japan
Victoria	145.6	Vietnam, Hong Kong, China
Western Australia	465.2	Vietnam, Hong Kong

For medicinal and pharmaceutical products, the major overseas markets are New Zealand, Europe, the USA and Asia. These exports were valued at $2.1 billion in 2016, more than twice the value of seafood exported. Victoria has the highest value of such exports, about half of the total value for Australia, with the USA being the dominant export market.

Table D – Air freight exports of medicinal and pharmaceutical products, 2016[13]

State of origin	Value of exports ($ million)	Main destination countries (exports valued at over $20 million)
Northern Territory	1.2	*Information not available*
Tasmania	5.5	*Information not available*
South Australia	63.2	USA
Western Australia	83.8	Belgium, USA
Queensland	91.1	United Kingdom
New South Wales	448.5	New Zealand, China, Hong Kong, Korea, Malaysia, United Kingdom
Victoria	1,099	USA, Germany, Hong Kong, China, Singapore, United Kingdom

[12] Australian Bureau of Statistics (ABS), 2017, Customised report based on International Merchandise Trade data – prepared by BITRE
[13] Ibid

Future trends and developments

The air freight market will be driven by a range of factors in coming years, including:

- growth in international travel
- changing consumer purchasing preferences
- customer expectations about delivery times
- changes in industry processes such as international component sourcing
- the types and capacity of planes
- changes in the size, weight and value of consumer goods
- jet fuel costs
- changing security processes to meet emerging threats.

The capacity for air freight should grow considerably in coming years. IATA predicts the world freighter aircraft fleet will grow by 70 per cent in the next 20 years.[14] The global air passenger network, which is equally important for air freight, is also undergoing rapid growth. The International Civil Aviation Authority (ICAO) reports global international passenger numbers have increased by between 5.2 per cent and 10.6 per cent each year from 2010-15.[15]

In Australia, annual air passenger growth has been averaging 3.4 per cent over the past 10 years.[16] Melbourne Airport has forecast its international air freight will grow from 250,000 tonnes to 393,000 tonnes by 2033.[17]

New technologies are making production more mobile as automation reduces the importance of low-cost labour. This is facilitating a shift in production of goods toward the locations where consumers live. Some products are getting smaller and lighter (or flatter, such as televisions), which means they are more suited to air freight. Other products however, formerly carried by air freight, are now digitised (for example, newspapers, mail and music).

Where once products were produced and exported from a single location, today it is not unusual for a product such as a smart phone to have components from several countries where specialised processes have been developed. The components themselves may travel to several countries to be compiled. Just-in-time stock control requires rapid replenishment of component parts. These practices, together with the trend to smaller and lighter products, will support further air freight growth.

Consumer practices such as e-commerce are changing the way products are purchased and transported. On-line sales are growing rapidly, and it is reported that 70 per cent of on-line sales have an international component, either buying from a different country or buying a product that has an international production process.[18]

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[14] IATA the Value of Air Cargo http://www.iata.org/whatwedo/cargo/sustainability/Documents/air-cargo-brochure.pdf
[15] ICAO Tables relating to the world of air transport in 2015. https://www.icao.int/annual-report-2015/Documents/Appendix_1_en.pdf
[16] BITRE Airport Traffic Data 1985–86 to 2016–17. https://bitre.gov.au/publications/ongoing/airport_traffic_data.aspx
[17] *Melbourne Airport Master Plan 2013*, p.38
[18] IATA *Cargo must pick up the pace March 2017*. http://airlines.iata.org/analysis/cargo-must-pick-up-the-pace

Companies such as Amazon have developed fast and efficient supply chains for their e-customers based on rapid delivery times for both domestic and international cargo. There is a growing market for air transport in the delivery processes, with Amazon moving to establish its own airline supported by 40 dedicated freighter aircraft.[19]

Emerging security concerns mean that air freight is expected to be subject to more stringent security screening, as demonstrated by the recently implemented and more rigorous requirements for screening air freight to the USA.[20]

This trend has the potential to negatively impact on productivity in the air freight sector unless carefully managed. It must be balanced with the very significant economic impact that an inflight incident resulting in the loss of an aircraft would have on the Australian economy.

Trusted business models, such as the recently established Known Consignor scheme for air freight, are important to future security and efficiency. The Known Consignor scheme allows trusted businesses with high levels of security in their processes to secure cargo at its source so that it does not require further security screening before export.

The Australian Government decision to support a new airport at Western Sydney will have an impact on the air freight sector. The *Western Sydney Infrastructure Plan* will plan and deliver a transport investment program funded jointly by the Commonwealth and NSW Governments. Under the current legislation concerning the curfew at Kingsford Smith Airport (KSA), night freight operations are to be transferred from KSA to Western Sydney Airport once night operations are possible there.

As most international air freight is carried in passenger planes, in the next 20 years it is expected KSA will continue to be the key air freight hub in Sydney, with provision in the current airport master plan to retain the current Terminal 1 freight precinct and build new facilities in close proximity to expanded passenger T2 and T3 terminals.

Transport links developed under the *Western Sydney Infrastructure Plan* and future intermodal terminal opportunities should also see significant air freight growth at Western Sydney Airport. The privately owned and operated Toowoomba Wellcamp Airport presents a new model for air freight in Australia. The airport's good road connections and proposed links to the Inland Rail project create air freight opportunities for agricultural and other products.

The increase in international passenger travel at other Australian airports in recent years, including at Melbourne, Brisbane and Perth, has increased the potential for international air freight. International passenger numbers through Australian airports has increased by approximately 7 per cent per year in the past two years and with favourable world economic conditions, should increase further in the coming years.

Some stakeholders are optimistic that future investment could support 'air freight hubs' in regional Australia, although the business cases for such proposals are challenged by a range of factors.

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[19] http://phx.corporate-ir.net/phoenix.zhtml?c=176060&p=irol-newsArticle&ID=2241026

[20] These requirements mean all air cargo being transported to the USA must either be examined at piece level (box, carton, pallet or another deconsolidated form of cargo) or originate from a Known Consignor https://infrastructure.gov.au/security/air-cargo/us-bound-air-cargo-security-arrangements.aspx

Infrastructure Australia's *Northern Australia Audit* (January 2014) explored some of these issues in the context of Northern Australia, although its findings may have broader relevance:

> *"Anecdotally, substantial volumes of fruit and vegetables are trucked to Brisbane, Adelaide and Melbourne, taking advantage of competitive trucking back haul rates, for subsequent air freighting to Southeast Asia (together with domestic capital city use). A combination of factors—a substantial domestic market in the southern capitals, a highly efficient road freight sector (with refrigerated capability), low international air freight rates from airports in southern capitals, due to wide-body passenger aircraft use that northern air markets could not sustain—appear likely to preclude development of northern air freight capacity for the foreseeable future".*[21]

[21] http://infrastructureaustralia.gov.au/policy-publications/publications/files/IA_Northern_Australia_Audit.pdf p.74

4. Stakeholder priorities

The *Inquiry into National Freight and Supply Chain Priorities* has undertaken extensive consultation with stakeholders and has received a number of suggestions for greater productivity in the air freight sector. These include:

- avoid placing restrictions on airport operations (for example, curfews), particularly for new airports such as the Western Sydney Airport, by ensuring that land use planning provides effective buffers between residential areas and industrial activities
- consider modifying operational curfews at existing airports where appropriate (in particular at Sydney Airport)
- address road traffic congestion at the access points of our major domestic and international airports
- introduce a dedicated rail freight line to Western Sydney Airport early in the airport development process
- encourage airport lessee companies to give air freight operations appropriate significance in airport master plans required under the *Airports Act 1996* (Cth)
- produce and publish more extensive statistics on air freight and air freight supply chains, as part of a national freight performance framework
- facilitate greater uptake of the electronic air waybill (e-AWB) to expedite carriage and delivery of air freight.

ATTACHMENT A:
Air freight statistics for the major airports[22]

AIR EXPORTS by Airports - Value ($)
Year ended December 2016

	Not Perishable	Perishable	Total	Share of Total
Adelaide	309,513,158	141,435,006	450,948,164	0.8%
Brisbane	3,734,004,308	649,383,202	4,383,387,510	7.9%
Cairns	210,050,271	75,178,659	285,228,930	0.5%
Darwin	369,079,399	1,604,897	370,684,296	0.7%
Melbourne	5,814,136,461	2,511,941,530	8,326,077,991	15.0%
Perth	21,773,491,246	830,952,817	22,604,444,063	40.8%
Sydney	16,501,466,364	1,976,496,973	18,477,963,337	33.4%
Other	453,554,069	21,738,444	475,292,513	0.9%
Total	49,165,295,276	6,208,731,528	55,374,026,804	100.0%

AIR EXPORTS by Airports - Weight (tonnes)
Year ended December 2016

	Not Perishable	Perishable	Total	Share of Total
Adelaide	4,279	10,342	14,621	2.6%
Brisbane	14,864	52,876	67,740	11.9%
Cairns	1,530	3,147	4,677	0.8%
Darwin	836	65	900	0.2%
Melbourne	43,478	122,755	166,233	29.3%
Perth	10,810	43,492	54,302	9.6%
Sydney	155,297	99,876	255,173	44.9%
Other	2,497	2,081	4,578	0.8%
Total	233,591	334,634	568,225	100.0%

AIR IMPORTS by Airports - Value ($)
Year ended December 2016

	Not Perishable	Perishable	Total	Share of Total
Adelaide Airport	720,384,699	53,043,369	773,428,067	1.0%
Brisbane	5,881,702,763	162,018,875	6,043,721,637	7.8%
Cairns	344,840,697	253,845	345,094,542	0.4%
Darwin	288,485,555	82,642	288,568,197	0.4%
Melbourne	12,458,844,080	1,246,573,181	13,705,417,261	17.8%
Perth Airport	9,107,523,301	86,275,482	9,193,798,782	11.9%
Sydney	36,286,043,584	7,158,708,574	43,444,752,158	56.4%
Townsville	1,877,746,896		1,877,746,896	2.4%
Other	1,374,787,423	5,378,416	1,380,165,839	1.8%
Total	68,340,358,998	8,712,334,382	77,052,693,380	100.0%

AIR IMPORTS by Airports - Weight (tonnes)
Year ended December 2016

	Not Perishable	Perishable	Total	Share of Total
Adelaide Airport	6,985	956	7,941	2.0%
Brisbane	33,598	7,220	40,818	10.1%
Cairns	498	18	516	0.1%
Darwin	893	4	897	0.2%
Melbourne	94,944	19,403	114,346	28.2%
Perth Airport	25,367	4,950	30,317	7.5%
Sydney	165,107	39,958	205,065	50.6%
Townsville	419		419	0.1%
Other	4,789	155	4,944	1.2%
Total	332,601	72,664	405,265	100.0%

[22] Customs data from the Australian Bureau of Statistics 2017 — prepared by BITRE. Perishable/not perishable split is based on BITRE estimates

COMPREHENSIVE ANNUAL FINANCIAL REPORT

2018

GREATER ROCKFORD AIRPORT AUTHORITY
FOR THE FISCAL YEAR ENDING
APRIL 30 2018 & APRIL 30, 2017
ROCKFORD, ILLINOIS

CHICAGO ROCKFORD INTERNATIONAL AIRPORT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the

Greater Rockford Airport Authority
Rockford, Illinois

For the fiscal years ended

April 30, 2018 and 2017

Prepared by:

Michelle Cassaro
Deputy Director of Finance and Administration

Jan Benoit
Finance Manager

ROCKFORD

RFD

CHICAGO ROCKFORD
INTERNATIONAL AIRPORT

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This section contains the following subsections:

- Letter of Transmittal
- Organizational Chart, Senior Management and Board of Commissioners
- Certificate of Achievement for Excellence in Financial Reporting

ROCKFORD

RFD

CHICAGO ROCKFORD
INTERNATIONAL AIRPORT

August 31, 2018

To the Board of Commissioners:

The Comprehensive Annual Financial Report (CAFR) for the Greater Rockford Airport Authority (the Authority) (Chicago Rockford International Airport) for the fiscal year ended April 30, 2018 is hereby transmitted for your review. This report is the responsibility of the Authority's Finance Department and represents the Authority's commitment to provide accurate, concise and high-quality financial information to its Board of Commissioners and to the regional community we serve.

The CAFR contains financial statements and statistical information that fully disclose all the material financial operations of the Authority. The financial statements and statistical information contained herein are representations of the Authority's management, which bears the responsibility for the accuracy, completeness, and fairness of the CAFR. This letter should be read in conjunction with the Authority's Management's Discussion and Analysis (MD&A) found in the Financial Section. The MD&A provides narrative overview and analysis of the financial activities of the Authority, that occurred during the fiscal year ended April 30, 2018.

This year's CAFR is prepared in accordance with the guidelines set forth by the Government Finance Officers Association of the United States and Canada (GFOA). The GFOA awards a Certificate of Achievement to all public entities whose annual financial reports are judged to conform to the high standards of public financial reporting, including generally accepted accounting principles promulgated by the Government Accounting Standards Board (GASB). It is our belief that the accompanying fiscal year April 30, 2018 CAFR meets the program standards, and will be submitted to the GFOA for review.

✈ THE AUTHORITY

The Authority is an independent municipal corporation of the State of Illinois, created by and formed in 1946 shortly after the State of Illinois adopted the Airport Authorities Act of 1945. At the time, the original Board of Commissioners requested and received a grant of 1,500 acres of Federal land located near Rockford, Illinois, for airport use. This land was formerly used as a U.S. Army base, known as Camp Grant, during WWI and WWII. Physical development of the airport began in 1947 with aircraft use in 1949.

The Authority is located within Winnebago County and is empowered to levy a property tax on real properties located within the Authority area, which encompasses an area of approximately 216 square miles and includes all land within Cherry Valley, Harlem, Owen and Rockford Townships with the exception of roughly 12 square miles of rural land in Owen Township. Although ten other Townships in Winnebago County are not included within the boundaries of the Authority, nearly 83% of Winnebago County's land area and 73% of Winnebago County's 2017 equalized assessed valuation are within the Authority Area.

The Authority is governed by a seven-member Board of Commissioners (Board). One or two commissioners are appointed each year to staggered five-year terms. Policy-making and legislative authority rests with the Board that is responsible, among other responsibilities, for passing ordinances, resolutions, adopting the budget, and hiring the

Executive Director. The Executive Director is responsible for carrying out the policies, ordinances and resolutions of the Board, for overseeing the day-to-day operations of the Authority, and overseeing hiring practices. Meetings of the Board are scheduled twice per month on the third and fourth Thursdays. Meetings are open to the public.

✈ FINANCIAL REPORTING ENTITY

The financial statements contained within this CAFR include all departments and operations for which the Authority is financially accountable. Financial accountability is defined in Note 1 to the financial statements. On this basis, no governmental organizations other than the Authority itself are included in the financial reporting entity.

✈ INTERNAL CONTROLS

The Authority's internal control structure is an important and integral part of its entire accounting system. The current structure in place is designed to provide reasonable, but not absolute assurance that: (1) assets are safeguarded against loss from unauthorized use or disposition; (2) transactions are executed in accordance with management's authorization; (3) financial records are reliable for preparing financial statements and maintaining accountability for assets; (4) there is compliance with applicable laws and regulations; and (5) there is effectiveness and efficiency of operations. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits that are likely to be derived from them, and that the evaluation of cost and benefits requires estimates and judgment by management.

We believe that the Authority's internal control framework adequately safeguards assets and provides reasonable assurance and proper recording of financial transactions. Management also believes that the data in this CAFR, as presented, is accurate in all material respects, that it presents fairly the financial position, results of operations and cash flows of the Authority, and that all disclosures necessary to enable the reader to gain maximum understanding of the Authority's financial affairs have been included.

One duty of the Finance Manager is to perform internal auditing functions. In the course of this assignment, the Finance Manager is authorized to have full, free and unrestricted access to all records relating to the audit.

✈ THE BUDGET

Authority management has long recognized the importance of proper and accurate budgeting. Management annually creates a comprehensive line item budget that is adopted by the Board of Commissioners in a public meeting before the beginning of each fiscal year. The budget narratives are detailed projections of the expected financial operation over the next year in accordance with the Authority's long-range financial plans. The budget is created using zero-based budgeting techniques where staff estimates all revenues and expenditures as though each revenue and/or expenditure was being initiated for the first time.

Management's control of the budget is maintained at the department level. It is the responsibility of each department to administer its operations in such a manner as to ensure that the use of funds is consistent with the goals and programs authorized by the Board of Commissioners. The annual budget is presented on our website site at http://flyrfd.com/minutes/.

✈ LOCAL ECONOMIC CONDITION

The financial condition of the Authority is primarily dependent upon the amount of aircraft utilization at the Chicago Rockford International Airport (RFD). That utilization, in turn, is dependent upon several factors: the amount of cargo that is sorted at the United Parcel Service hub; the number of passenger airlines that service RFD; the number of passengers that use the airport; the national economy, which influences buying and subsequent shipping habits; and, the local economy that influences the willingness of the consumer to purchase air travel.

Passenger growth increased 3.24% from the prior year. Increases were seen in both domestic and international service. Apple Vacations celebrated their 13th season of non-stop flights to popular tropical vacation destinations in Mexico, the Dominican Republic and Jamaica. More than 150,00 passengers have taken advantage of the services and specials Apple Vacations have offered. Seasonal flights were provided from December 2017 through April 2018.

Allegiant continues to be our principal carrier for regularly scheduled non-stop passenger service. Currently Allegiant Air offers service to Las Vegas, Orlando/Sanford, Clearwater/St Pete, Punta Gorda/Ft Myers, and Phoenix/Mesa. RFD continues to strive to grow convenient, quality passenger service in both the domestic and international markets.

Nearly 1.4 billion pounds of cargo travelled through RFD in 2017, a 50% increase over the year before. One of the many factors influencing the airport's growth in 2017 included UPS moving its Des Moines operation, consisting of 13 daily flights to RFD last July. The most recent FAA cargo report states that RFD is the 22nd largest cargo airport in the United States, an increase from 29th in 2016. The Authority will continue to work toward the goal to compete globally to become one of the top cargo airports in the world.

The Chicago Rockford International Airport remains a viable economic engine for the region and state. The most recent State of Illinois economic impact report for all Illinois airports shows RFD continues to be a driving force with $994.5 million in annual economic impact making it the third highest commercial service airport second and third only to O'Hare and Midway. Our combination of various business strengths and our international grade facility positions us well for future growth.

The economic condition and outlook for the region has improved over the prior year. The Metropolitan Statistical Area (MSA) includes almost 340,000 people. The number of employed individuals in the county is over 158,000. The region continues to expand and diversify its industrial base and employment opportunities. Business growth continues and employment needs are increasing. The unemployment rate decreased from 6.9% to 6.5% for Winnebago County. There is continued local collaboration to increase the quality of available workers to meet the demands of the increasingly technical and specialized job opportunities in the local area.

The region is considered an excellent location for manufacturing, trade, transportation, utilities, and educational and health services. The Rockford Region consists of Boone, Ogle, Stephenson and Winnebago counties in northern Illinois and Rock County in southern Wisconsin. The area lies in the heart of the Midwest, in very close proximity to Chicago, Milwaukee, Madison, Quad-Cities, and Peoria. Over the next ten years, employment in the local workforce area region is projected to expand by over 18,000 jobs.

The Foreign Trade Zone (FTZ) program is a partnership between the federal government and private business with the goal to protect or create new jobs in America. We believe that the FTZ can be a catalyst to improve the economic business climate of the region.

✈ INDEPENDENT AUDITOR

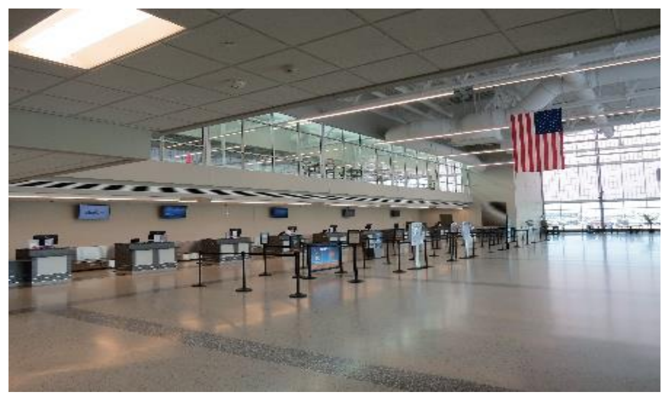
The Authority's independent accounting firm, Baker Tilly Virchow Krause, LLP, has rendered an unmodified opinion on the Authority's financial statements for the fiscal years ended April 30, 2018 and 2017, respectively which states that the financial statements present fairly, in all material respects, the results of the Authority's financial position, changes in financial position and cash flows. The Auditor's report on the financial statements is included in the financial section of the report.

The Authority participates in the federal single audit program, which consists of a single audit of federally funded programs administered by the Authority. Participation in the single audit program is mandatory as a condition for continued funding eligibility. The single audit performed by the Authority's independent accounting firm, Baker Tilly Virchow Krause, LLP, met the requirements set forth by the Federal Single Audit Act of 1996 and related Uniform Guidance. The independent auditor's report, which is issued based upon work performed in accordance with those requirements, noted no instances of non-compliance by the Authority with any applicable state or federal laws, regulations, or other matters that are required to be reported for the fiscal year ended April 30, 2018.

✈ MAJOR ACTIVITIES AND INITIATIVES

Cargo Service – This has been an excellent year for Air Cargo. Currently there are three cargo carriers, Atlas Air, ABX Air and ATI, serving one major customer. We expect to see more flights added during this year. UPS has added 13 more flights weekly to RFD and the hired an additional 250 personnel. UPS is currently expanding the capacity of the sorting facility which will increase the flight activity.

Terminal Expansion Construction – Construction began on the 30,000 square foot addition to the terminal in February 2017. The project will be completed in four phases. The new ticket counters and check-in area are operational. The new TSA screening check point and lobby area bathrooms are also completed and operational. Phase three interior construction has begun which includes inbound baggage claim, new restaurant, upstairs bathrooms, and updated gates. Phase four will include an exterior drive up canopy and is to be completed by February 2020. Upon completion of the fourth phase, the terminal will offer expanded passenger areas, increased TSA security lines, and improved baggage handling areas.



✈ CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Greater Rockford Airport Authority for its comprehensive annual financial report for the fiscal year ended April 30, 2017. The Certificate is the highest form of recognition for excellence in state and local government financial reporting.

To be awarded a Certificate of Achievement for Excellence in Financial Reporting, a governmental unit must publish an easily readable and efficiently organized, Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of only one year. The Authority has received a Certificate of Achievement for each of the last nineteen consecutive years and we believe our current report conforms to the Certificate of Achievement program requirements, and we plan on submitting it to GFOA to determine its eligibility for another certificate.

✈ OTHER GOVERNMENT FINANCE OFFICERS ASSOCIATION AWARDS

The Government Finance Officers Association awarded the Authority Management the Distinguished Budget Presentation Award for its fiscal year 2018 budget. This was the eighteenth consecutive year the Authority was presented with this award.

✈ ACKNOWLEDGEMENTS

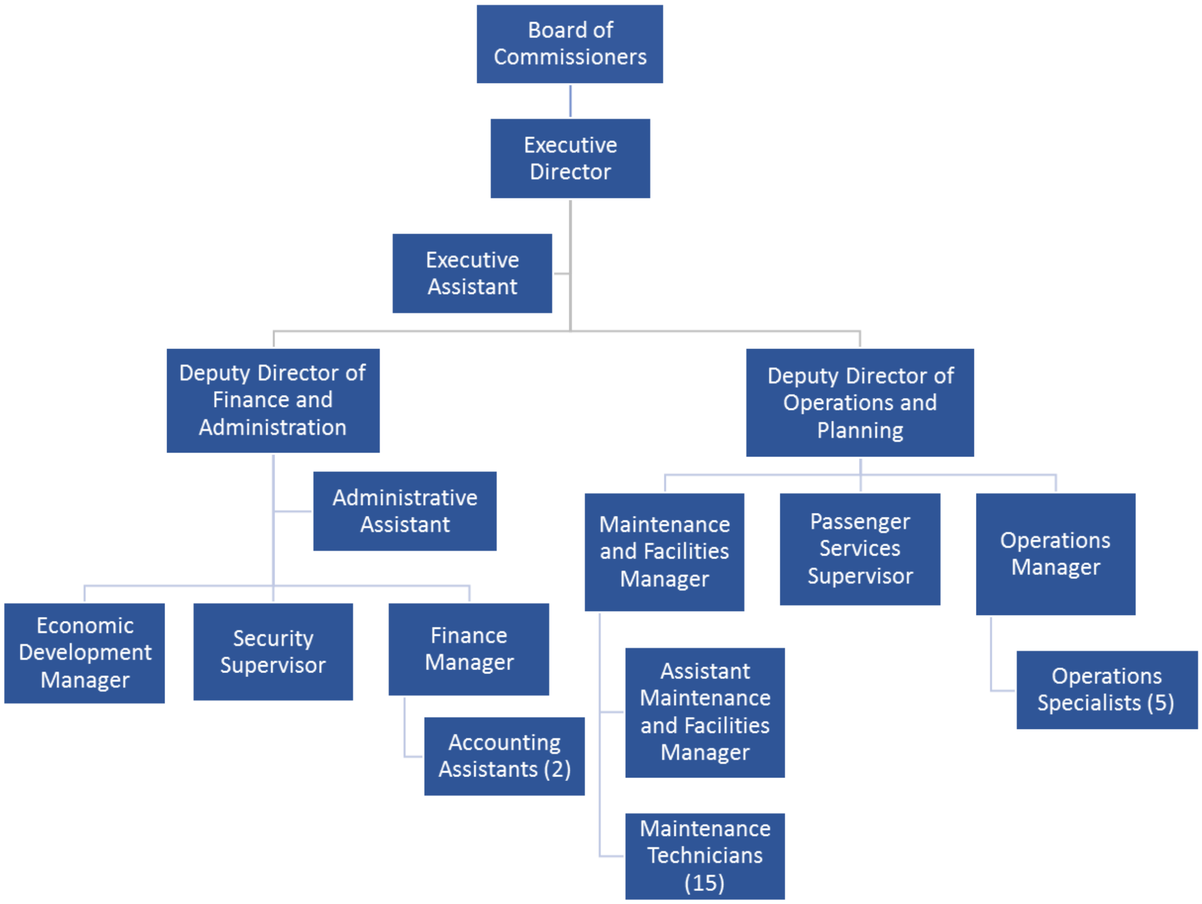
The preparation of the current comprehensive annual financial report on a timely basis was made possible with the support of the Board of Commissioners, through their guidance and support provided in the planning and conducting of the financial operations of the Authority. Their direction and counsel have helped to ensure that the Greater Rockford Airport Authority will remain a model of excellence for airports throughout the world. The members of the Finance department were instrumental in bringing this comprehensive report to completion.

Respectfully submitted,

[redacted]

Michelle Cassaro
Deputy Director of Finance and Administration

Organizational Chart, Senior Management and Board of Commissioners



Board of Commissioners

Paul Cicero, Chairman
City of Rockford

Thomas Myers, Vice Chairman
City of Loves Park

Patrick Derry, Secretary
Winnebago County

Kenneth Edward Copeland, Treasurer
City of Rockford

Pat Agnew, Commissioner
City of Rockford

Thomas Dal Santo, Assistant Secretary
Winnebago County

John Elliott, Commissioner
Village of Machesney Park

Senior Management

Mike Dunn	Executive Director
Michelle Cassaro	Deputy Director of Finance and Administration
Janette Benoit	Finance Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Greater Rockford Airport Authority

Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

April 30, 2017

[redacted]

Executive Director/CEO

Financial Section

This section contains the following subsections:

- Independent Auditors' Report
- Management's Discussion and Analysis (unaudited)
- Financial Statements
- Notes to Financial Statements
- Required Supplementary Information

BAKER TILLY

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Greater Rockford Airport Authority
Rockford, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the Greater Rockford Airport Authority,Rockford, Illinois as of and for the years ended April 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Greater Rockford Airport Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the Greater Rockford Airport Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Greater Rockford Airport Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Greater Rockford Airport Authority, Rockford, Illinois as of April 30, 2018 and 2017 and the respective changes in financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net pension liability/(asset) and related ratios, schedule of employer contributions, and the schedule of funding progress for other post-employment benefits, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Greater Rockford Airport Authority's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2018 on our consideration of the Greater Rockford Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Greater Rockford Airport Authority's internal control over financial reporting and compliance.

[redacted]

Madison, Wisconsin
August 31, 2018

ROCKFORD

RFD

CHICAGO ROCKFORD
INTERNATIONAL AIRPORT

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) of the Greater Rockford Airport Authority (the Authority) provides an introduction to the financial statements for the fiscal years ended April 30, 2018 and 2017. The information contained in this MD&A should be considered in conjunction with the information contained in the Authority's financial statements.

✈ Overview of the Financial Statements

The Authority's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Government Accounting Standards Board (GASB). The Authority is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Capital assets are capitalized and are depreciated (except land and construction in progress) over their estimated useful lives. See the Notes to Financial Statements for a summary of the Authority's significant accounting policies.

Following this MD&A are the basic financial statements of the Authority together with the notes, which are essential to a complete understanding of the data. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's finances.

The *Statement of Net Position* presents information on all the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's financial position.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Authority's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The *Statement of Cash Flows* relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. Reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

✈ Financial Highlights

A summary of the Authority's financial highlights for the year 2018 is as follows:

The assets and deferred outflows of the Authority exceeded the liabilities and deferred inflows by $109.0 million (net position) at April 30, 2018. Of this amount, $12.0 million is unrestricted.

Total liabilities increased by $1.9 million. This is primarily the result of recording accounts payable due to an intergovernmental contribution.

Operating revenues increased by 48% to $7.1 million for FY2018. Landing fee revenue increased by 53% due to increased cargo operations.

Operating expenses for FY2018 increased by 16.5% to $8.8 million. Increased cargo activity resulted in additional operational costs related to snow removal and airfield maintenance.

A summary of the Authority's financial highlights for the year 2017 is as follow:

The assets and deferred outflows of the Authority exceeded the liabilities and deferred inflows by $111.7 million (net position) at April 30, 2018. Of this amount, $16.4 million is unrestricted.

Net capital assets increased by $6.7 million. This is a result of an increase in capital assets of $17.8 million less annual depreciation of $11.1 million.

Total liabilities increased by $11.1 million. This is primarily the result of an increase in debt financing related to the investment in capital assets during FY2017.

Operating revenues decreased by 6.2% to $4.8 million for FY2017. Operating expenses for FY2018 decreased by 10.9% to $7.6 million. This is primarily a result of the absence of AirFest.

✈ Financial Position

The following represents the Authority's financial position for the fiscal years ended April 30:

	FYE18	FYE17	FYE16	% Change 2018	% Change 2017
Assets					
Current assets	$ 14,068,394	$ 13,866,522	$ 10,657,507	1.5	30.1
Capital assets - net	137,648,396	136,435,887	129,727,823	0.9	5.2
Net OPEB asset	234,192	234,192	234,841	0.0	(0.3)
Net pension asset - restricted	562,643	-	-	100.0	0.0
Due from other governments	11,227,407	11,757,667	12,783,655	(4.5)	(8.0)
Total assets	$ 163,741,032	$ 162,294,268	$ 153,403,826	0.9	5.8
Deferred outflows of resources					
Pension-related items	$ 593,992	$ 823,209	$ 930,666	(27.8)	(11.5)
Liabilities					
Current liabilities	$ 8,328,753	$ 20,398,935	$ 12,829,431	(59.2)	59.0
Long-term liabilities, less current maturities	41,966,235	27,987,795	24,391,813	49.9	14.7
Total liabilities	50,294,988	48,386,730	37,221,244	3.9	30.0
Deferred inflows of resources					
Deferred tax revenue	$ 2,954,052	$ 2,894,611	$ 2,782,827	2.1	4.0
Pension-related items	2,126,296	100,920	148,804	2,006.9	(32.2)
Total deferred inflows of resources	5,080,348	2,995,531	2,931,631	69.6	2.2
Net position					
Net investment in capital assets	$ 96,396,493	$ 95,357,086	$ 104,161,337	1.1	(8.5)
Restricted for pension	562,643	-	-	100.00	0.0
Unrestricted	12,000,552	16,378,130	10,020,280	(26.7)	63.4
Total net position	108,959,688	111,735,216	114,181,617	(2.5)	(2.1)
Total liabilities, deferred inflows of resources and net position	$ 164,335,024	$ 163,117,477	$ 154,334,492	0.7	5.7

An analysis of significant changes in net position for the year 2018 is as follows:

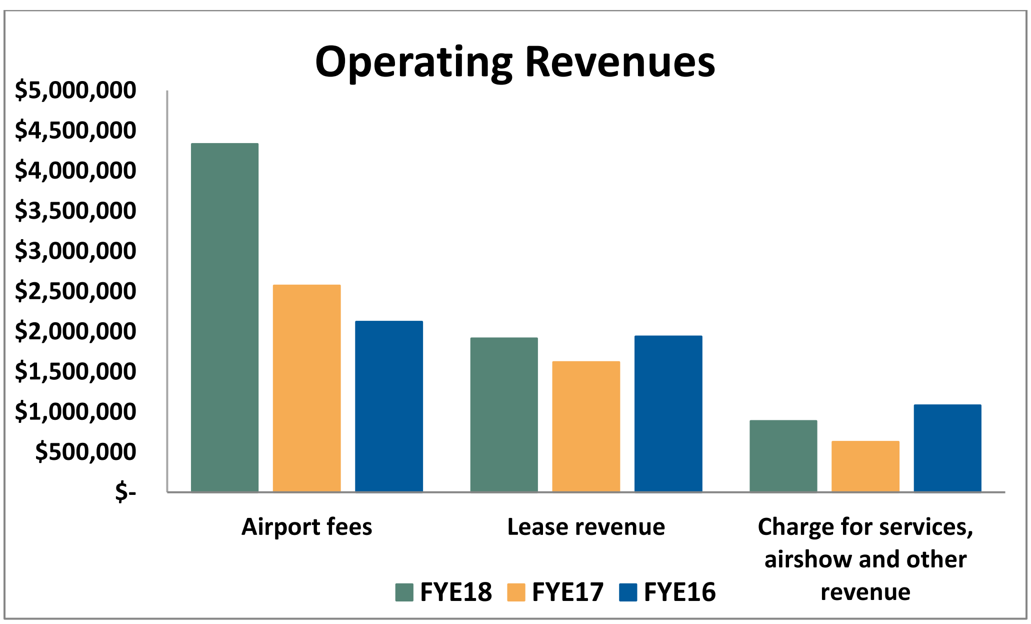
- Ending net position is $109.0 million. Of this amount $96.3 million represents net investment in capital assets, $562 thousand is restricted and $12.0 million represents unrestricted net position.
- Net position decreased by $2.7 million in 2018. This is a result of an increase in interest expense as well as an increase in depreciation related to capital projects placed in service.
- Total assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources by $109.0 million.

An analysis of significant changes in net position for the year 2017 is as follows:

- Ending net position is $111.7 million. Of this amount $95.3 million represents net investment in capital assets and $16.4 million represents unrestricted net position.
- Net position decreased by $2.4 million in 2017. This is a result of an increase in interest expense as well as an increase in depreciation related to capital projects placed in service.
- Total assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources by $111.7 million.

The Authority's summary of revenues for the fiscal years ended April 30:

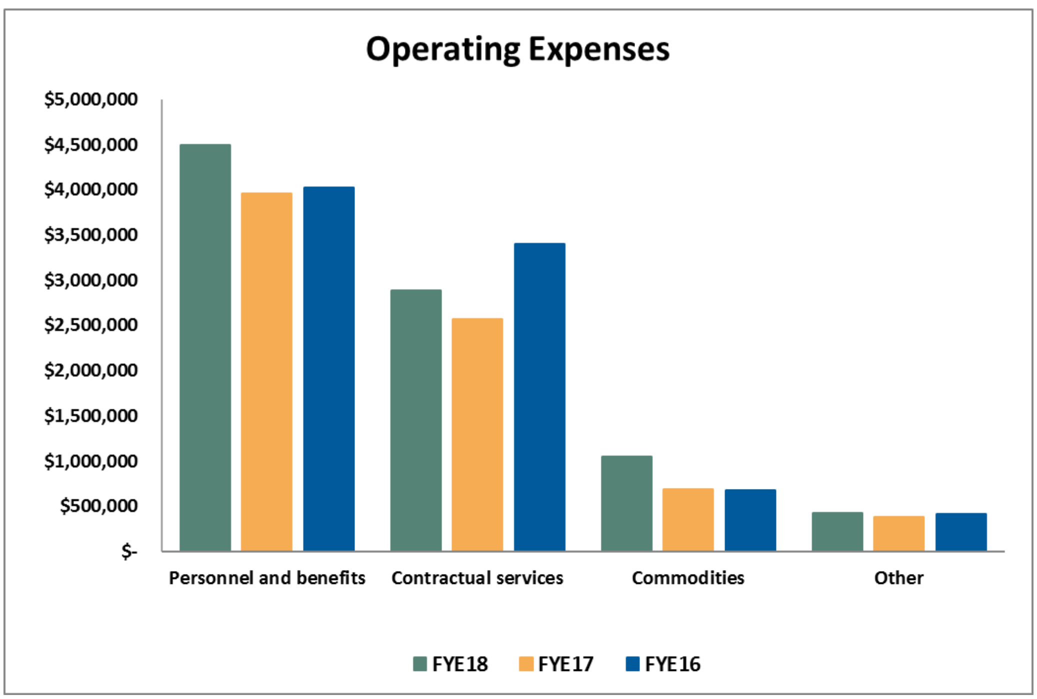
	FYE18	FYE17	FYE16	% Change 2018	% Change 2017
Operating revenues:					
Airport fees	$ 4,331,016	$ 2,571,899	$ 2,121,537	68.4	21.2
Lease revenue	1,913,107	1,620,438	1,936,549	18.1	(16.3)
Charge for services, airshow and other revenue	887,164	627,136	1,080,769	41.5	(42.0)
Total operating revenues	$ 7,131,287	$ 4,819,473	$ 5,138,855	48.0	(6.2)



- Airport fees are variable in nature and include on-airport fuel flowage and landing fees and rental car commissions. These fees are directly attributable to the direct operation of the airport. There was an increase in 2018 in airport fees from the prior year by 68.4%. Landing fees increased due to increased cargo activity.
- Lease revenues are collected from the tenants for the use of real and improved property on the airport grounds. Lease revenues increased by 18.1% in 2018 due to new lease agreements. In 2017, lease revenues decreased by 16.3% from 2016.
- Charges for services, airport service fees, and other revenues consist of several revenues collected for operating the airport. Charges for services showed a 41.5% increase for 2018 due to increased badging fees and other tenant charges. Lack of AirFest revenue caused a 42% decrease in this line item in 2017.

The following represents the Authority's summary of operating expenses before depreciation and amortization by source for the years ended April 30:

				% Change	
	FYE18	*FYE17*	*FYE16*	*2018*	*2017*
Operating expenses (excluding depreciation):					
Personnel and benefits	$ 4,495,847	$ 3,957,557	$ 4,026,916	13.6	(1.7)
Contractual services	2,886,151	2,570,490	3,402,197	12.3	(24.4)
Commodities	1,046,229	692,246	678,855	51.1	2.0
Other	421,174	377,857	418,571	11.5	(9.7)
Total operating expenses (excluding depreciation)	$ 8,849,401	$ 7,598,150	$ 8,526,539	16.5	(10.9)



- Personnel and Benefits in 2018 showed an increase of 13.6%. Staff promotions and filled vacancies during FY2018 contributed to the increase.
- Contractual Services increased by 12.3 percent in 2018. The increase is due to expenses related to increased cargo service in 2018.
- Commodities are materials the Authority purchases for maintaining the airport. Commodities costs overall were up 51.1% from prior year due to increased spending for chemicals for snow and ice removal.
- Other expenses are the costs associated with post closure care on two closed landfills on airport property, costs related to the glycol ponds and property taxes. Property taxes increased from the prior year amount.
- Non-operating revenue is comprised of property and corporate replacement taxes, interest income from investments and intergovernmental revenues and Passenger Facility Charges (PFCs). Included in the non-operating revenue category are non-operating expenses such as interest expense and intergovernmental contributions.
- Non-operating revenues and expenses decreased in 2018 by 79.4% primarily due to intergovernmental contributions recorded as payable to the City of Rockford. In addition, interest expense increased by 57.6%

The following represents the Authority's summary of changes in net position for the years ended April 30:

	FYE18	*FYE17*	*FYE16*	*% Change* *2018*	*2017*
Operating revenues					
Airport fees	$ 4,331,016	$ 2,571,899	$ 2,121,537	68.4	21.2
Lease revenue	1,913,107	1,620,438	1,936,549	18.1	(16.3)
Charge for services and other revenue	887,164	627,136	1,080,769	41.5	(42.0)
Total operating revenues	7,131,287	4,819,473	5,138,855	48.0	(6.2)
Operating expenses					
Personnel and benefits	4,495,847	3,957,557	4,026,916	13.6	(1.7)
Contractual services	2,886,151	2,570,490	3,402,197	12.3	(24.4)
Commodities	1,046,229	692,246	678,855	51.1	2.0
Other	421,174	377,857	418,571	11.5	(9.7)
Total operating expenses	8,849,401	7,598,150	8,526,539	16.5	(10.9)
Less depreciation	12,009,242	11,114,108	10,484,932	8.1	6.0
Operating Loss	(13,727,356)	(13,892,785)	(13,872,616)	(1.2)	0.1
Nonoperating revenues (expenses)					
Taxes - property and corporate	3,397,623	3,385,292	3,469,200	0.4	(2.4)
Interest income	24,694	14,532	3,335	69.9	335.7
Other income	86,279	276,832	302,444	(68.8)	(8.5)
Intergovernmental revenue	563,609	525,365	-	7.3	100.0
Passenger facility charges	484,770	497,802	495,649	(2.6)	0.4
Interest expense	(1,535,629)	(974,449)	(111,194)	57.6	776.4
Intergovermental contribution	(2,199,824)	-	-	100.0	0.0
Other expense	(58,231)	(22,841)	(727,144)	154.9	(96.9)
Total other revenues (expenses)	763,291	3,702,533	3,432,290	(79.4)	7.9
Capital contributions	10,188,537	7,743,851	17,542,390	31.6	(55.9)
Change in net position	$ (2,775,528)	$ (2,446,401)	$ 7,102,064	13.5	(134.4)
Net position, beginning of year	111,735,216	114,181,617	107,238,382		
Restatement	-	-	(158,829)		
Net position, beginning of year (as restated)	111,735,216	114,181,617	107,079,553		
Net position, end of year	$ 108,959,688	$ 111,735,216	$ 114,181,617		

Source: The Authority Finance Department

✈ Capital Assets

The investment in capital assets includes land, buildings, building improvements, runways, taxiways, roads, machinery, equipment, vehicles, furniture and fixtures. The Authority's capital assets as of April 30, 2018 totaled $137.6 million (net of accumulated depreciation). This was a net increase of $1.2 million from the prior year with annual depreciation of $12 million, $13.2 million in additions during the year, and no disposals during FY2018.

Major capital projects in process during 2018 included the following:

- Implementation of Paid Parking
- Cargo Apron Expansion
- Terminal Expansion Construction

Major capital projects in process during 2017 included the following:

- Completion of MRO Facility
- Terminal Expansion Construction

Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method. Acquisitions are funded using a variety of financing techniques, including federal and state grants, passenger facility charges, debt issuance and the Authority revenues, sinking funds and reserves.

The Authority's capital assets as of April 30, 2017 totaled $136.4 million (net of accumulated depreciation). This was a net increase of $6.7 million from the prior year with annual depreciation of $11.1 million, $17.8 million in additions during the year, and $363 thousand in disposals during FY2017.

See Notes 2 and 6 for further information on capital assets.

✈ Debt Administration

General Obligation Alternate Revenue Bonds, Series 2008

On December 1, 2008, the Authority issued General Obligation Alternate Revenue Bonds, Series 2008, in the principal amount of $8,200,000, in varying maturities up to twenty years. This issue was sold at a range of 4.30% to 5.35%. The bonds are non-taxable and secured by future Airport Improvement Program Federal Grant money expected to be received.

Balance outstanding at April 30, 2018 - $2,699,200, 2017 – $2,961,900.

Capital Lease

In 2014, the Authority entered into a tax-exempt lease purchase agreement for two Oshkosh H Series Snow Brooms. The amount of the capital lease is $1,223,800. The agreement was entered into on July 26, 2013 with the first payment due September 26, 2014 and each year after for a period of seven years. The annual interest rate is 2.91%. The annual payment of principal and interest is $196,230. There is a buy-out option of $1 at the end of the lease term.

Balance outstanding at April 30, 2018 - $556,021, 2017 – $730,980.

General Obligation Alternate Revenue Bonds, Series 2014

On November 24, 2014, the Authority issued General Obligation Alternate Revenue Bonds, Series 2014, in the principal amount of $400,000, in varying maturities for eight years and nine months. This issue was sold at 4.99% fixed. The bonds are non-taxable and secured by assignment of rents related to the lease agreement dated October 6, 2014 for property located at 40 Airport Drive.

Balance outstanding at April 30, 2018 - $270,930, 2017 – $311,994.

General Obligation Alternate Revenue Bonds, Series 2015A

On December 3, 2015, the Authority issued General Obligation Alternate Revenue Bonds, Series 2015A, in the principal amount of $8,000,000, in varying maturities for twenty years. This issue was sold at 3.19% fixed. An intergovernmental agreement was executed between the Authority and Winnebago County. The bonds are non-taxable and secured by landfill host fees revenue earned by the County.

Balance outstanding at April 30, 2018 - $7,611,181, 2017 – $7,923,890.

General Obligation Alternate Revenue Bonds, Series 2015B

On December 3, 2015, the Authority issued General Obligation Alternate Revenue Bonds, Series 2015B, in the principal amount of $5,000,000, in varying maturities for twenty years. This issue was sold at 3.19% fixed. An intergovernmental agreement was executed between the Authority and the City of Rockford. The bonds are non-taxable and secured by sales tax revenue collected by the City.

Balance outstanding at April 30, 2018 - $4,667,887, 2017 – $4,859,765.

General Obligation Alternate Revenue Bonds, Series 2015C

On December 3, 2015, the Authority issued General Obligation Alternate Revenue Bonds, Series 2015C, in the principal amount of $4,000,000, in varying maturities for twenty years. This issue was sold at 3.19% fixed. The bonds are non-taxable and secured by assignment of rents related to the lease agreement dated August 21, 2014 for property located at 6150 Cessna Drive.

Balance outstanding at April 30, 2018 - $3,695,425, 2017 – $3,887,812.

General Obligation Alternate Revenue Bonds, Series 2017

On February 8, 2017, the Authority issued General Obligation Alternate Revenue Bonds, Series 2017, in the principal amount of $4,750,000 in varying maturities for twenty years. This issue was sold with a 10-year 4.00% fixed interest rate. The interest rate will change on the first day of year eleven to the 10-year treasury rate on that day plus 1.55% and will be fixed for the remaining ten years of the term. The bonds are non-taxable and secured by revenues derived from Passenger Facility Charges.

Balance outstanding at April 30, 2018 - $4,560,936, 2017 – $4,719,533.

Lines of Credit

During FY2016, state and federal budget issues resulted in funding shortages in the construction of the MRO facility. The Authority opened a line of credit to continue construction of the facility. The initial line of credit totaled $8 million and was fully drawn down for construction-related expenses. This line of credit was paid off with bond proceeds when the Series 2015 bonds were issued in December 2015.

Bond proceeds were exhausted in March 2016. Federal and state funding was still on hold. Several local banks collaborated to authorize a second line of credit totaling $17 million. In December 2017, the line of credit was converted to a Promissory Note with a maturity date of December 10, 2022. Monthly payments consist of principal and interest in the amount of $96,229.72, based on a twenty-five (25) year amortization schedule, with the remaining principal and interest due on the new maturity date. The interest rate is a fixed rate of 4.75%. As of April 30, 2018, $16.6 million is outstanding on the note. It is expected that state and federal funds will be received prior to due date and will be utilized to pay off the note.

On September 29, 2017, the Authority entered into a Promissory Note to purchase equipment for paid parking implementation. The interest rate is a fixed rate of 4.50%. Monthly principal and interest payments of 14,003.16 will be made until the note matures on January 1, 2023. As of April 30, 2016, $676,151 remained outstanding on the note.

See Note 7 for further information on long-term debt.

The Authority is subject to debt limitations and those limitations are provided in Note 8. The Authority did not experience any negative changes in its credit rating or limitation during the year.

✈ Passenger Facility Charge (PFC)

In October 1992, the Authority received approval from the Federal Aviation Administration (FAA) to impose a PFC of $3.00 per enplaned passenger. In April 2007, the FAA approved the Authority's request to increase the PFC level to $4.50 on all remaining reimbursements. The new collection rate commenced on June 1, 2007. The total approved collectible amount is $7,476,945 and the Authority has collected PFCs, including interest earned totaling $7,128,354.

In 2016, the Authority received FAA approval to continue to impose a PFC until March 1, 2038. The total approved collectible amount is $8,627,885. PFC collections will be utilized to support the costs of the terminal expansion project including bond principal and interest payments.

✈ Factors Bearing on the Authority's Future

At the time these financial statements were prepared and audited, the Authority was unaware of any adverse existing circumstances that could significantly affect its financial health in the future.

✈ Contacting the Authority's Financial Management

This financial report is designed to provide the public with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority's Deputy Director of Finance and Administration, Michelle Cassaro, at the Greater Rockford Airport Authority, 60 Airport Drive, Rockford, Illinois 61109, 815.969.4445 or scassaro@flyrfd.com. A copy of this report as well as the last ten years can be found on our website at http://flyrfd.com/minutes/.

ROCKFORD

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INTERNATIONAL AIRPORT

Greater Rockford Airport Authority
Statements of Net Position
April 30, 2018 and 2017

Assets and Deferred Outflows of Resources	*FYE18*	*FYE17*
Current assets		
Cash and cash equivalents	$ 4,465,038	$ 5,076,147
Accounts receivable (net of allowances for uncollectibles of $3,389 and $2,249 in 2018 and 2017, respectively)	4,628,881	3,147,566
Taxes receivable	2,954,052	2,894,611
Prepaid expenses and other current assets	155,481	193,836
Due from other governments	587,883	945,239
Restricted cash and cash equivalents	1,277,059	1,609,123
Total current assets	14,068,394	13,866,522
Non-current assets		
Land	16,659,524	16,659,524
Construction in progress	23,127,499	21,353,229
Capital assets net of accumulated depreciation	97,861,373	98,423,134
Total capital assets, net	137,648,396	136,435,887
Net OPEB asset	234,192	234,192
Net pension asset - restricted	562,643	-
Due from other governments	11,227,407	11,757,667
Total non-current assets	149,672,638	148,427,746
Total assets	163,741,032	162,294,268
Deferred outflows of resources		
Pension-related items	593,992	823,209
Total deferred outflows of resources	593,992	823,209
Total assets and deferred outflows of resources	$ 164,335,024	$ 163,117,477

Liabilities, Deferred Inflows of Resources and Net Position	*FYE18*	*FYE17*
Current liabilities		
Accounts payable	$ 5,833,528	$ 1,982,796
Interest payable	194,823	183,850
Security deposits	26,823	26,919
Accrued payroll	84,279	73,766
Prepaid rent	56,146	35,453
Current maturities of long-term liabilities	2,088,098	1,295,563
Line of credit	-	16,762,190
Compensated absences	45,056	38,398
Total current liabilities	8,328,753	20,398,935
Long-term liabilities, less current maturities		
General obligation alternate revenue bond	22,098,606	23,544,292
Capital lease obligation	375,971	556,020
Promissory note	16,283,207	-
Line of credit	536,066	-
Compensated absences	87,824	82,236
Landfill closure and postclosure care	1,139,122	1,139,122
Stormwater retention	1,445,439	1,429,743
Net pension liability	-	1,236,382
Total long-term liabilities, less current maturities	41,966,235	27,987,795
Total liabilities	50,294,988	48,386,730
Deferred inflows of resources		
Deferred tax revenue	2,954,052	2,894,611
Pension-related items	2,126,296	100,920
Total deferred inflows of resources	5,080,348	2,995,531
Net position		
Net investment in capital assets	96,396,493	95,357,086
Restricted	562,643	-
Unrestricted	12,000,552	16,378,130
Total net position	108,959,688	111,735,216
Total liabilities, deferred inflows of resources and net position	$ 164,335,024	$ 163,117,477

Greater Rockford Airport Authority

Statements of Revenue, Expenses and Changes in Net Position

Years Ended April 30, 2018 and 2017

	FYE18	*FYE17*
Operating revenues		
Airport fees	$ 4,331,016	$ 2,571,899
Lease revenue	1,913,107	1,620,438
Charge for services and other revenue	887,164	627,136
Total operating revenues	7,131,287	4,819,473
Operating expenses		
Personnel and benefits	4,495,847	3,957,557
Contractual services	2,886,151	2,570,490
Commodities	1,046,229	692,246
Other	421,174	377,857
Total operating expenses	8,849,401	7,598,150
Operating loss before depreciation	(1,718,114)	(2,778,677)
Less: Depreciation	12,009,242	11,114,108
Operating loss	(13,727,356)	(13,892,785)
Nonoperating revenues (expenses)		
Taxes - property and corporate	3,397,623	3,385,292
Interest income	24,694	14,532
Passenger facility charges	484,770	497,802
Intergovernmental revenue	563,609	525,365
Other income	86,279	276,832
Interest expense	(1,535,629)	(974,449)
Intergovermental contribution	(2,199,824)	-
Loss on asset disposal	-	(10,966)
Bond issuance expense	-	(11,875)
Other expense	(58,231)	-
Total nonoperating revenues (expenses)	763,291	3,702,533
(Loss) before capital contributions	(12,964,065)	(10,190,252)
Capital contributions	10,188,537	7,743,851
Change in net position	(2,775,528)	(2,446,401)
Net position, beginning of year	111,735,216	114,181,617
Net position, end of year	$ 108,959,688	$ 111,735,216

Greater Rockford Airport Authority
Statements of Cash Flows
Years Ended April 30, 2018 and 2017

	FYE18	FYE17
Cash flows from operating activities		
Cash received from providing services	$ 7,190,800	$ 4,765,295
Cash paid to employees, including benefits	(4,017,520)	(3,752,886)
Cash paid to suppliers	(4,568,950)	(4,952,275)
Net cash used in operating activities	(1,395,670)	(3,939,866)
Cash flows from investing activities		
Interest received	24,694	14,532
Proceeds from maturities of investments	-	2,541,230
Net cash provided by investing activities	24,694	2,555,762
Cash flows from noncapital financing activities		
Cash receipts from property taxes, general	2,877,582	2,763,791
Cash receipts from corporate replacement taxes	520,041	621,501
Cash paid to city for capital contributions	(2,199,824)	-
Net cash provided by noncapital financing activities	1,197,799	3,385,292
Cash flows from capital and related financing activities		
Cash receipts from capital contributions for capital assets	8,754,585	7,209,756
Cash receipts from passenger facility charges	484,770	497,802
Payments for capital acquisitions	(9,159,804)	(21,641,842)
Principal payments on capital lease	(174,959)	(170,011)
Cash receipts from new bond issuance	-	4,750,000
Cash receipts from line of credit	700,331	12,657,414
Intergovernmental revenues	1,451,227	525,365
Principal payments on revenue bonds	(1,159,335)	(645,825)
Principal payments on promissory note	(117,975)	-
Principal payments on line of credit	(24,180)	-
Interest paid	(1,524,656)	(997,615)
Debt issuance costs	-	(11,875)
Net cash used in capital and related financing activities	(769,996)	2,173,169
Net increase (decrease) in cash and cash equivalents	(943,173)	4,174,357
Cash and cash equivalents, beginning of year	6,685,270	2,510,913
Cash and cash equivalents, end of year	$ 5,742,097	$ 6,685,270
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (13,727,356)	$ (13,892,785)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	12,009,242	11,114,108
Other income (expense)	28,048	264,957
Increase (decrease) from changes in:		
Accounts receivable	(47,362)	(304,479)
Prepaid expenses and other current assets	38,355	(79,339)
Deferred outflows - pension related	229,217	107,457
Security deposits	(99)	431
Prepaid rent	20,693	(15,087)
Accrued payroll, compensated absences and OPEB's	22,759	(7,718)
Storm water retention	15,697	11,817
Net pension liability	(1,799,025)	152,816
Accounts payable	(211,215)	(1,244,160)
Deferred inflows - pension related	2,025,376	(47,884)
Net cash used in operating activities	$ (1,395,670)	$ (3,939,866)
Reconciliation of cash and cash equivalents to the statement of net position		
Current cash and cash equivalents	$ 4,465,038	$ 5,076,147
Restricted cash and cash equivalents	1,277,059	1,609,123
Subtotal	$ 5,742,097	$ 6,685,270
Less: Non-cash equivalents	-	-
Cash and cash equivalants, end of year	$ 5,742,097	$ 6,685,270
Schedule of noncash capital and related financing activities:		
Contributions of capital assets	$ -	$ 135,487
Interest charged to construction	$ 38,932	$ 661,055

Notes to Financial Statements

The accounting methods and procedures adopted by the Greater Rockford Airport Authority conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The following notes are an integral part of the Authority's financial statements.

Note 1 – Organization and Reporting Entity

The Authority is a municipal corporation and body politic of the State of Illinois, organized in 1946 pursuant to the provisions of the Airport Authorities Act (Act) of 1945 to acquire, develop and manage the Chicago Rockford International Airport. As a municipal corporation, the Authority is independent and not an agency of the State of Illinois or any other local government unit.

The Authority is governed by a seven-member Board of Commissioners. The members are appointed as follows:

- The Mayor of the City of Rockford, 3 members;
- Winnebago County Board Chairman, 2 members;
- The Mayor of the City of Loves Park, 1 member; and
- The Village President of the Village of Machesney Park, 1 member.

The Authority members serve five-year terms, except that any person appointed to fill a vacancy will be appointed to serve the unexpired term. Members of the Board of Commissioners are eligible for reappointment. The Board selects an Executive Director to staff the respective departments and oversee the day-to-day operations.

The Authority is authorized to levy ad valorem taxes on all real property located within Winnebago County and is not subject to federal, state or local income taxes or sales taxes.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

Budgetary Data

The Authority prepares its budget partially on a cash basis. This basis is a departure from accounting principles generally accepted in the United States of America in that capital expenditures, including capital outlays and improvements, debt service and grant service, are entirely recognized in the year purchased or paid. Therefore, depreciation is not budgeted. All other revenues and expenses are budgeted on an accrual basis.

The budget process begins each October. The Deputy Director of Finance and Administration prepares a preliminary budget for review and approval by respective department heads. Upon favorable review by department heads, the Executive Director submits the budget for review, approval and adoption by the Board. The budget can be amended by the Board subsequent to its adoption.

There were no budget amendments in the fiscal years ended April 30, 2018 and 2017.

Note 2 – Summary of Significant Accounting Policies (continued)

Operating Revenues and Expenses

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services relating to the Authority's operations. The principal operating revenues of the Authority are airport fees (primarily landing fees and fuel flowage fees) and lease revenue. The Authority also recognizes certain other revenues as operating revenues, including storm water retention fees, fuel permits, quarry fees, and grant revenue for operating activities, etc. Operating expenses for the Authority include personnel and benefit costs, contractual services costs, commodities and others. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including short-term investments) with maturities of three months or less when purchased to be cash equivalents.

Investments

Investments are stated at fair value. Fair value is determined primarily on the basis of quoted market prices. Interest income is recorded as earned.

Accounts Receivable

Accounts receivable includes amounts due from Authority tenants as well as amounts due from the federal and state governments for grants. The amount shown is reduced by an estimated reserve for uncollectible accounts.

Taxes Receivable

Taxes receivable include taxes levied in the current fiscal year that will be paid in the following fiscal year. The balance is reported as unearned at year-end because the tax levy will be used to fund expenses of the following year.

Due from Other Governments

During FY2016, the Authority entered into agreements with the City of Rockford and County of Winnebago. These agreements provide for quarterly payments from the City and County towards the 2015 Series A and Series B bonds. Total payments remaining to be received from the City and County are reflected on the Statement of Net Position.

Compensated Absences

The Authority accrues vacation and sick pay benefits as earned by its employees. Employees are expected to use their accrued vacation in the calendar year in which it is accrued. An employee whose employment terminates will be paid for accrued unused vacation days. Sick leave not used in a calendar year can be carried over to subsequent years up to a maximum of 75 days. Upon termination of employment, an employee may receive payment in the amount of 25% of accrued sick time.

Note 2 – Summary of Significant Accounting Policies (continued)

Capital Assets

All individual items with a cost in excess of $2,000 that provide more than one year of economic benefit are capitalized. Depreciation and amortization are calculated by the straight-line method using the assets' useful life that is classified as follows:

	Years
Buildings	20
Infrastructure	20
Equipment, office equipment and vehicles	3-10
Intangible Assets	5-10

Routine maintenance and repairs are expensed as incurred. Significant betterment and improvements are capitalized and depreciated over their estimated useful lives. Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period. Donated capital assets, donated works of art and similar items, in addition to capital assets received in a service concession arrangement, are recorded at their estimated acquisition value at the date of donation. Airport Improvement Projects (AIP) financed by State of Illinois are capitalized as contributed capital using the most available information as provided by the Illinois Division of Aeronautics.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position contains a separate category titled deferred outflows of resources, which represents a consumption of net position that applies to a future period. In FY2016, the Authority implemented GASB Statement No. 68 resulting in deferred outflows of resources related to pension contributions made subsequent to the measurement date. For further information, see note 9.

In addition to liabilities, the statement of net position contains a separate category titled deferred inflows of resources, which represents an acquisition of net position that applies to a future period. The Authority recognizes taxes levied in the current fiscal year that will be paid in the following fiscal year as deferred inflows. The balance is reported as deferred inflows of resources at year-end because the tax levy will be used to fund expenses of the following year.

In FY2016, the Authority implemented GASB Statement No. 68 resulting in deferred inflows of resources related to pension related items. For further information, see note 9.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Position

The Authority classified its net position in three categories as follows:

Net Investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted results when constraints placed on net position use are either externally imposed by creditors, grantors, and the like, or imposed by law through constitutional provisions or enabling legislation. The Authority had restricted net position of $562,643 at April 30, 2018 and no restricted net position at April 30, 2017.

Note 2 – Summary of Significant Accounting Policies (continued)

Unrestricted consist of all other net position that does not meet the criteria above.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Comparative Data – Certain amounts presented in the prior year data may have been reclassified to be consistent with the current year's presentation.

Note 3 – Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments of the Authority at April 30 consist of the following:

	2018	2017
Cash and cash equivalents		
Cash on hand	$ 520	$ 520
Deposits and money market accounts	4,464,518	5,075,627
Total cash and cash equivalents	4,465,038	5,076,147
Restricted cash and cash equivalents	1,277,059	1,609,123
Total cash, cash equivalents and investments	$ 5,742,097	$ 6,685,270

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned to it. The Authority has a policy regarding custodial credit risk which requires that funds on deposit in excess of FDIC or FSLIC limits be secured by either securities guaranteed by the full faith and credit of the United States of America or obligations of the United States of America or its agencies. The Authority's policy also requires that the amount of collateral provided shall not be less than 105% of the fair market value of the funds secured. Pledged collateral shall be held by the Authority or in safekeeping, evidenced by a safekeeping agreement. Collateral in safekeeping must be held by a third party or by an escrow agent of the pledging institution. As of year-end, the Authority did not have any deposits exposed to custodial credit risk.

Custodial Credit Risk – Investments: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy addresses custodial credit risk, as applicable, as detailed under *Custodial Credit Risk – Deposits*.

Interest Rate Risk: - Investments: The Authority had no investments at year-end for FY2018 and FY2017.

The Authority does not have a policy on interest rate risk however investments are structured so funds are available to meet ongoing operations and those funds intended for longer term purposes are invested to maturity dates to reflect potential future uses with limited maturity lengths.

Credit Risk:

The Greater Rockford Airport Authority may invest public funds in certain types of security as allowed by the Public Funds Investment Act, 30 ILCS 235 et seq. "Public Funds" are defined as current operating funds, special funds, interest and sinking funds, and funds of any kind belonging to or in the custody of the Greater Rockford Airport Authority. While the Public Funds Investment Act allows the investment of public funds in a wider range of possible securities, it is the policy of the Greater Rockford Airport Authority that its investments be limited to the allowed securities as identified hereof.

Note 3 – Cash, Cash Equivalents and Investments (continued)

Allowable securities are as follows:

- Bonds, notes, certificates of indebtedness, treasury bills, or other securities, which are guaranteed by the full faith and credit of the United States of America.
- Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies.
- Any interest-bearing account, deposit (including certificates of deposit), or any other investment constituting direct obligations of any bank, collateralized pursuant to Section 6, and as defined by the Illinois Banking Act and only those insured by the Federal Deposit Insurance Corporation (FDIC).
- Any repurchase agreements not to exceed 330 days as provided for in 30 ILCS 235/2 (h) so long as such repurchase agreements comply with said statute and are supported by the full faith and credit of the United States of America.

The Authority does not have any investments exposed to credit risk.

Concentration of Credit Risk – Investments: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority's investment policy allows for no more than 40% of the total investment portfolio, exclusive of U.S. Treasury securities held in safekeeping to be held at one financial institution. The Authority does not have any investments exposed to concentration of credit risk.

Note 4 – Property Taxes

Property taxes are recognized as a receivable at the time they are levied. The taxes receivable at April 30, 2018 represent the 2017 tax levy, for which the Authority was required to file its tax levy with the Winnebago County Clerk by the last Tuesday of December. These taxes were assessed and attached as an enforceable lien on the real property as of the preceding January 1.

Tax bills are normally mailed by May 1, and are due in two equal installments in June and September. These taxes are collected by the County Collector, who in turn remits to the Authority its respective share.

Property taxes levied in the current year are measurable but not available to finance current operations and, therefore, are recorded as deferred inflows of resources. Property tax revenues are recognized in the year following the levy.

No allowances for uncollectible is provided as historical collections have shown that over 99% of all funds are received.

Replacement Tax Allotments

On January 1, 1979, the Corporate Personal Property Tax was abolished and on August 11, 1979, a new tax called the Personal Property Replacement Tax (Replacement Tax) was created. The State law mandates that the Replacement Tax is to be first applied toward payment of the proportionate amount of debt service previously paid from personal property tax levies. Next, the revenues are to be applied to payment of the proportionate share of pension or retirement obligations until satisfied; any remaining monies are to be distributed to other funds, which were previously supported by personal property taxes. The Authority recognizes revenue from the Replacement Tax when it becomes measurable and available in accordance with accounting principles generally accepted in the United States of America. For fiscal years ended April 30, 2018 and 2017; $520,041 and $621,501, respectively have been recognized.

Note 5 – Restricted Assets

As of April 30, 2018 and April 30, 2017, restricted assets consist of amounts received from the City of Rockford and Winnebago County for future payments on debt services. Funds may only be used for debt service payments for the 2015 Series bonds. In addition, a portion of the restricted assets as of April 30, 2018 and April 30, 2017 consisted of unspent bond proceeds. As of April 30, 2018, the Authority has a restricted net pension asset.

Note 6 – Capital Assets

Changes in capital assets are summarized as follows for the year ended April 30, 2018:

	April 30, 2017	Additions	Transfers	Disposals	April 30, 2018
Capital assets not being depreciated:					
Land	$ 16,659,524	$ -	$ -	$ -	**$ 16,659,524**
Construction in progress - Grants	18,642,697	12,004,480	(8,782,754)	-	**21,864,423**
Construction in progress - GRAA	2,710,532	1,160,602	(2,608,058)	-	**1,263,076**
Total capital assets not being depreciated	38,012,753	13,165,082	(11,390,812)	-	**39,787,023**
Capital assets being depreciated:					
Buildings	65,607,834	8,639	-	-	**65,616,473**
Vehicles	653,763	-	-	-	**653,763**
Equipment	13,068,769	49,608	-	-	**13,118,377**
Infrastructure	162,231,899	-	11,390,812	(1,578)	**173,621,133**
Office equipment	477,266	-	-	-	**477,266**
Total capital assets being depreciated	242,039,530	58,247	11,390,812	(1,578)	**253,487,011**
Less accumulated depreciation:					
Buildings	19,113,872	2,749,392	-	-	**21,863,264**
Vehicles	569,256	32,855	-	-	**602,111**
Equipment	10,571,623	571,870	-	-	**11,143,493**
Infrastructure	113,198,085	8,616,741	-	-	**121,814,826**
Office equipment	163,560	38,384	-	-	**201,944**
Total accumulated depreciation	143,616,396	12,009,242	-	-	**155,625,638**
Total capital assets being depreciated, net	98,423,134	(11,950,995)	11,390,812	(1,578)	**97,861,373**
Total capital assets, net	$ 136,435,887	$ 1,214,086	$ -	$ (1,578)	**$ 137,648,396**

Changes in capital assets are summarized as follows for the year ended April 30, 2017:

	April 30, 2016	Additions	Transfers	Disposals	April 30, 2017
Capital assets not being depreciated:					
Land	$ 16,659,524	$ -	$ -	$ -	**$ 16,659,524**
Construction in progress - Grants	11,125,465	7,517,232	-	-	**18,642,697**
Construction in progress - GRAA	31,110,822	9,868,952	(38,269,242)	-	**2,710,532**
Total capital assets not being depreciated	58,895,811	17,386,184	(38,269,242)	-	**38,012,753**
Capital assets being depreciated					
Buildings	27,691,208	-	37,916,626	-	**65,607,834**
Vehicles	699,023	37,973	-	(83,233)	**653,763**
Equipment	13,341,604	6,970	-	(279,805)	**13,068,769**
Infrastructure	161,796,919	396,408	38,572	-	**162,231,899**
Office equipment	157,618	5,603	314,045	-	**477,266**
Total capital assets being depreciated	203,686,372	446,954	38,269,242	(363,038)	**242,039,530**
Less accumulated depreciation					
Buildings	17,295,859	1,818,013	-	-	**19,113,872**
Vehicles	605,204	47,285	-	(83,233)	**569,256**
Equipment	10,181,303	670,125	-	(279,805)	**10,571,623**
Infrastructure	104,634,943	8,563,142	-	-	**113,198,085**
Office equipment	137,051	26,509	-	-	**163,560**
Total accumulated depreciation	132,854,360	11,125,074	-	(363,038)	**143,616,396**
Total capital assets being depreciated, net	70,832,012	(10,678,120)	38,269,242	-	**98,423,134**
Total capital assets, net	$ 129,727,823	$ 6,708,064	$ -	$ -	**$ 136,435,887**

Depreciation expense may differ from the statements of revenue, expenses and changes in net position when compared to additions to accumulated depreciation because of salvage, cost of removal, or costs associated with the disposal of assets. Capital assets were transferred between Construction in Progress – GRAA to Construction in Progress – Grants during FY2018 to reflect the correct classification.

Note 7 – Long-Term Debt

Changes in long-term debt are summarized as follows for the year ended April 30, 2018:

	April 30, 2017	*Additions*	*Reductions*	***April 30, 2018***	*Amount Due in One Year*
General obligation alternate revenue bond 2008	$ 2,961,900	$ -	$ 262,700	**$ 2,699,200**	$ 556,901
Capital lease obligation	730,980	-	174,959	**556,021**	180,049
General obligation alternate revenue bond 2014	311,994	-	41,064	**270,930**	44,050
General obligation alternate revenue bond 2015 - Series A	7,923,890	-	312,709	**7,611,181**	323,092
General obligation alternate revenue bond 2015 - Series B	4,859,765	-	191,878	**4,667,887**	198,159
General obligation alternate revenue bond 2015 - Series C	3,887,812	-	192,387	**3,695,425**	119,595
General obligation alternate revenue bond 2017	4,719,533	-	158,597	**4,560,936**	165,159
Line of Credit - MRO *	16,762,190	-	16,762,190	**-**	-
Promissory Note - MRO *	-	16,762,190	117,975	**16,644,215**	361,008
Line of Credit - Parking Equipment	-	700,331	24,180	**676,151**	140,085
Other liabilities - Compensated absences	120,634	132,880	120,634	**132,880**	45,056
	$ 42,278,698	$ 17,595,401	$ 18,359,273	**$ 41,514,826**	$ 2,133,154

* The line of credit for the MRO project was converted to the promissory note – MRO in December 2017.

Changes in long-term debt are summarized as follows for the year ended April 30, 2017:

	April 30, 2016	*Additions*	*Reductions*	***April 30, 2017***	*Amount Due in One Year*
General obligation alternate revenue bond 2008	$ 3,210,500	$ -	$ 248,600	**$ 2,961,900**	$ 262,700
Capital lease obligation	900,991	-	170,011	**$ 730,980**	174,959
General obligation alternate revenue bond 2014	350,219	-	38,225	**311,994**	41,064
General obligation alternate revenue bond 2015 - Series A	8,000,000	-	76,110	**$ 7,923,890**	312,854
General obligation alternate revenue bond 2015 - Series B	5,000,000	-	140,235	**$ 4,859,765**	191,878
General obligation alternate revenue bond 2015 - Series C	4,000,000	-	112,188	**3,887,812**	153,502
General obligation alternate revenue bond 2017	-	4,750,000	30,467	**4,719,533**	158,606
Line of Credit	4,104,776	12,657,414	-	**$ 16,762,190**	16,762,190
Other liabilities - Compensated absences	119,089	120,634	119,089	**$ 120,634**	38,398
	$ 25,685,575	$ 17,528,048	$ 934,925	**$ 42,278,698**	$ 18,096,151

Note 7 – Long-Term Debt (continued)

Capital Lease

In 2014, the Authority entered into a tax-exempt lease purchase agreement for two Oshkosh H Series Snow Brooms. The amount of the capital lease is $1,223,800. The agreement was entered on July 26, 2013 with the first payment due September 26, 2014 and each year after for a period of seven years. The annual interest rate is 2.91%. The annual payment of principal and interest is $196,230. There is a buy-out option of $1 at the end of the lease term. The accumulated depreciation and depreciation expense for the year is $550,710 and $122,380, respectively. Principal and interest payments on the lease are due as follows:

Years	*Principal*	*Interest*	*Total*
FYE19	180,050	16,180	196,230
FYE20	185,289	10,941	196,230
FYE21	190,682	5,549	196,231
Total payments	556,021	32,670	588,691
Less current maturities	180,050	16,180	196,230
Long-term portion of the obligation	$ 375,971	$ 16,490	$ 392,461

Revenue Bonds

In 2008, the Authority issued $8.2 million of alternative revenue bonds. The 2008 Bonds shall mature on December 1 in each year with final payment due December 1, 2022. Interest payments are due semiannually on June 1 and December 1. Prior to December 2010, the Bonds shall bear interest at the fixed rate of 4.3% per annum. On and after December 1, 2010, the Bonds shall bear interest at a variable interest rate equal to the lesser to the 90-day LIBOR plus 150 basis points or 9% interest per annum.

On November 24, 2014, the Authority issued General Obligation Alternate Revenue Bonds, Series 2014, in the principal amount of $400,000, maturing in eight years and nine months. This issue was sold at 4.99% fixed. The bonds are non-taxable and secured by assignment of rents related to the lease agreement dated October 6, 2014 for property located at 40 Airport Drive.

On December 3, 2015, the Authority issued General Obligation Alternate Revenue Bonds, Series 2015A, in the principal amount of $8,000,000, in varying maturities for twenty years. This issue was sold at 3.19% fixed. An intergovernmental agreement was executed between the Authority and Winnebago County. The bonds are non-taxable and secured by landfill host fees revenue earned by the County.

On December 3, 2015, the Authority issued General Obligation Alternate Revenue Bonds, Series 2015B, in the principal amount of $5,000,000, in varying maturities for twenty years. This issue was sold at 3.19% fixed. An intergovernmental agreement was executed between the Authority and the City of Rockford. The bonds are non-taxable and secured by sales tax revenue collected by the City.

On December 3, 2015, the Authority issued General Obligation Alternate Revenue Bonds, Series 2015C, in the principal amount of $4,000,000, in varying maturities for twenty years. This issue was sold at 3.19% fixed. The bonds are non-taxable and secured by assignment of rents related to the lease agreement dated August 21, 2014 for property located at 6150 Cessna Drive.

On February 8, 2017, the Authority issued General Obligation Alternate Revenue Bonds, Series 2017, in the principal amount of $4,750,000 in varying maturities for twenty years. This issue was sold with a 10-year 4.00% fixed interest rate. The interest rate will change on the first day of year eleven to the 10-year treasury rate on that day plus 1.55% and will be fixed for the remaining ten years of the term. The bonds are non-taxable and secured by revenues derived from Passenger Facility Charges.

Note 7 – Long-Term Debt (continued)

Principal and interest payments on the bonds are due as follows:

Bonds - Total

Years	*Principal*	*Interest*	*Total*
FYE19	1,406,955	767,428	2,174,383
FYE20	1,510,443	746,344	2,256,787
FYE21	1,579,874	690,262	2,270,136
FYE22	1,915,269	627,288	2,542,557
FYE23	1,025,144	571,687	1,596,831
FYE24-FY28	5,375,795	2,324,678	7,700,475
FYE29-FY33	6,350,740	1,467,337	7,818,077
FYE34-FYE37	4,341,341	252,389	4,593,730
Total payments	23,505,561	7,447,413	30,952,974
Less current maturities	1,406,955	767,428	2,174,383
Long-term portion of the obligation	$ 22,098,606	$ 6,679,985	$ 28,778,591

The Authority has pledged the Airport Improvement Program (AIP) Federal Grant money it expects to receive in the future as a government revenue source to repay $8.2 million in general obligation alternate revenue bonds issued December 2008. Proceeds from the bonds provided financing to implement certain improvements to the Airport through construction of the Northwest Quadrant Air Cargo Apron and Access Taxiway. The bonds are payable from the revenues derived from the grants to be received by the Authority from the United States of America pursuant to the AIP administered by the Federal Aviation Administration and are payable through fiscal 2022. AIP grant revenue is pledged to produce 125% of the debt service requirements over the life of the bonds. Annual principal and interest payments range from $650,385 to $946,565 with interest due semi-annually and principal due annually. Interest costs incurred in 2018 were $83,527 with $0 interest capitalized. Interest required to be paid in 2017 was $69,985 with $0 interest capitalized. No AIP revenues were received for bond payments in FY2018.

The Authority has pledged future rents received as the revenue source to repay $400,000 in general obligation alternate bonds issued in November 2014. Annual principal and interest payments range from $17,464 - $60,230 with interest due semi-annually and principal due annually. Interest costs incurred in 2018 were $14,846 with $0 interest capitalized. Interest costs incurred in 2017 were $16,845 with $0 interest capitalized.

In December 2015, the Authority issued $17 million in general obligation alternate revenue bonds. Annual principal and interest payments are $1,189,503 with interest and principal payments due quarterly. Intergovernmental agreements with the City of Rockford and Winnebago County require the City and the County to make payments to the airport sufficient to pay the principal and interest on Revenue Bonds, Series 2015A and 2015B. Pledged revenues consist of future rents for the Authority, sales tax revenue for the City, and landfill host fees for the County. Interest costs in 2018 totaled $561,741 with $0 interest capitalized. Interest costs in 2017 totaled $544,865 with $90,577 interest capitalized. In FY2018, pledged revenues were received in the amounts required to meet debt obligations.

In February 2017, the Authority issued $4.75 million in general obligation alternate revenue bonds. Annual principal and interest payments are $347,100 with interest and principal payments due monthly. Interest costs incurred in 2018 were $188,503 with $188,503 interest capitalized. Interest required to be paid in 2017 was $27,383 with $27,383 interest capitalized. PFC revenues received in the amount of $347,100 covered debt obligation in FY2018.

Note 7 – Long-Term Debt (continued)

Other Debt Information

During FY2016, state and federal budget issues resulted in funding shortages in the construction of the MRO facility. The Authority opened a line of credit to continue construction of the facility. The initial line of credit totaled $8 million and was fully drawn down for construction-related expenses. This line of credit was paid off with bond proceeds when the Series 2015 bonds were issued in December 2015.

Bond proceeds were exhausted in March 2016. Federal and state funding was still on hold. Several local banks collaborated to authorize a second line of credit totaling $17 million. In December 2017, the line of credit was converted to a Promissory Note with a maturity date of December 10, 2022. Monthly payments consist of principal and interest in the amount of $96,229.72, based on a twenty-five (25) year amortization schedule, with the remaining principal and interest due on the new maturity date. The interest rate is a fixed rate of 4.75%. As of April 30, 2018, $16.6 million is outstanding on the note. It is expected that state and federal funds will be received prior to due date and will be utilized to pay off a substantial portion of the note. Principal and interest payments are adjusted annually.

On September 29, 2017, the Authority entered into a line of credit to purchase equipment for paid parking implementation. The interest rate is a fixed rate of 4.50%. Monthly principal and interest payments of $14,003.16 will be made until the note matures on January 1, 2023. As parking revenues increase, payments will be increased to reduce the debt earlier. As of April 30, 2018, $676,151 remained outstanding on the note.

Note 8 – Legal Debt Margin

Pursuant to the Airport Authorities Act, the Authority is given the right to issue tax secured bonds without the approval of voters within its boundaries for construction and development of an airport, provided that:

1. The total of the bonds previously issued or to be issued does not exceed three-quarters percent (0.75%) of the total assessed valuation of all taxable properties within the Authority's boundaries, and
2. The plans and specifications are submitted to the State of Illinois Department of Transportation, Division of Aeronautics for approval.

The Authority may issue additional bonds; however, voter approval is required. The total amount of the bonds may not exceed two and three tenths percent (2.3%) of the total assessed valuation. The 2.3% debt limit is calculated as of the time of issuance of the bonds and includes all Authority indebtedness. The Authority is also subject to a 2.875% debt limitation with respect to all outstanding indebtedness. This limit is calculated as of the date of issuance of any debt, except tax anticipation notes, tax anticipation warrants and revenue bonds.

The legal debt margins as of April 30, 2018 are summarized as follows:

	Without Voter Approval	*With Voter Approval*	*Total Debt Limitation*
Assessed valuation at April 30, 2017	$ 2,680,627,963	$ 2,680,627,963	$ 2,680,627,963
Debt limit percentages	0.75%	2.30%	2.875%
	20,104,710	61,654,443	77,068,054
Total debt applicable to debt limit	-	23,505,559	23,505,559
Total	-	23,505,559	23,505,559
FYE18 Legal debt margins	$ 20,104,710	$ 38,148,884	$ 53,562,495

Note 9 – Pension Plan

Plan Description. The Authority participates in a multi-employer defined benefit plan. All employees must be enrolled in IMRF as participating members. IMRF has a two-tier plan. Members who first participated in IMRF or an Illinois Reciprocal System prior to January 1, 2011 participate in Tier 1. All other members participate in Tier 2. For Tier 1 participants, pension benefits vest after 8 years of service. Participating members who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1 2/3% of their final rate of earnings (average of the highest 48 consecutive months' earnings during the last 10 years) for credited service up to 15 years and 2% for each year thereafter.

For Tier 2 participants, pension benefits vest after 10 years of service. Participating members who retire at or after age 67 with 10 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1 2/3% of their final rate of earnings (average of the highest 96 consecutive months' earnings during the last 10 years, capped at $106,800) for credited service up to 15 years and 2% for each year thereafter. However, an employee's total pension cannot exceed 75% of their final rate of earnings. If an employee retires after 10 years of service between the ages of 62 and 67, and has less than 30 years of service credit, the pension will be reduced by 1/2% for each month that the employee is under the age of 67. If an employee retires after 10 years of service. between the ages of 62 and 67, and has between 30 and 35 years of service credit, the pension will be reduced by the lesser of 1/2% for each month that the employee is under the age of 67 or 1/2% for each month of service credit less than 35 years. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by Illinois Compiled Statutes.

Plan membership. At December 31, 2017, the measurement date, membership in the plan was as follows:

Retirees and beneficiaries	54
Inactive, non-retired members	22
Active members	35
Total	111

Contributions. As set by statute, Authority employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The statute requires the Authority to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Authority's actuarially determined contribution rate for calendar year 2017 was 8.84% percent of annual covered payroll. The Authority also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability/(Asset). The net pension liability/(asset) was measured as of December 31, 2017, and the total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date.

Summary of Significant Accounting Policies. For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of IMRF and additions to/deductions from IMRF fiduciary net position have been determined on the same basis as they are reported by IMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 9 – Pension Plan (continued)

Actuarial Assumptions. The assumptions used to measure the total pension liability at December 31, 2017 included an (a) 7.50% investment rate of return, (b) projected salary increases of 3.39 to 14.25%, including inflation, and (c) inflation of 2.50%. The retirement age is based on experience-based table of rates that are specific to the type of eligibility condition. The tables were last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016. The actuarial cost method was entry age normal and the asset valuation method was market value.

Mortality. For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Long-Term Expected Real Rate of Return. The long-term expected rate of return on pension plan investments was determined using an asset allocation study in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce long-term expected rate of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic equity	37%	6.85%
International equity	18%	6.75%
Fixed income	28%	3.00%
Real Estate	9%	5.75%
Alternative investments	7%	2.65-7.35%
Cash equivalents	1%	2.25%

Discount rate. The discount rate used to measure the total pension liability for IMRF was 7.50%. The discount rate calculated using the December 31, 2017 measurement date was 7.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the fiduciary net position was projected not to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments of 7.50% was blended with the index rate of 3.78% for tax exempt municipal bonds to arrive at a discount rate of 7.50% used to determine the total pension liability. The year ending December 31, 2117 is the last year in the 2018 to 2117 projection period for which projected benefit payments are fully funded.

Note 9 – Pension Plan (continued)

Discount rate sensitivity. The following is a sensitivity analysis of the net pension liability/(asset) to changes in the discount rate. The table below presents the pension liability/(asset) of the Authority calculated using the discount rate of 7.50% as well as what the net pension liability/(asset) would be if it were to be calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Authority:	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	$ 17,515,426	$ 15,712,060	$ 14,217,695
Plan fiduciary net pension	16,274,703	16,274,703	16,274,703
Net pension liability/(asset)	$ 1,240,723	$ (562,643)	$ (2,057,008)

Changes in net pension liability/(asset). The Authority's changes in net pension liability for the calendar year ended December 31, 2017 was as follows:

	Increase (Decrease)		
Authority:	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balances at December 31, 2017	$ 15,712,060	$ 16,274,703	$ (562,643)

Pension expense and deferred inflows of resources and deferred inflows of resources related to pensions. For the year ended December 31, 2017, the Authority recognized pension expense of $742,054. The Authority reported deferred outflows and inflows of resources related to pension:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	31,460	426,412
Changes of assumptions	2,244	358,204
Net difference between projected and actual investment earnings	461,565	1,341,680
Contributions subsequent to the measurement date	98,723	-
Total	$ 593,992	$ 2,126,296

The amount reported as deferred outflows resulting from contributions subsequent to the measurement date in the above table will be recognized as a reduction in the net pension liability/(asset) for the year ending April 30, 2019. The remaining amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Total
FY2018	$ (408,602)
FY2019	(390,573)
FY2020	(496,432)
FY2021	(335,420)
FY2022	-
Thereafter	-
	$ (1,631,027)

Note 10 – Property Leased to Others

The Authority is a lessor of land, buildings and office space both on and off airport property. Many of these leases provide for a periodic review and redetermination of the rental amounts. Minimum future rentals on non-cancellable operating leases to be received in each of the next five years and thereafter are as follows:

Minimum lease revenue		
FYE19	$	1,722,885
FYE20		1,720,022
FYE21		1,319,471
FYE22		1,058,444
FYE23		986,703
Thereafter		4,196,784
Total	$	11,004,309

Note 11 – Commitments and Contingencies

Landfill Closure Costs

The Authority operated two (2) landfill sites and both are closed. Landfill #1 was issued a Certification of Closure by the Illinois Environmental Protection Agency (Illinois EPA) on October 10, 2002. The 15-year post-closure care period for Landfill #1 began on December 1, 2001. A Supplemental Permit Application to provide an Affidavit for Certification of Post Closure Care was submitted to the Illinois EPA on July 5, 2018 for Landfill #1. The Illinois EPA has assigned Log No. 2018-322 to the application and has a current final decision date of September 4, 2018. Landfill #2 was issued a Certification of Closure by the Illinois EPA on September 26, 2017. The 21-year post-closure care period for Landfill #2 began on May 2, 2011.

State and Federal laws and regulations require the placement of a final cover and that the Authority perform certain maintenance and monitoring functions at the sites for a minimum of fifteen (15) years thereafter. The Authority has accrued the estimated cost of these future monitoring activities. The liability estimates are based upon engineering estimates and regulatory requirements at the respective dates. However, actual costs may be higher due to inflation, changes in technology, changes in regulations, or further interpretations and directives from regulatory agencies. It is unknown and unforeseen at this time if any funds will be paid in the next 12 months.

The Authority has created a trust to finance closure and post closure care costs. At April 30, 2018 and 2017, an investment of $1,167,444 and $1,154,767, respectively, is held for this purpose. Future annual contributions to this trust will be funded by excess funds, if any, after the year-end.

A schedule of changes in the liability for landfill closure and post closure costs is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
2018	$ 1,139,122	$ -	$ -	$ 1,139,122
2017	1,139,122	-	-	1,139,122
2016	1,139,122	-	-	1,139,122

Note 11 – Commitments and Contingencies (continued)

Storm Water Treatment Plan

In accordance with the requirements of the Illinois EPA, the Authority has developed a Storm Water Treatment Plan (the Plan). To complete the Plan, the Authority has projected the estimated capital costs to be approximately $1,500,000. UPS made monthly payments through July 1999 to fund the obligation. In accordance with the agreement with UPS, interest earned on unspent funds is to be used for the capital needs related to the Storm Water Treatment Plan or returned to UPS. Unspent funding and the related earnings totaling $1,445,439 and $1,429,743 are included with investments for long-term purposes and as a liability on the balance sheet at April 30, 2018 and 2017, respectively. UPS currently pays $12,500 per month for the current operations of the treatment facility.

A schedule of changes for the liability for the Storm Water Treatment Plan is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
2018	$ 1,429,743	$ 15,696	$ -	$ 1,445,439
2017	1,417,926	11,817	-	1,429,743
2016	1,414,461	3,465	-	1,417,926

Federal and State Assisted Programs

The Authority participates in several programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government. As of April 30, 2018, significant amounts of grant expenditures have not been audited but the Authority believes that disallowed expenditures, if any, based on subsequent audits, will not have a material effect on the overall financial position of the Authority. The Authority reports constructed and contributions of capital assets received from the federal or state governments as capital contributions.

Other Post-Employment Benefits

The Authority requires all retirees to subscribe to a Medicare plan upon eligibility. As of April 30, 2018, only one retiree is not eligible for Medicare. Due to the number of retirees eligible for Medicare, most of the Authority's exposure risk transferred to Medicare reducing the OPEB liability to an amount that is no longer material to the financial statements. The following information is from the most recent actuarial valuation, May 1, 2014. For fiscal year 2019, the Authority will determine whether or not this liability is material upon implementation of GASB No. 75.

Plan Description. The Authority maintains group health, dental and life insurance programs for all employees in a single employer defined benefit healthcare plan. Retired employees, at the discretion of the Authority's Board, are included under this program. Membership in the plan consists of 17 retirees and beneficiaries and 35 active plan members for a total of 52 members.

Funding Policy. The Authority has a pay-as-you-go funding policy which means that contributions are made to the plan only to fund the amount of benefits paid each year. There are therefore no plan assets at April 30, 2018 and a separate GAAP basis audited postemployment benefit plan report is not available. During the years ended April 30, 2018 and 2017, the Authority contributed $49,658 and $66,327, respectively, to the plan.

Note 11 – Commitments and Contingencies (continued)

Annual OPEB Cost and Net OPEB Asset. The Authority's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed fifteen years. The following table shows the components of the Authority's OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Authority's net OPEB asset:

		2017
Annual required contribution	$	(94,926)
Interest on net OPEB obligation		9,394
Adjustment to annual required contribution		(21,122)
Annual OPEB cost (expense)		(106,654)
Contributions made		106,005
Change in net OPEB asset		(649)
Net OPEB asset - beginning of year		234,841
NET OPEB asset - end of year	$	234,192

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for April 30, 2018, 2017 and the two preceding years are as follows:

Year Ended April 30,		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Asset
2018	$	49,658	99.00%	$	234,192
2017		106,654	99.00%		234,192
2016		102,772	104.00%		234,840
2015		99,411	96.98%		230,218

Funding Status and Funding Progress. The Authority funds the annual insurance premiums for retirees and their beneficiaries through budget appropriation each fiscal year. Based on prior year risk for self-insurance, the authority has accumulated a net OPEB asset balance totaling $234,192. The Authority intends to maintain this balance until all retirees are removed from all Authority benefits plans.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 11 – Commitments and Contingencies (continued)

In the May 1, 2014, actuarial valuation, the entry age normal cost method was selected to value liabilities. The amortization of unfunded liabilities as a level percentage of pay over 15 years was selected to comply with the requirements for an open group.

The actuarial assumptions include a 4% rate of return (net of administrative expenses) and future payroll increases of 4%. The inflation rate used was 3.0%. The health care trend rate assumed increases of 5% with the continued long-term trend table increasing to 7.9%. Mortality, turnover, disability, and retirement ages are the same rates utilized for the Illinois Municipal Retirement Fund (IMRF). The UAAL is being amortized using a level percentage of pay over 15 years.

Risk Financing

The Authority purchases commercial insurance coverage for the various risks the Authority may encounter in its operations. Such risks of loss relate to torts; theft of, damage to and destruction of assets; errors and omissions; and workers compensation. The Authority has had no settlements in the past five years exceeding the insurance coverage purchased.

The Authority established a partial self-insurance program beginning January 1, 2008 to cover the risks of health claims and has retained the services of an outside agency to administer its self-insurance claims. The Authority does not assume unlimited liability for health claims as it maintains stop-loss coverage which covers medical expenses when they are incurred for amounts over $3,500 annually for each participant.

The changes in claims and judgments are as follows:

	Balance Beginning of Year	Claims Incurred	Claims Paid	Balance End of Year
2018	$ 82,682	$ 106,328	$ (92,253)	$ 96,757
2017	80,789	80,372	(78,479)	82,682
2016	71,820	66,416	(57,447)	80,789
2015	51,202	65,200	(44,582)	71,820

Aircraft Rescue and Firefighting Services Contract

In February 2014 the Authority entered into an agreement with Pro-Tec Fire Services Ltd for contract Aircraft Rescue and Firefighting Services. The contract was renewed in FY2018 for a period of three years expiring February 26, 2020. The agreement calls for twelve equal monthly installments of $53,583 in 2018.

Significant Tenants

The Authority has one tenant that provides more than 10% of operating revenues. United Parcel Service (UPS) contributes lease revenues as well as service fee revenue to the airport totaling $2,490,375 in FY2018 equaling 34.92% of total operating revenue.

Construction Projects

The Authority has active construction projects as of April 30, 2018. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

Note 12 – Subsequent Events

In conjunction with ongoing construction projects, the Authority has commitments for federal and state grant funding. Due to state budget constraints, funds are currently being held by the state for the projects. The Authority has initiated a promissory note as bridge funding until the state funds are released. The state FY2019 budget includes $14.7 million in appropriations to fund the project.

The Authority is currently negotiating a lease for an expansion of the existing cargo facility. On August 23, 2018, the Authority board has approved issuance of bonds in an amount not to exceed $12 million and public notice of the intent to issue bonds has been posted. Upon final lease agreement with the tenant, bonds will be issued to fund the construction of the expansion. Debt payments will be secured by landing fees for the term of the financing.

Note 13 – Pending Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions; GASB Statement No. 83, Certain Asset Retirement Obligations; GASB Statement No. 84, Fiduciary Activities; GASB Statement No. 85, Omnibus 2017; GASB Statement No. 86, Certain Debt Extinguishment Issues; and GASB Statement No. 87, Leases; GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements; and GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. Application of these standards may restate portions of these financial statements.

Required Supplementary Information

Greater Rockford Airport Authority

Schedule of Changes in the Net Pension Liability/(Asset) and Related Ratios

Illinois Municipal Retirement Fund

For the Year Ended April 30, 2018

Regular Plan	Calendar Year 2017	Calendar Year 2016	Calendar Year 2015
Total pension liability			
Service cost	$ 263,423	$ 269,855	$ 272,656
Interest	1,190,461	1,147,485	1,128,206
Differences between expected and actual experience	(550,713)	72,842	(209,310)
Changes of assumptions	(484,357)	(17,630)	16,911
Benefit payments, including refunds of employee contributions	(895,702)	(937,817)	(921,344)
Net change in total pension liability	$ (476,888)	$ 534,735	$ 287,119
Total pension liability - beginning	16,188,948	15,654,213	15,367,094
Total pension liability - ending	$ 15,712,060	$ 16,188,948	$ 15,654,213
Plan Fiduciary Net Position			
Contributions - Employer	$ 267,580	$ 265,201	$ 271,796
Contributions - Employees	132,366	115,528	147,352
Net investment income	2,745,178	987,700	73,427
Benefit payments, including refunds of employee contributions	(895,702)	(937,817)	(921,344)
Other changes	(927,285)	(48,693)	62,947
Net change in plan fiduciary net position	1,322,137	381,919	(365,822)
Total plan fiduciary net position - beginning	14,952,566	14,570,647	14,936,469
Total plan fiduciary net position - ending	$ 16,274,703	$ 14,952,566	$ 14,570,647
Net plan liability/(asset) - ending	$ (562,643)	$ 1,236,382	$ 1,083,566
Plan fiduciary net position as a percentage of the total pension liability	103.58%	92.36%	93.08%
Covered-employee payroll	$ 2,621,801	$ 2,567,293	$ 2,649,088
Net pension liability/(asset) as a percentage of covered-employee payroll	-21.46%	48.16%	40.90%

See Independent Auditors' Report and accompanying notes to required supplementary information

Note: The pension schedules are intednded to show information for ten years. Additional information will be shown as it becomes available.

Greater Rockford Airport Authority
Schedule of Employer Contributions
Illinois Municipal Retirement Fund
For the Year Ended April 30, 2018

Regular Plan	FY2018	FY2017	FY2016
Contractually determined contribution	$ 250,676	$ 250,643	$ 278,360
Actual contribution	250,676	250,643	278,360
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 2,763,493	$ 2,641,410	$ 2,590,713
Actual contribution as a percentage of covered-employee payroll	9.07%	9.49%	10.74%

Notes to Schedule:

Valuation Date: Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2017 Contribution Rates

Acturial Cost Method:	Aggregate entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	26-year closed period
Asset Valuation Method:	5-year smoothed market; 20% corridor
Wage Growth:	3.50%
Price Inflation:	2.75% approximate; No explicit price inflation assumption is used in this valuation
Salary Increases:	3.75% to 14.5% including inflation
Investment Rate of Return:	7.50%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 - 2013.
Mortality:	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014(base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used for fully generational projection scale MP-2014(base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014(base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Other Information:

Notes: There were no benefit changes during the year.

Greater Rockford Airport Authority

Schedule of Funding Progress, Other Post Employment Benefits

April 30, 2018

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
5/1/2014	$ -	975,784	(975,784)	0.00%	2,357,203	41.40%
4/30/2012	-	1,078,142	(1,078,142)	0.00%	2,469,730	43.65%
12/31/2008	-	1,366,881	(1,366,881)	0.00%	2,150,820	63.55%

Statistical Section

(Unaudited)

CONTENTS

Statistical Section
The Statistical Section presents comparative data (when available) and differs from financial statements because they usually cover more than one fiscal year and may present non-accounting data.

Financial Trends and Revenue Capacity
These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time. Also contained in these schedules is information to help the reader understand the Authority's most significant revenue sources.

Debt Capacity
This schedule presents information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the ability of the Authority to issue additional debt in the future.

Operating Information
These schedules contain information to help the reader understand and to provide contact for the Authority's operations and how this relates to the financial position.

Economic and Demographic Information
These schedules offer demographic information and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Greater Rockford Airport Authority

Schedule of Revenue, Expenses, and Changes in Net Position

Years Ended April 30, 2009 Through 2018

	FYE18	*FYE17*	*FYE16*	*FYE15*
Operating revenues				
Airport fees	$ 4,331,016	$ 2,571,899	$ 2,121,537	$ 2,079,168
Lease revenue	1,913,107	1,620,438	1,936,549	1,785,244
Charge for services, airshow and other revenue	887,164	627,136	1,080,769	1,094,545
Total operating revenues	7,131,287	4,819,473	5,138,855	4,958,957
Other revenues				
Taxes - property and corporate	3,397,623	3,385,292	3,469,200	3,490,444
Annexation agreement	-	-	-	-
Interest income	24,694	14,532	3,335	5,300
Intergovernmental revenue	563,609	525,365	-	-
Passenger facility charges	484,770	497,802	495,649	466,839
Other income	86,279	276,832	302,444	192,934
Total other revenues	4,556,975	4,699,823	4,270,628	4,155,517
Total revenues	11,688,262	9,519,296	9,409,483	9,114,474
Operating expenses				
Personnel and benefits	4,495,847	3,957,557	4,026,916	3,900,047
Contractual services	2,886,151	2,570,490	3,402,197	2,976,222
Commodities	1,046,229	692,246	678,855	947,332
Other	421,174	377,857	418,571	483,742
Depreciation	12,009,242	11,114,108	10,484,932	10,261,167
Total operating expenses	20,858,643	18,712,258	19,011,471	18,568,510
Other expenses				
Interest expense	1,535,629	974,449	111,194	103,512
Intergovernmental contribution	2,199,824	-	-	-
Loss on asset disposal	-	10,966	503,044	-
Bond issuance expense	-	11,875	224,100	-
Other Expense	58,231	-	-	-
Total nonoperating expenses	3,793,684	997,290	838,338	103,512
Total expenses	24,652,327	19,709,548	19,849,809	18,672,022
Loss before capital contribution	(12,964,065)	(10,190,252)	(10,440,326)	(9,557,548)
Capital contributions	10,188,537	7,743,851	17,542,390	11,509,023
Change in net position	$ (2,775,528)	$ (2,446,401)	$ 7,102,064	$ 1,951,475
Net position year end composed of:				
Net investment in capital assets	$ 96,396,493	$ 95,357,086	$ 104,161,337	$ 104,978,065
Restricted	562,643	-	-	932,238
Unrestricted	12,000,552	16,378,130	10,020,280	1,328,079
Total net position	$ 108,959,688	$ 111,735,216	$ 114,181,617	$ 107,238,382

Source: The Authority Finance Department

FYE14	*FYE13*	*FYE12*	*FYE11*	*FYE10*	*FYE09*
$ 2,034,860	$ 2,075,411	$ 2,150,157	$ 2,307,163	$ 2,323,416	$ 2,942,200
1,777,845	1,613,546	1,592,487	1,558,402	1,547,796	1,468,388
670,126	1,217,751	1,210,682	1,374,955	1,755,533	1,059,609
4,482,831	4,906,708	4,953,326	5,240,520	5,626,745	5,470,197
3,719,117	3,643,500	3,871,216	3,859,794	3,760,831	3,696,346
-	-	-	-	134,906	134,025
16,182	19,318	33,880	89,321	127,897	226,716
-	-	-	-	-	-
512,191	474,257	522,905	356,332	341,985	441,892
136,887	2,937	145,279	71,400	28,200	542,201
4,384,377	4,140,012	4,573,280	4,376,847	4,393,819	5,041,180
8,867,208	9,046,720	9,526,606	9,617,367	10,020,564	10,511,377
3,952,436	3,829,976	3,606,203	3,871,753	3,545,038	3,335,436
2,988,291	3,780,312	4,349,185	3,662,078	3,623,679	4,530,789
1,148,389	1,196,300	935,766	1,172,744	1,010,928	1,395,928
335,495	(13,424)	502,226	404,966	381,339	282,123
9,748,753	9,635,964	8,458,741	7,138,326	6,964,973	6,908,482
18,173,364	18,429,128	17,852,121	16,249,867	15,525,957	16,452,758
90,201	75,831	144,047	222,750	204,207	2,829
-	-	-	-	-	-
-	-	-	-	-	-
-	325,000	-	-	-	-
-	-	-	-	-	-
90,201	400,831	144,047	222,750	204,207	2,829
18,263,565	18,829,959	17,996,168	16,472,617	15,730,164	16,455,587
(9,396,357)	(9,783,239)	(8,469,562)	(6,855,250)	(5,709,600)	(5,944,210)
2,996,611	12,597,496	6,340,076	7,726,186	7,467,541	3,656,311
$ (6,399,746)	$ 2,814,257	$ (2,129,486)	$ 870,936	$ 1,757,941	$ (2,287,899)
$ 102,196,797	$ 107,937,425	$ 103,205,716	$ 100,391,965	$ 99,372,787	$ 96,518,262
-	-	-	-	-	-
3,090,110	3,749,228	5,666,680	10,609,917	10,758,159	11,854,743
$ 105,286,907	$ 111,686,653	$ 108,872,396	$ 111,001,882	$ 110,130,946	$ 108,373,005

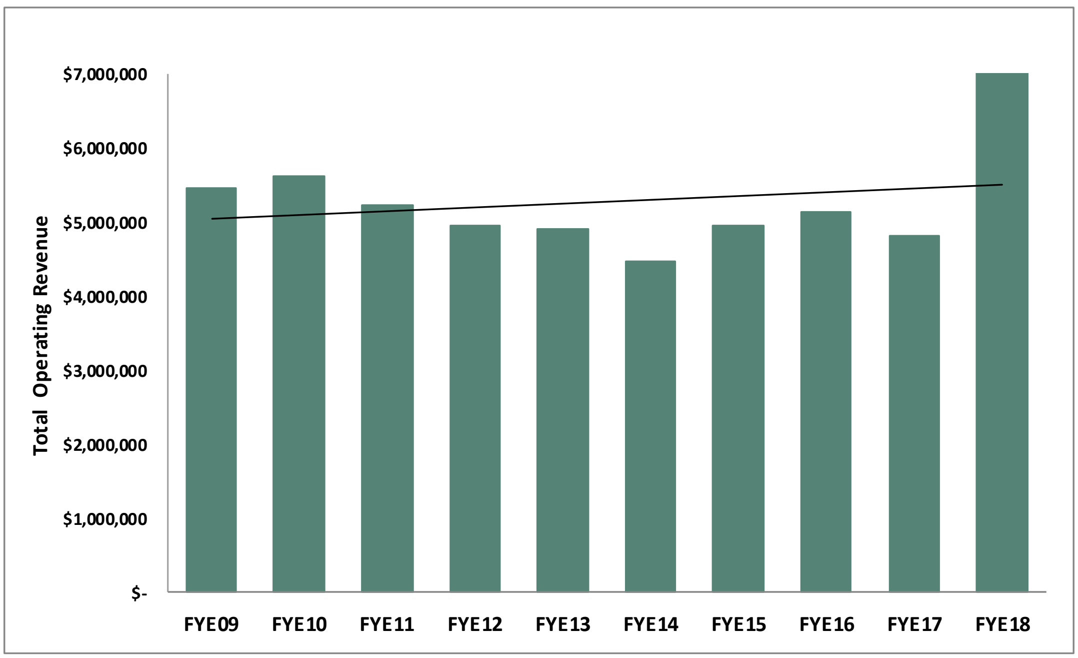
Greater Rockford Airport Authority

Schedule of Revenue by Sources

Years Ended April 30, 2009 Through 2018

	Airport Fees			*Lease Revenue*						
	Airside		*Landside*	*On Airport*			*Off Airport*			
	Fuel Flowage Fees	*Landing Fees*	*Rental Car Commission*	*Building*	*Land*	*Terminal*	*Building*	*Land*	*Other*	*Total Operating Income*
FYE09	222,524	2,549,150	170,526	582,604	367,523	49,279	150,744	318,238	1,059,609	5,470,197
FYE10	152,393	2,042,878	128,145	595,061	442,006	46,802	145,570	318,357	1,755,533	5,626,745
FYE11	171,105	1,970,044	166,014	512,448	503,965	49,185	163,545	329,260	1,374,954	5,240,521
FYE12	81,605	1,886,284	182,268	590,802	427,183	75,750	156,095	342,656	1,210,683	4,953,327
FYE13	63,652	1,820,766	190,993	652,012	385,784	58,355	153,572	363,823	1,217,751	4,906,709
FYE14	39,680	1,807,066	188,114	774,906	374,624	66,320	155,374	406,621	670,126	4,482,832
FYE15	50,088	1,842,680	186,400	759,077	348,650	57,145	163,704	456,668	1,094,544	4,958,956
FYE16	43,988	1,872,817	204,732	850,454	365,012	66,636	168,440	459,623	1,107,152	5,138,854
FYE17	36,170	2,341,279	194,450	543,599	373,220	71,644	132,470	454,767	671,874	4,819,473
FYE18	36,241	3,577,044	203,659	844,244	386,352	70,848	120,012	491,652	887,163	7,131,287

Source: The Authority Finance Department.



Greater Rockford Airport Authority

Schedule of Certain Expenses by Function and Department

Years Ended April 30, 2009 Through 2018

	FYE18	*%*	*FYE17*	*%*	*FYE16*	*%*	*FYE15*	*%*	*FYE14*	*%*
Finance & Administration	$ 2,307,294	26.1%	$ 1,905,796	25.1%	$ 1,736,000	20.4%	$ 1,761,923	21.2%	$ 1,742,428	20.7%
Facilities & Maintenance	4,042,352	45.7%	3,035,463	40.0%	2,861,555	33.6%	3,216,946	38.7%	3,445,157	40.9%
Operations	1,528,735	17.3%	1,408,065	18.5%	1,341,597	15.7%	1,262,810	15.2%	1,804,597	21.4%
Marketing	148,464	1.7%	183,262	2.4%	370,267	4.3%	307,115	3.7%	319,744	3.8%
Terminal Services	430,287	4.9%	584,137	7.7%	596,200	7.0%	639,049	7.7%	568,735	6.8%
AirFest	-	0.0%	-	0.0%	657,142	7.7%	600,477	7.2%	9,799	0.1%
Business Development	392,268	4.4%	481,426	6.3%	963,778	11.3%	224,822	2.7%	201,643	2.4%
Passenger Development	-	0.0%	-	0.0%	-	0.0%	294,203	3.5%	332,508	3.9%
Total	$ 8,849,401		$ 7,598,149		$ 8,526,539		$ 8,307,343		$ 8,424,611	

	FYE13	*%*	*FYE12*	*%*	*FYE11*	*%*	*FYE10*	*%*	*FYE09*	*%*
Finance & Administration	$ 1,539,630	17.5%	$ 1,819,927	19.4%	$ 1,945,085	21.3%	$ 1,920,384	22.4%	$ 1,881,679	19.9%
Facilities & Maintenance	2,964,152	33.7%	4,730,042	50.4%	4,711,235	51.7%	4,249,149	49.6%	4,368,573	46.2%
Operations	1,793,241	20.4%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Marketing	511,046	5.8%	1,333,872	14.2%	807,896	8.9%	821,391	9.6%	1,718,132	18.2%
Terminal Services	565,100	6.4%	770,415	8.2%	915,941	10.1%	891,356	10.4%	721,373	7.6%
AirFest	767,358	8.7%	739,124	7.9%	731,384	8.0%	678,704	7.9%	763,495	8.1%
Business Development	205,031	2.3%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Passenger Development	447,606	5.1%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total	$ 8,793,164		$ 9,393,380		$ 9,111,541		$ 8,560,984		$ 9,453,252	

Source: The Authority Finance Department.

Greater Rockford Airport Authority
Schedule of Major Tenants
Years Ended April 30, 2018 and 2009

	FYE18		*FYE09*	
	Revenue	*% Total Operating Revenue*	*Revenue*	*% Total Operating Revenue*
United Parcel Service	$ 2,490,375	34.92%	$ 2,208,812	40.38%
ATI	584,788	8.20%	360,236	6.59%
LGSTX	437,230	6.13%		
Emery Air Charter	394,958	5.54%	316,636	5.79%
Allegiant Air	264,110	3.70%	157,529	2.88%
ABX Air, Inc	218,877	3.07%	132,784	2.43%
Rock Road	112,067	1.57%	72,239	1.32%
Atlas Air	99,192	1.39%		
Rockford, Sand & Gravel	90,000	1.26%	90,000	1.65%
OSF Aviation	55,058	0.77%		
Heritage Aero	55,013	0.77%		
Pride Aircraft			83,538	1.53%
Rubloff Aviation, LLC			218,196	3.99%
Kaney Aviation			47,274	0.86%
Total	$ 4,801,668	67.33%	$ 3,687,244	67.41%

Source: The Authority Finance Department

Greater Rockford Airport Authority
Schedule of Outstanding Debt
Years Ended April 30, 2009 Through 2018

	Outstanding Debt					*Percentage of Personal*	*Total Debt Per*
	G.O. Bonds	*Capital Leases*	*Lines of Credit*	*Prom. Note*	*Total*	*Income*	*Capita*
FYE09	8,200,000	-	-	-	8,200,000	0.86	27.74
FYE10	5,174,000	-	-	-	5,174,000	0.53	17.53
FYE11	4,907,100	-	-	-	4,907,100	0.49	16.69
FYE12	4,158,750	-	-	-	4,158,750	0.39	14.24
FYE13	3,925,000	-	-	-	3,925,000	0.36	13.50
FYE14	3,691,250	-	-	-	3,691,250	0.34	12.79
FYE15	3,843,313	1,066,195	-	-	4,909,508	0.36	14.41
FYE16	20,560,719	900,991	4,104,776	-	21,461,710	1.57	63.19
FYE17	24,664,894	730,980	16,762,190	-	25,395,874	***	***
FYE18	23,505,559	556,021	676,151	16,644,215	41,381,946	***	***

Source: The Authority Finance Department
*** Population and personal income not available.

Greater Rockford Airport Authority

Schedule of Property Tax Levies and Collections

Calendar Years Ended December 31, 2008 Through 2017

	Tax Levy Year (Calendar Year)			
	2017	*2016*	*2015*	*2014*
Assessed valuations (in thousands):	$ 2,680,628	$ 2,624,282	$ 2,593,502	$ 2,648,100
Rate per $100 of assessed valuation:				
General - corporate	0.0750	0.0750	0.0750	0.0750
General - other	0.0352	0.0353	0.0323	0.0313
Bond retirement and interest		-	-	-
Total	0.1102	0.1103	0.1073	0.1063
Tax Levy:				
General purposes	2,954,052	2,894,611	2,782,827	2,814,930
Bond retirement and interest	-	-	-	-
Total tax levy	2,954,052	2,894,611	2,782,827	2,814,930
Collections: (See Notes (1) and (2))				
General purposes	-	2,877,582	2,763,791	2,787,502
Bond retirement and interest	-	-	-	-
Total collected	$ -	$ 2,877,582	$ 2,763,791	$ 2,787,502
Percent of tax levy extension collected	-	99.4%	99.3%	99.0%

Notes: (1) Current collections as shown above represent those collections made by Winnebago County on the current levy and all delinquent property taxes collected that are distributed to the Authority. Delinquent property taxes collected by the County Treasurer are distributed to the taxing units by use of the current tax rate and cannot be applied to specific years.

(2) The 2017 levy will be collected in the fiscal year ending April 30, 2018.

Tax Levy Year (Calendar Year)					
2013	*2012*	*2011*	*2010*	*2009*	*2008*
$ 2,806,901	$ 3,064,894	$ 3,350,384	$ 3,525,363	$ 3,722,982	$ 3,722,189
0.0750	0.0750	0.0750	0.0750	0.0750	0.0750
0.0293	0.0274	0.0187	0.0204	0.0151	0.0140
-	-	-	-	-	-
0.1043	0.1024	0.0937	0.0954	0.0901	0.0890
2,927,598	3,138,452	3,139,310	3,363,160	3,288,969	3,251,194
-	-	-	-	-	-
2,927,598	3,138,452	3,139,310	3,363,160	3,288,969	3,251,194
2,909,105	3,123,289	3,122,854	3,346,076	3,277,669	3,236,459
-	-	-	-	-	-
$ 2,909,105	$ 3,123,289	$ 3,122,854	$ 3,346,076	$ 3,277,669	$ 3,236,459
99.4%	99.5%	99.5%	99.5%	99.7%	99.5%

Greater Rockford Airport Authority

Schedule Assessed Values, Levies and Rates

Calendar Years Ended December 31, 2008 Through 2017

Levy Year	*Assessed Valuations (in thousands)*	*Tax Levy*			*Tax Rates*		*GRAA %*
		Operating	*Debt*	*Total*	*GRAA*	*County*	*County*
2008	3,722,189	3,251,194	-	3,251,194	0.0890	10.4536	0.85%
2009	3,722,982	3,288,969	-	3,288,969	0.0901	10.6380	0.85%
2010	3,525,363	3,363,160	-	3,363,160	0.0954	11.3239	0.84%
2011	3,350,384	3,139,310	-	3,139,310	0.0937	12.1825	0.77%
2012	3,064,894	3,138,452	-	3,138,452	0.1024	10.2183	1.00%
2013	2,806,901	2,927,598	-	2,927,598	0.1043	10.7573	0.97%
2014	2,648,100	2,814,930	-	2,814,930	0.1063	11.1185	0.96%
2015	2,593,502	2,782,827	-	2,782,827	0.1073	11.4860	0.93%
2016	2,624,282	2,894,611	-	2,894,611	0.1103	11.4189	0.97%
2017	2,680,628	2,954,052	-	2,954,052	0.1102	10.7426	1.03%

Source: The Authority Finance Department

Greater Rockford Airport Authority

Schedule of Principal Property Taxpayers in Winnebago County

Calendar Years Ended December 31, 2017 and 2008

Taxpayer	*Type of Business*	*2017 Assessed Valuation*	*Percentage of Total Assessed Valuation*	*2008 Assessed Valuation*	*Percentage of Total Assessed Valuation*
CBL/Cherryvale	Retail	$ 13,179,605		$ 15,172,154	0.31%
Lowes Home Center Inc	Retail	11,555,048	0.31%	14,776,374	0.31%
Greater Rockford Airport	Airport	10,926,443	0.30%	12,881,837	0.27%
Woodward, Inc.	Aerospace	9,804,556	0.27%		
Meier Stores Limited Partnership	Retail	8,235,649	0.22%		
Beloit Memorial Hospital	Medical Facility	7,999,200	0.22%		
Simon Property/Forest Plaza LLC	Retail/Real Estate Holdings	6,772,912	0.18%	5,079,555	0.11%
National Retail Properties	Retail	5,196,512	0.14%		
Lubrizol Holding	Retail/Real Estate Holdings	5,076,903	0.14%		
Edward Rose Associates, Inc	Real Estate Holdings	4,353,986	0.12%	4,663,783	0.10%
Walmart Real Estate Trust	Retail	4,216,647	0.11%		
Wesley Willows	Retirement/Real Estate	4,132,046	0.11%		
Jeffrey Petry	Real Estate Holdings	4,070,828	0.11%		
Kelley Williamson	Retail/Real Estate Holdings	3,984,698	0.11%		
Two Star Property Co.	Retail/Real Estate Holdings			6,119,493	0.13%
Total		$ 96,503,992	2.61%	$ 43,521,042	0.90%
		Total Assessed Valuation - $3,690,414,818		Total Assessed Valuation - $4,829,007,971	

Source: Winnebago County Clerk

Greater Rockford Airport Authority

Chicago Rockford International Airport Information

Year Ended April 30, 2018

Location:	4 miles south of downtown Rockford, IL.			
Area:	3,000 acres			
Elevation:	742 ft.			
Airport Code:	RFD			
Runways:	1/19	North/South	8,199x150 ft. ILS/GPS	
	7/25	East/West	10,004x150 ft. ILS/GPS	
Terminal:	Airlines			2,211 sq. ft.
	Tenants			4,443 sq. ft.
	Public/Common			30,433 sq. ft.
	Mechanical			7,714 sq. ft.
			Total	44,801 sq. ft.
	Number of Passenger Gates			5
	Number of Loading Bridges			5
	Number of Concessionaires in terminal			1
	Number of rental car agencies in terminal			3
Apron:	Commercial Airlines			
	Cargo Airlines			
	FBO			
Parking:	Spaces assigned:	Short-Term	1,750	
		Rental Cars	190	
		Employees	54	
Cargo:	UPS Buildings		670,000 sq. ft.	
	International Cargo Facility		70,000 sq. ft.	
	Airside Crossdock Buildings		48,600 sq. ft.	
International:	Customs/Immigration Federal Inspection Service Facility			
Tower:	TRSA 24/7-365			
FBOs:	Emery Air, Inc., North American/Pride			

Greater Rockford Airport Authority

Schedule of Staffing

Years Ended April 30, 2009 Through 2018

	2018	*2017*	*2016*	*2015*	*2014*
Board of Commissioners	7	7	7	7	7
Administration/Finance	9	8	8	8	8
Marketing	-	-	-	-	-
Facilties/Maintenance	17	17	16	16	16
Operations	8	8	8	8	7
Terminal Services	-	-	3	3	4
AirFest	-	-	1	1	-
Cargo Development	-	2	3	3	1
Passenger Development	-	-	-	-	2
	41	42	46	46	45

	2013	*2012*	*2011*	*2010*	*2009*
Board of Commissioners	7	7	7	7	7
Administration/Finance	8	10	11	11	11
Marketing	1	1	2	-	-
Facilties/Maintenance	17	21	21	21	19
Operations	8	-	-	-	-
Terminal Services	3	6	6	6	6
AirFest	-	-	-	1	1
Cargo Development	1	-	-	-	-
Passenger Development	2	-	-	-	-
	47	45	47	46	44

Source: The Authority Finance Department

Greater Rockford Airport Authority
Schedule of Air Commerce
Years Ended April 30, 2009 Through 2018

	FYE18	*% of Change from Prior year*	*FYE17*	*FYE16*	*FYE15*
Passenger Enplanements					
Scheduled	110,874		109,223	107,139	100,334
Charter	4,007		3,687	4,140	3,043
Total	114,881	3.24%	112,910	111,279	103,377
Cargo					
Enplaned	302,530,574	94.41%	186,182,879	155,612,074	141,181,977
Deplaned	223,733,967	104.21%	134,230,657	109,563,405	110,902,191
Total	526,264,541	98.46%	320,413,536	265,175,479	252,084,168
Cargo Aircraft Landed Weight	1,668,351,840	106.83%	1,028,789,640	806,624,170	788,127,660
Fuel Flowage	17,957,741	63.73%	13,104,477	10,967,938	9,799,912
Aircraft Operations	40,076	10.85%	35,246	36,154	34,816

Source: The Authority Finance Department

FYE14	FYE13	FYE12	FYE11	FYE10	FYE09
106,240	99,448	98,343	88,814	85,014	74,024
2,846	4,941	7,604	14,377	15,908	14,718
109,086	104,389	105,947	103,191	100,922	88,742
136,392,407	148,693,661	161,346,553	148,964,090	163,889,607	209,461,204
110,561,901	121,188,890	129,877,286	110,148,207	135,751,221	179,066,129
246,954,308	269,882,551	291,223,839	259,112,297	299,640,828	388,527,333
779,424,820	806,893,740	884,405,380	902,395,080	1,021,396,570	1,327,827,612
9,744,711	12,917,749	15,223,883	17,242,721	17,502,695	14,755,983
38,163	39,981	47,241	44,449	48,301	58,484

Greater Rockford Airport Authority

Schedule of Rates and Charges

Years Ended April 30, 2009 Through 2018

	2018	2017	2016	2015	2014
Fuel					
Class A	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.09
Class B	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.11
Class C	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.11
Landing Fee					
Per 1,000 lbs					
Signatory					
Over 120,000,000 lbs - Annual	$ 1.934	$ 1.934	$ 1.934	$ 1.934	$ 1.934
Under 120,000,000 lbs - Annual	$ 1.964	$ 1.964	$ 1.964	$ 1.964	$ 1.964
Non-signatory	$ 2.455	$ 2.455	$ 2.455	$ 2.455	$ 2.455
Terminal Usage					
Signatory & Charter Flights	$ 65.00	$ 65.00	$ 65.00	$ 65.00	$ 65.00
Non-signatory & Charter Flights	$ 130.00	$ 130.00	$ 130.00	$ 130.00	$ 130.00
Ticket Counter/Computer Use fee per enplanement	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20
International Rubbish Fee					
4x4 hopper (200 gallons)	$ 410.00	$ 410.00	$ 410.00	$ 410.00	$ 410.00
black cart (60 gallons)	$ 105.00	$ 105.00	$ 105.00	$ 105.00	$ 105.00
gray cart (40 gallons)	$ 85.00	$ 85.00	$ 85.00	$ 85.00	$ 85.00

	2013	2012	2011	2010	2009
Fuel					
Class A	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.06
Class B	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.08
Class C	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.08
Landing Fee					
Per 1,000 lbs					
Signatory					
Over 120,000,000 lbs - Annual	$ 1.842	$ 1.842	$ 1.842	$ 1.671	$ 1.641
Under 120,000,000 lbs - Annual	$ 1.964	$ 1.964	$ 1.964	$ 1.964	$ 1.964
Non-signatory					
Terminal Usage					
Signatory & Charter Flights	$ 55.00	$ 55.00	$ 55.00	$ 55.00	$ 55.00
Non-signatory & Charter Flights	$ 110.00	$ 110.00	$ 110.00	$ 110.00	$ 110.00
Ticket Counter/Computer Use fee per enplanement	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.10
International Rubbish Fee					
4x4 hopper (200 gallons)	$ 305.00	$ 305.00	$ 305.00	$ 305.00	$ 250.00
black cart (60 gallons)	$ 105.00	$ 105.00	$ 105.00	$ 105.00	$ 105.00
gray cart (40 gallons)	$ 85.00	$ 85.00	$ 85.00	$ 85.00	$ 85.00

Source: The Authority Finance Department

Greater Rockford Airport Authority

Schedule of Largest Employers in the Greater Rockford Area
Years Ended April 30, 2018 and 2009

Employer	*Product/Service*	*2017*	*Percentage of MSA Employment*	*2009*	*Percentage of MSA Employment*
Fiat Chrysler Automobiles	Automobiles	5,152	3.24%	2,500	1.62%
Mercyhealth	Health Care	4,000	2.52%	3,735	2.42%
Swedish American Health System	Health Care	3,359	2.11%	2,625	1.70%
OSF Health Care	Health Care	2,800	1.76%	2,094	1.36%
UPS	Parcel Sorting Hub	2,379	1.50%	1,600	1.04%
UTC Aerospace Systems	Aerospace Components	2,200	1.38%	2,200	1.42%
Woodward Governor Co.	Aerospace, governors, equipment	1,900	1.20%	1,071	0.69%
Packaging Coordinators Inc	Pharmaceutical packaging	1,800	1.13%	1,200	0.00%
Walmart	Retail	1,471	0.93%		
Lowe's	Distribution center, retail	900	0.57%		
Mondelez International	Chewing Gum	850	0.54%		
Total of 10 largest employers		26,811	16.88%	17,025	10.24%

Source: Rockford Area Economic Development Council and Bureau of Economic Analysis, updated May 2018

Note: Schedule does not include government employees in the Greater Rockford Area.

Greater Rockford Airport Authority

Schedule of Demographic Indicators for Rockford MSA

Years Ended December 31, 2008 through 2017

December 31,	*(1) Population of Rockford MSA*	*(1) Personal Income (thousands of dollars)*	*(1) Per Capita Personal Income*	*(2) Unemployment Rate*
2008	349,937	11,886,773	33,968	13.0%
2009	349,766	11,539,982	32,993	16.2%
2010	349,224	11,740,547	33,619	11.8%
2011	347,864	12,197,793	35,065	10.7%
2012	345,809	12,523,077	36,214	9.8%
2013	344,746	12,691,589	36,814	9.1%
2014	342,367	13,023,282	38,039	5.9%
2015	340,663	13,515,620	39,674	7.1%
2016	339,650	13,672,271	40,254	6.9%
2017	338,291	*	*	6.5%

(1) Source: Bureau of Economic Analysis, Regional Economic Information System, July 2018
Annual Estimates of Recent Population 2016-2017

(2) Illinois Department of Employment Security, Economic Information and Analysis, April 2018

* Information not yet available

Greater Rockford Airport Authority
60 Airport Drive
Rockford, Illinois 61109-2902
Phone: 815-969-4000. Fax: 815-969-4001
www.FlyRFD.com

Appendix C: Correspondence with the CAA regarding timing of EASA certification process

From: Bromley-Fox Kate [redacted]
Sent: 29 April 2019 16:0[redacted]
To: Jamie
Subject: RE: EASA Certification

Good afternoon Jamie

Thank you for your email.

I have spoken with the Manager, Aerodromes and ATM and can confirm that the CAA would adhere to established policy/practice as you have described below.

With best regards,
Kate

Kate Bromley-Fox
Principal Aerodrome Inspector (Operations)
Aerodromes
Civil Aviation Authority
[redacted]

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Please consider the environment. Think before printing this email.

From: Jamie [redacted]
Sent: 25 April 2019 16:58
To: Bromley-Fox [redacted]
Subject: RE: EASA Certification

Dear Kate,

Many thanks for your time earlier.

As we discussed, Stone Hill Park Ltd ("SHP") is the landowner of the site of the former Manston Airport in Kent. By way of background, SHP acquired the site after the airport closed in 2014 (following c15 years of commercial failure for successive operators) and is now pursuing plans to transform the site into a new settlement comprising housing, leisure facilities and a heritage aviation quarter, incorporating a retained 1,200m runway.

Our progress has been hindered by attempts by a third party, RiverOak Strategic Partners Ltd ("RSP"), to compulsorily acquire the land as part of a Development Consent Order ("DCO") it is promoting to reopen the site as a commercial cargo airport. Notwithstanding the lack of any evidence to support RSP's plans, the DCO application is in the middle of a 6 month examination phase, which involves the testing and assessment of the merits of the application. We would further note that RSP is owned 90% by an offshore Belize based entity, MIO Investments Ltd, that has anonymous directors and shareholders.

We have long been concerned that discussions between RSP and CAA regarding EASA licence certification requirements have not been presented by RSP in an entirely accurate and complete fashion to the government appointed Examining Authority.

[redacted]

Based on the guidance on the CAA website, it appears clear to us that the CAA will only progress discussions on a licence/certificate if it is satisfied that an Applicant is able to prove that it has control over or access to the land it wants to be licensed/certified as an aerodrome. The guidance further notes that *"the applicant must either be the landowner or have the permission of the landowner to use the site as an aerodrome, with rights to control the aerodrome under the terms of a lease or other operating agreement."*

RSP is neither the owner of the land to which its "project" relates nor does it have permission of the landowner to use the site as an aerodrome. The grant of a DCO, including powers of compulsory acquisition over SHP's land, would not change that situation. It would only be by actually using powers to compulsorily acquire the land that RSP could gain *"control over or access to the land"* in the manner set out in the guidance. This would require a value to be set by the Lands Tribunal, and there would be no certainty that RSP could afford to, or choose to, meet the costs required to acquire the land.

This brings us on to the representations that RSP has made to the examination about the timing of the commencement of the EASA certification process (we note the Statement of Common Ground between the CAA and RSP (copy attached) is silent on this). In its latest Written Summary of Oral Submissions put at a hearing on Need and Operations (https://infrastructure.planninginspectorate.gov.uk/wp-content/ipc/uploads/projects/TR020002/TR020002-003786-Need%20and%20Operation%20Hearing%20Summary%20and%20Appendices.pdf), RSP states the following;

> ***"8 Agenda Item 10 - Operations – Aerodrome Certificate***
>
> *8.1 The Applicant explained that they anticipate it would take 2 years for the certification process to be completed. The Applicant stated that it would be an iterative process, and although the formal process had not started, a team was ready to begin immediately. The Applicant explained that the CAA would not allow the Applicant to enter the formal process until the DCO is granted, as the CAA require certainty before commencing the certification process. The same procedure will be followed by Heathrow."*

As we discussed on our call, even if the Secretary of State made the decision to grant the DCO with powers of compulsory acquisition (for the avoidance of doubt we consider there is no credible evidence to support this), RSP would not be in control of the land at that point and there would be no certainty that it would ever be in control of the land. Even if it was successful, it would likely take c. 18 months following an initial decision by the Secretary of State before RSP could be in control of the land – this would cover the period required to get past (or not as the case would likely be) any judicial review proceedings and associated appeals, and a further period beyond that to complete the compulsory acquisition process. Please also be aware that RSP is seeking the right to acquire the land at any time in a 5 year period, which could delay this further.

Therefore, to ensure that the CAA's position is not being misrepresented, we would appreciate if the CAA could confirm whether it has departed from its published guidance and would intend to begin the certification process ahead of RSP being either (i) the landowner (having completed the acquisition of the aerodrome site using powers of compulsory acquisition) or (ii) have the express permission of the landowner. If a decision has been made to depart from the guidance, as the landowner with a vested interest in the site we would be grateful if you could provide the justification for doing so and an explanation of the basis on which the certification process would be progressed.

I apologise for the lengthy nature of this email. Should you require any further information or clarification, please do not hesitate to contact me.

Best regards

Jamie