

2019-2020 Federal Budget Submission

Prepared for the
House of Commons
Standing Committee on Finance

Greater Toronto Airports Authority

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Recommendations

As the committee deliberates on its recommendations for the federal budget, we suggest the following recommendations to increase Canada's productivity:

Recommendation #1

Increase Canadian Air Transport Security Authority (CATSA) and Canada Border Services Agency (CBSA) funding at Toronto Pearson and implement a federally mandated service level standard for both agencies—95 per cent of passengers screened in 10 minutes or less, with no passenger waiting longer than 20 minutes—consistent with other mega hub airports.

Recommendation #2

Amend the Customs Act to permit Arrivals Duty Free and work with the provinces to introduce Dual Shop Duty Free stores, consistent with other jurisdictions around the world.

Recommendation #3

Provide Federal leadership and funding to support the various transit studies required to advance the planning of the Regional Transit and Passenger Centre (RTPC).

Introduction

The Greater Toronto Airports Authority (GTAA) is the operator of Toronto Pearson International Airport, Canada's largest airport and the second-busiest in North America in terms of international traffic. In 2017, 47.1 million passengers passed through Toronto Pearson—three million more passengers than in 2016. In the last five years alone, Toronto Pearson has welcomed 11 million more passengers—equivalent to the combined populations of British Columbia, Alberta, Saskatchewan and Manitoba. This year, Toronto Pearson expects to welcome close to 50 million passengers.

Airports around the world are recognized for the important economic impact they make on the local community as well as the role they play in the international competitiveness of a country. Toronto Pearson is no exception in its economic contribution and to making Canada more internationally competitive.

According to a Frontiers Economic Study, Toronto Pearson's economic impact is \$42 billion, approximately 6 per cent of Ontario's GDP. Toronto Pearson has 49,000 employees on its premises and 300,000 people work within the Airport Employment Zone (AEZ).

Beyond the direct impact, Toronto Pearson's ability to facilitate smooth transfers and direct connection contributes to Canada's competitiveness. In a globalized marketplace, businesses organize their operations around the ability to make direct connections to major markets around the world. Airlines flying into and out of Toronto Pearson offer regular non-stop service to 34 Canadian cities and 151 destinations around the globe. This ability contributes to Canada's competitiveness through the attraction of more foreign direct investment, trade and jobs to Canada.

Even with such spectacular growth and advantages, it is possible for us to lose our edge, leading to lower economic contribution and decreased competitiveness. Toronto Pearson is in competition with other major North American airports such as John F. Kennedy International, and Los Angeles International Airport, to name just two.

The recommendations in this submission are divided in two categories: Increasing competitiveness through the improvement of passenger flow and connection times and increasing competitiveness through exploration of opportunities to grow the region's transit infrastructure.

Improving Passenger Flow and Airport Experience

Toronto Pearson is the second-busiest airport in North America in terms of international traffic, second only to JFK in New York. It is a vital hub and entry point for Canada. Ensuring that passengers have a world-class experience at the airport greatly contributes to Canada's competitiveness.

Increase Canada Border Services Agency (CBSA) and the Canadian Air Transport Security Authority (CATSA) funding to improve Canada's competitiveness

Millions of travellers are waiting too long for pre-board security screening and customs processing at Toronto Pearson. This results in flight delays, cancellations, missed connections and loss of connections to other competing US airports. Toronto Pearson must provide travellers a timely, efficient, and consistent experience to stay globally competitive.

Two key Canadian government agencies (CATSA and CBSA) are responsible for security screening and customs processing at Toronto Pearson. Given additional resources, there can be a demonstrably positive impact on reducing passenger line ups and wait times.

In 2017, 14.8 million passengers were processed by CBSA at Toronto Pearson. By 2020, this number is expected to grow to between 18 and 19 million passengers. The funding allocated to CBSA needs to increase, as the agency is relying heavily on summer students and overtime budgets to manage. The result is that in many instances, passengers are being held on aircraft, and then again on the upper terminal level, staggering their entry into what are at peak times congested Customs Halls in both terminals.

In 2017, 1.8 million passengers waited longer than 20 minutes to be processed by CBSA at Toronto Pearson—nearly double the total from 2016 (955,000). Due to Customs Hall congestion, in 2017 479 aircraft waited off gate, impacting more than 250,000 passengers and airline operations.

CBSA must be adequately funded for both technology (including biometric and facial recognition) and officers to implement a 95 per cent in 10-minute service level standard that can be easily understood, measured, and reported. We appreciate the commitment made by the CBSA to improve service levels in the summer of 2018, CBSA now needs to be funded and resourced appropriately on a longer-term basis for Toronto Pearson.

Similarly, wait times for CATSA security screening at Toronto Pearson—particularly during peak periods—are globally uncompetitive. At London Heathrow and Hong Kong International Airport, 95 per cent of passengers are screened in less than 5 minutes. At Paris Charles De Gaulle, 95 per cent of passengers are screened in less than 10 minutes.

Canada's aviation industry supports a shared goal of 95 per cent of passengers screened in 10 minutes or less, with no passenger waiting longer than 20 minutes.

In 2017, 19.4 million passengers were screened by CATSA at Toronto Pearson:

- 1/3 of passengers screened at morning and afternoon peak times waited longer than 10 minutes—and in some cases longer than 60 minutes
- 8.1 million passengers waited longer than 5 minutes
- 3.7 million passengers waited longer than 10 minutes

These statistics are inclusive of the top-up funding Toronto Pearson provides to CATSA, which totaled \$11 million in 2017. This funding is provided by the GTAA because otherwise the situation would be untenable for travellers, and it has had a positive impact on reducing passenger line ups and wait times.

CATSA has invested in screening services for Toronto Pearson in 2018. CATSA's investment in these services, when combined with the investments from Toronto Pearson, is helping to manage the growth, but more is needed to make continued, sustainable improvements towards a world-class standard. CATSA now needs to be funded and resourced appropriately on a longer-term basis for Toronto Pearson.

Toronto Pearson's contribution to the economy and Canada's competitiveness are dependent on the adequate funding of government agencies that process passengers.

GTAA is prepared to work with the government to determine the appropriate level of federal funding required to bring both agencies to the 95/10 standard.

Recommendation #1

Increase Canadian Air Transport Security Authority (CATSA) and Canada Border Services Agency (CBSA) funding at Toronto Pearson and implement a federally mandated service level standard for both agencies—95 per cent of passengers screened in 10 minutes or less, with no passenger waiting longer than 20 minutes.

Arrivals Duty-Free and Dual Shop Stores improve competitiveness

Another important part of the airport experience is access to Arrivals Duty Free (ADF) and Dual Shop stores. Both programs are offered at airports around the world, and for Toronto to remain competitive with other airports Canada should implement these programs.

ADF is available in about 60 countries around the world. Yet, today Canadian airports are only permitted to sell certain goods duty free to passengers on their departure from Canada. Arrivals Duty Free would permit passengers arriving at international airports in Canada to purchase duty free goods on arrival.

The Customs Act should be amended to allow the introduction of ADF in Canada, which would repatriate revenue that is currently lost to foreign jurisdictions (approximately \$280 - \$350 million), increase Canadian jobs (700+), and additional revenue and taxes for the federal government (\$18 million).

Dual Shop stores allow all passengers (international and domestic) to purchase duty free products when travelling through airport mixed departures zones; all sales to international passengers would be governed by the Duty-Free program, and all sales to domestic passengers would be subject to appropriate taxes and duties.

These stores will improve the overall passenger experience, while maintaining the integrity of the Duty-Free program at all Canadian airports through clear and defined processes, risk mitigation techniques, and tax remittance to the Canada Revenue Agency (CRA).

A Dual Shop program has been operating in the United States for more than five years. Sales to domestic passengers are equivalent to approximately 10–15 per cent of current duty-free sales.

Recommendation #2

Amend the Customs Act to permit Arrivals Duty Free and work with the provinces to introduce Dual Shop Duty Free stores, consistent with other jurisdictions around the world.

Transit Infrastructure Investment

Part of the competitiveness of a country is related to the ease of access to its airports and the surrounding economic zone. While great strides have been made at Toronto Pearson over the years, such as the implementation of the UP Express, much more needs to be done.

To grow jobs, increase regional connectivity and facilitate Toronto Pearson as a mega hub, the GTAA has a bold vision to integrate the transit network in the West Greater Toronto and Hamilton Area (GTHA) and beyond and is working towards a crucial infrastructure investment: Union Station West, a Regional Transit and Passenger Centre (RTPC) located at Toronto Pearson, connecting existing and planned regional transit lines into a central passenger processing facility or hub.

GTAA has recognized that to facilitate the airport's growth, it must be prepared to support investments to address road congestion in the region - especially around Toronto Pearson. The GTAA has committed to fund construction of the RTPC; support the funding of transit studies for the lines that will connect into the RTPC; and continue to participate in discussions around investments in priority transit lines in support of easing access to the airport and the surrounding AEZ. We are seeking the federal government's added financial support and leadership to accelerate the various studies with other levels of government and to bring the RTPC to life. The benefits of this facility are many, including attracting and retaining employees, and reduction of local GHG emissions.

Recommendation #3

Provide Federal leadership and funding to support the various transit studies required to advance the planning of the Regional Transit and Passenger Centre (RTPC).

Conclusion

Toronto Pearson is an important contributor to the Canadian economy and to Canada's competitiveness. We believe that by addressing the three recommendations made in this submission we can achieve world-class results in security screening and border services, improve the airport's competitiveness through the implementation of ADF and Dual Shop stores, and implement a multimodal transit plan through the funding of studies that will take us into the future.

Appendix 1

Key facts about the GTAA

The GTAA has operated on a commercial basis as a not for profit corporation since 1996. There is no taxpayer subsidy to fund operations or development. Any surpluses are used to support Toronto Pearson's operations.

This commercial focus has resulted in greater operational efficiencies and improved customer service. In 2017, the GTAA generated \$112.1 million in net income and paid \$157 million in ground rent to the federal government. Municipalities received \$36.4 million as payments in lieu of taxes.

The GTAA achieved these results while also reducing landing and terminal fees paid by air carriers by 25–30 per cent since 2006.

Additionally:

- Toronto Pearson managed more than 465,200 flights in 2017, facilitated 63 airlines operating at Toronto Pearson, and served more than 185 destinations worldwide.
- Toronto Pearson handles 130,000 passengers per day and more than 160,000 passengers on peak days.
- By 2037, Toronto Pearson is forecasted to serve 85 million passengers, more than 1 million tonnes of cargo, and more than 600,000 flights per year.