Submission to the House of Commons Standing Committee on Finance – Pre-budget Consultations

Atlantic Canada Airports Association
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Recommendation Summary

Enhance Competitiveness of Air Travel in Canada & Improve Airport Security Screening

Recommendation #1: It is recommended that the Government of Canada eliminate rent for all airports with fewer than 3 million passengers, at a cost of $10 million, only 3% of the $368 million contributed by airports to the Government of Canada in 2017. For other airports, cap it at current levels and review the formula to stop penalizing growth and revenue diversification, with the goal of phasing rent out over time.

Recommendation #2: It is recommended that the Government of Canada improve the system for security screening at Canadian airports by reforming 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.

Recommendation #3: It is recommended that the Government of Canada continue to expand capital investments to improve the security, efficiency and experience at security screening with continued deployment of CATSA Plus at major airports.

Increase Infrastructure Funding for Airports

Recommendation #4: It is recommended that Government of Canada increase the funding allotment of the Airports Capital Assistance Program from approximately $38 million annually to $75 million annually. Enable ACAP to accommodate for new safety regulations such as RESA and expand eligibility so all small airports within passenger traffic thresholds can access funding required for important safety related projects.

Recommendation #5: It is recommended that the Government of Canada increase and extend funding to the National Trade Corridors Fund to continue to improve safety and security at smaller airports and reduce bottlenecks, and address capacity issues in order to facilitate trade through larger airports.

Overview

Atlantic Canada Airports Association's (ACAA) is pleased to offer feedback to the Standing Committee on Finance regarding what federal measures would help create a more competitive and productive Atlantic Canada economy in order for business to thrive. ACAA's recommendations relate to the competitiveness of airports and the airline industry across Canada. Since airports are drivers of economic and social development, the competitiveness of our airports has a direct impact on productivity of trade, business and tourism in our region and throughout the country.

The Atlantic Canada Airports Association (ACAA) is a not-for-profit organization that speaks on behalf of the airport industry in the Atlantic region. The region's airports move over 8 million passengers per year. The region's airports are not only moving a substantial number of passengers and important cargo in and out of Atlantic Canada – they are moving the fly in/fly out workforce and enabling the growth of the regional economy. Atlantic airports generate over **4 billion dollars** in economic activity every year, supporting **46,000 person years of employment**.

The recommendations we are proposing will serve to increase the competitiveness of our airports and the airline industry and hence increase the economic development potential of the businesses and communities they serve.

Enhance Competitiveness of Air Travel in Atlantic Canada & Improve Security Screening

Recommendation #1 – Enhance Air Transportation Competitiveness by Phasing Out Airport Rent

One of the challenges facing Canada's aviation industry today is that it has become uncompetitive. Canadian carriers are forced to contend with federal and provincial fuel excise taxes, security fees and airport charges that are amongst the most expensive in the world today.

While airports in the US receive funds from government, Canadian National Airport System (NAS) airports paid $368 million in airport rent to government in 2017. Our Canadian travellers are paying some of the highest taxes, fees and surcharges in the world and it is impeding growth and limiting the introduction of lower cost air carriers in our Canadian market.

Canada's aviation related federal fees and charges (many of which are on the user pay principle of cost recovery) include; Federal Fuel Tax, Air Traveller Security Charge, Payments in Lieu of Taxes to Municipal Governments, Air Navigation Charges, and Cascading GST/HST taxes.
Air access is a key factor in building business; in particular the tourism industry and exporting our goods to international markets. However, airlines are facing a very difficult operating environment and the result is that major airlines, particularly US carriers have been decreasing capacity to a number of destinations in Canada in recent years.

Canada's airports paid $368 million in rent in 2017 to the federal government - a heavy financial burden on this important mode of travel. In 2017 in Atlantic Canada, Halifax Stanfield International Airport paid over $7 million and St. John's International Airport paid over $2.6 million. As well, in 2016 five additional airports in Atlantic Canada began paying rent, creating an additional financial burden, which will continue to grow over time for these smaller airports.

For example, Greater Moncton International Airport paid $450,000 in federal rent in 2017, and that is expected to rise to $540,000 in 2018. Meanwhile with the introduction of a new regulation which mandates each airport with more than 325,000 passengers add 150 meter Runway End Safety Area's (RESA's), Greater Moncton International Airport will need to borrow over $4 million to meet this new regulatory requirement of adding RESA's. While our Airports fully support initiatives designed to improve safety, the regulatory cost burden is becoming exorbitant for smaller airports. For airports this size, rent paid to the federal government could be better invested into airport safety and infrastructure requirements.

In addition, 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.

Atlantic Canada's Airports request government:

- ✓ **Eliminate rent for all airports with fewer than 3 million passengers – which would amount to about $10 million (only 3%) of the $368 million paid to the Government of Canada by airports in 2017. This would eliminate rent for 13 NAS airports with smaller traffic volumes, 6 of which are located in Atlantic Canada.**
- ✓ **For larger airports, cap rent so that it no longer continues its upward trajectory, with the goal of phasing out airport rent over time and lowering the impact on cost of air travel in Canada.**

Recommendation #2: Improve the System for Security Screening at Canadian Airports

Our hub and spoke air travel system connects travellers from one tip of our country through major hubs to their final destination. All travellers are impacted by delays and bottlenecks created in the system due to lack of funding resources and productivity. This not only impacts Canadian travellers, it impacts international travel and Canada's reputation on a world stage. Air travel is a competitive global business, so it is vital to improve the productivity of air travel security screening in our country, so our airports can compete on a global stage. Long-lines at security screening at Canada's airports is an issue that can be solved with proper resources, technology innovation and governance.

The productivity of our aviation system is critically important to the movement of people domestically and internationally. Canada's image and the communities Canada's airports serve are negatively impacted when travellers meet long lines at security screening or at our air borders.

Airports and air carriers have invested billions of dollars into modern and energy efficient infrastructure and fleets. Unfortunately, funding for security screening and border services has not kept pace with passenger growth and demand, which is resulting in longer wait times for our passengers.

Atlantic Canada's Airports request government:

- ✓ **Set a globally competitive service level standard for security screening in Canada.**
- ✓ **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.**

Recommendation #3: Expand Capital Investments for the Continued Deployment of CATSA Plus Technology at Major Airports

The CATSA Plus program adopts technology and procedural innovations proven in other parts of the world. To date, the program has only been partially deployed at some checkpoints at the four largest airports. CATSA Plus is already helping airports manage summer travel volumes, but deployment to other checkpoints and airports is stalled pending additional funds. This technology will significantly improve screening wait times at major airports and improve the flow of air transportation in Canada.

Atlantic Canada's airports request government:

- **Continue capital investments for the deployment of CATSA Plus, which will improve the security, efficiency and experience at security screening at major airports.**

Increase Infrastructure Funding for Airports

Recommendation #4 – Increase Funding in the Airports Capital Assistance Program & Expand Eligibility

The Airport Capital Assistance Program is a vital source of funding for safety related investments at small airports across Canada. After over 20 years in existence it is clear that the program needs improvements in order to keep pace with the forces of inflation and regulatory burden in order to remain a viable resource for the many small airports across Canada that rely on it.

Small airports require stable and predictable funding to meet essential safety related airside capital projects as the current Airports Capital Assistance Program (ACAP) is drastically underfunded.

Under the existing Airports Capital Assistance Program (ACAP) administered by Transport Canada, there is insufficient funding to meet the increasing demand of small regional/local airports. ACAP is pivotal in providing regional/local airports with access to funding to complete essential safety projects. Approximately 200 airports are eligible for ACAP funding and the $38 million available annually through the program is not meeting the safety requirements of these airports. Since the year 2000, the funding in this program has not changed, while ever increasing costs and ageing infrastructure at many of these airports continues to impose significant costs to the bottom line.

Despite the fact that Canada's Airports contribute over $368 million to the federal government in the form of airport rent, only a small fraction of that, less than 10% is being re-invested back into our hub and spoke airport infrastructure system through the ACAP program.

Runways, taxiways and aprons are becoming increasingly costly to maintain and upgrade and added regulations such as the new runway end safety areas (RESA) requirement adds a significant cost burden. ACAP must to be able to accommodate, as these airports require sustainable, predictable federal funding for essential, safety-related airside capital projects. The Canadian Transportation Act review report tabled in 2016 recommended an increase in the funding envelop for ACAP.

Atlantic Canada Airports request government:

- ✓ Implement changes to Airports Capital Assistance Program and increase funding to $75 million per year to improve program accessibility and effectiveness in safety at small airports across the country. Allow ACAP to accommodate for new safety regulations such as RESA and expand program eligibility so all small airports within passenger traffic thresholds can access funding required for important safety related projects.

Recommendation #5 – Expand Funding in the National Trade Corridor Fund

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 in Atlantic Canada have received much needed relief for safety projects through this program in 2018.

Other airports have proposed projects that support program objectives to reduce bottlenecks, and address capacity issues for national trade. However, the NTCF is oversubscribed. With a budget of $2 billion over 11 years, government received $27 billion in applications with the first call for submissions. The funding envelope in the program should be increased to assist with worthwhile projects that improve trade and safety at airports.

Atlantic Canada Airports request government:

- ✓ **Increase and extend funding to the NTCF to continue to improve safety and security at smaller airports and reduce bottlenecks, and address capacity issues in order to facilitate trade through larger airports.**