

Canada's Airports, Working for Travellers



*Written Submission for the Pre-Budget Consultations
in Advance of the 2019 Budget*

Summary of Recommendations	
Comfortable, Safe, Respectful Journeys	
Government Services: Security Screening and Border	<ul style="list-style-type: none"> • Reform the delivery and funding of all security screening functions by creating service level standards at Pre Board Screening and a funding mechanism that better matches screening resources to growing demand. • Continue capital investments to improve the security, efficiency and experience at security screening, such as continued deployment of CATSA Plus. • Fund Canada Border Services Agency (CBSA) to support growing air service demands as well as continued innovation through technology.
Small Airport Safety	<ul style="list-style-type: none"> • Increase annual funding and improve the Airport Capital Assistance Program (ACAP) to make accessing the program simpler, more transparent, more predictable, and more useful for airports.
Freedom to Move	
Transit Programs	<ul style="list-style-type: none"> • Expand and improve visa-free transit programs for low risk travellers to the U.S. and overseas. • Provide funding for Immigration, Refugees and Citizenship and CBSA technology requirements to operationalize visa free transit at Canadian airports.
National Transportation Infrastructure	<ul style="list-style-type: none"> • Increase and extend funding to the National Trade Corridors Fund to reduce bottlenecks, and address capacity issues, both on airport and in regional transportation. • Ensure airports continue to have the ability to invest in improvements to on-airport and ground connectivity.
Connectivity and Choice	
Airport Policies	<ul style="list-style-type: none"> • Ensure airports continue to have the ability to grow to support demand for new and additional air services and competitive choice for consumers. • Eliminate rent for all airports with fewer than 3 million passengers. For other airports, at a minimum review the formula to stop penalizing

	<p>growth and revenue diversification or cap it at current levels.</p> <ul style="list-style-type: none">• Amend Canada Customs Act to allow airports in participating province to offer duty free sales upon arrival.
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Pre-Budget 2019: Canada's Airports, Working for Travellers

The Canadian Airports Council (CAC) has 53 members, including all 21 privately operated National Airports System (NAS) airports. CAC members handle virtually all of the nation's air cargo and international passenger traffic, and 95% of domestic passenger traffic.

In 2016, with 140 million passengers travelling through Canada's airports (up 112% from 1988), airports directly contributed \$48 billion in economic output, \$19 billion in GDP, 194,000 jobs and \$6.9 billion in tax revenue to all levels of government.

Comfortable, Safe and Respectful Journeys

Travellers deserve a safe, comfortable and respectful journey. As passenger numbers grow, so does the number of people who need special services or extra time to navigate the airport. Using thoughtful terminal design and new technologies, airports do their part to create a positive experience.

However, airports only control a portion of the environment. Federal support in the following areas would have a positive impact on the safety and comfort of travellers.

Government Services: Security Screening and Border

Canada's airports are seeing massive passenger growth, with more than 140 million passengers last year a 6% increase over the year before. International travellers are the fastest growing.

Airports have invested \$9.1 billion into infrastructure in the last five years, including for space and process improvements to move more people faster through airport screening and air borders using new technologies while improving security. Screening and border bottlenecks due to understaffing degrade the impact of these investments, with millions of passengers waiting in long lines.

The CAC appreciates this committee's recommendation on screening in *Driving Inclusive Growth: Spurring Productivity and Competitiveness in Canada*. These supported Transport Minister Marc Garneau's 2016 commitments to improve screening by making the Canadian Air Transport Security Authority (CATSA) more accountable to internationally competitive service standards and its funding more responsive and sustainable.

CATSA receives funding from the government to screen a national average of 85% of passengers in 15 minutes, which is below internationally competitive standards and leaves millions of travellers waiting too long. While the federal government says it will fix the problem, no tangible action has been taken nor any timetable provided for a decision.

Two of Canada's largest airports have been "topping up" CATSA with their own funds, but even with this cash infusion, passengers at those airports are waiting too long. While the *Transportation Modernization Act* has formalized the ability for more airports to pay for CATSA labour screening hours and equipment, this would shoulder airports with unbudgeted costs for services the Air Travellers Security Charge (ATSC) passenger levy was created to fund. Most airports are unable to afford this without having to raise costs to users.

Meanwhile, CATSA Plus screening lanes combine technological and procedural enhancements to increase flow and improve the experience for travellers. Airports are investing millions in infrastructure to accommodate CATSA Plus, but deployment has been quite limited with further implementation stalled due to a lack of funding.

At our air borders, international arriving travellers want to feel welcomed. Airports have invested \$40 million in the past six years in border automation and infrastructure changes to facilitate the smoother and more efficient processing of passengers. Despite this and best efforts to meet the growth in demand, international arriving travellers continue to see long CBSA waits at some airports. This includes travellers sometimes being kept aboard aircraft because of full customs halls.

Innovations in technology, such as facial recognition, are already starting to make a big improvement in the border experience for travellers in other countries and hold promise for border clearance and other airport processes. Canada has an opportunity to play a global leadership role in this area, working with our international partners, but it requires ongoing financial support.

While airports are making key investments in infrastructure and process improvements, resources for CBSA and CATSA must also keep pace with passenger growth and the latest technological developments that can help now and in the future.

Small Airport Safety

It was recognized with the National Airports Policy in the 1990s that smaller airports have challenges raising funds to sustain operations and investments to maintain critical infrastructure and meet ever evolving safety and security regulations.

The Airport Capital Assistance Program (ACAP) was developed to help offset the challenges faced by smaller airports to keep pace with their infrastructure and equipment needs. While the complexity and sophistication of regulatory requirements has increased over the years, ACAP funding has not. In fact, ACAP's total funding envelope has not increased in 18 years.

Canada's airports request government:

- ***Reform the delivery and funding of all security screening functions by creating service level standards at Pre Board Screening and a***

funding mechanism that better matches screening resources to growing demand.

- ***Continue capital investments to improve the security, efficiency and experience at security screening, such as continued deployment of CATSA Plus.***
- ***Fund CBSA to support growing air service demands as well as continued innovation through technology.***
- ***Increase annual funding and improve ACAP to make accessing the program simpler, more transparent, more predictable, and more useful for airports.***

Freedom to Move

Airports are part of an integrated national transportation system. Air travellers want a safe and smooth experience from their home, through airports, on to their destination.

In addition to strong connectivity between airports and their community, travellers want to breeze through the complex security and border processes associated with international travel – particularly important for Canada to grow global transiting passenger numbers.

Shippers also goods to flow securely but freely.

Transit Programs

The greatest opportunities for air transport growth are in the competitive market for international-to-international connections. This requires improvements to visa policies for passengers transiting through Canada between international destinations.

While airports, airlines and government are making progress improving international transit processes, funding is required for government to implement some projects, including expansion of visa-free transit through Canada. Canada competes with airports in Europe and Asia where this is common.

Improvements to transit programs go hand in hand with continued innovation in traveller processing outlined above, such as facial recognition, which offers promise for both border service and security screening of travellers and their bags.

National Transportation Infrastructure

The National Trade Corridors Fund (NTCF) was designed to increase the flow of Canadian trade through our transportation system and borders. This is the first national infrastructure fund open to all NAS airports, and small NAS airports are receiving much needed relief.

Larger airports have proposed projects that support program objectives to reduce bottlenecks, and address capacity issues- on-airport but also in regional ground transportation. However, the NTCF is terribly oversubscribed. With a budget of \$2 billion over 11 years, government received \$27 billion in applications with the first call for submissions. The program should be expanded.

Meanwhile, airports are continuing to self-fund infrastructure projects out of user fees, a key feature of the Canadian airport model. This has allowed airports to invest in on-airport projects to benefit travellers, such as improved flow within the airport, but also on ground connectivity that gets travellers efficiently to/from the airport.

Canada's airports request government:

- **Expand and improve visa-free transit programs for low risk travellers to the U.S. and overseas.**
- **Provide funding for Immigration, Refugee and Citizenship Canada and CBSA technology requirements to operationalize visa free transit at Canadian airports.**
- **Increase and extend funding to the NTCF to reduce bottlenecks, and address capacity issues, both on airport and in regional transportation.**
- **Ensure airports continue to have the ability to invest in improvements to on-airport and ground connectivity.**

Connectivity and Choice

Travellers want access to the world and competitive choices when they fly. This means preserving the ability for airports to grow and provide an internationally competitive offering for air carriers to deliver new or additional air service.

From the early 1990s when the federal government ran capacity-constrained airports with a \$135 million annual deficit, Canada's airports invested \$25 billion in infrastructure in 25 years, funded through user fees, to support growth and improved traveller comfort. As a system airports provide an annual return to taxpayers through rent -- \$368 million last year and growing.

This is a model that has worked well for Canada, as Transport Canada considers additional reforms to policies around airports, they must preserve the ability for airports to continue to grow to meet demand for air service and competitive choice.

Airport Rent

The federal government receives rent from 21 privately operated NAS airports – \$368 million last year and \$5.6 billion paid since 1992. As a tax on gross revenue, rent is levied on revenue airports raise to pay for operations but also for

infrastructure investments – essentially penalizing airports for self-funding their own growth.

The current approach to rent is a significant hit for the 13 NAS airports with fewer than 3 million passengers (representing just \$10 million (3%) of the \$368 million paid in 2017).

Rent impacts the way airports evaluate business opportunities and can serve as a deterrent to keep airports out of business lines with low margin financial returns, as airports would have to pay as much as 12% from any revenue generated in rent that other businesses don't have to pay.

Any rent collected could better benefit travellers in demonstrable ways, such as service hours for screening and border services and investments in developing innovations like facial recognition, so that Canadian air travellers can benefit from Canada playing a leadership role with international partners in these areas.

Arrivals Duty Free

Canadian airports today can sell duty free goods to passengers upon departure from Canada, but over 60 countries allow duty free sales upon arrival. Airports appreciate the committee's endorsement of Arrivals Duty Free (ADF) last year.

Through a minor change to the Canada Customs Act, ADF could repatriate about \$280-350 million in annual incremental sales, generate more than 800 jobs and nearly \$70 million in new federal tax revenue over five years.

Canada's airports request:

- **Ensure airports continue to have the ability to grow to support demand for new and additional air services and competitive choice for consumers.**
- **Eliminate rent for all airports with fewer than 3 million passengers. For other airports, at a minimum review the formula to stop penalizing growth and revenue diversification or cap it at current levels.**
- **Amend Canada Customs Act to allow airports in participating provinces to offer duty free sales upon arrival.**