



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

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Pre-budget Submission 2020  
August 2<sup>nd</sup>, 2019**

## Recommendation Summary

### Support Airports' Infrastructure and Operation Adaption to Climate Change and Carbon Reduction Efforts

**Recommendation #1:** It is recommended that the Government of Canada increase the funding allotment of the Airports Capital Assistance Program (ACAP) from approximately \$38-million annually to \$95-million annually. Increased funding will allow airports to more effectively adapt to changing infrastructure improvement/replacement needs brought about by climate change, and to more aggressively implement carbon reduction strategies. Increased funding will also enable ACAP to accommodate new safety regulations such as RESA.

### Enhance Competitiveness, Reliability and Effectiveness of Air Travel in Canada

**Recommendation #2:** It is recommended that the Government of Canada eliminate rent for all airports with fewer than 3-million passengers. The \$12.6-million cost represents only 3% of the \$396 million contributed by these airports to the Government of Canada in 2018. Cap other airports at current levels and review the formula to avoid penalizing growth and revenue diversification with the goal of phasing out rent over time.

**Recommendation #3:** It is recommended that the Government of Canada endorse the recommendations in Supporting Canada's Flight Schools as submitted by the Standing Committee on Transport, Infrastructure and Communities and develop and implement an action plan.

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## Overview

The Atlantic Canada Airports Association (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.

The ACAA's recommendations relate to the competitiveness, reliability and effectiveness of airports and the airline industry across Canada. Since airports are drivers of significant economic and social development, the competitiveness, reliability and effectiveness of our airports have a direct impact on trade, business and tourism productivity in our region and throughout the country.

The ACAA is a not-for-profit organization that speaks on behalf of the airport industry in the Atlantic region. The region's airports move more than 8-million passengers per year, including thousands of fly in/fly out workers who enable growth throughout the country. The passenger and cargo activity supported by Atlantic Canada's airports is responsible **for 46,000 person years of employment** and more than **\$4-billion** in economic activity every year.

## 1. Support Airports' Infrastructure and Operation Adaption to Climate Change and Carbon Reduction Efforts

### **Recommendation #1:**

It is recommended that the Government of Canada increase the funding allotment of the Airports Capital Assistance Program (ACAP) from approximately \$38-million annually to \$95-million annually. Increased funding will allow airports to more effectively adapt to changing infrastructure improvement/replacement needs brought about by climate change, and to more aggressively implement carbon reduction strategies. Increased funding will also enable ACAP to accommodate new safety regulations such as RESA.

Climate change affects us all and we all have a responsibility to minimize our carbon footprint and our impact on the environment. In the battle against climate change, Atlantic Canada's airports are faced with two core challenges: 1) adapting airport infrastructure upkeep models to the impact of climate change; and 2) making material changes to reduce energy consumption and environmental impact.

As stated by Ralph Goodale, minister of Public Safety: "Extreme weather is becoming more severe, more frequent, more damaging and more expensive because of climate change."

Climate change is having, and will continue to have, far-reaching effects and airports must adapt to maintain service standards.

With respect to adapting airport infrastructure upkeep models to the impact of climate change, it is well-documented that climate-related impacts to airport infrastructure and operations are adding material additional costs.

The increasing frequency and severity of heat, cold, ice and snow puts added stress on plant and equipment, resulting in higher maintenance and earlier replacement. This all has a significant impact on capital expenditure requirements.

For example, higher and more frequent fluctuations in temperatures create considerable stress on runways and taxiways. The impact is higher costs for ongoing surface maintenance and a shortened service life for paved surfaces.

In the same way, changing snowfall patterns are putting greater demands on airport winter maintenance equipment, which also results in higher costs for ongoing equipment maintenance and shortened equipment service life.

With respect to making material changes to reduce energy consumption and environmental impact, Atlantic Canada's airports are being proactive in implementing environmentally friendly upgrades and retrofits. Paramount among projects undertaken would be Leadership in Energy and Environmental Design (LEED) certifications for green buildings and the transition to low emission equipment.

In support of environmental impact minimization, a number of Canadian airports have either achieved or are in the process of achieving Airport Carbon Accreditation. This international initiative "recognizes and accredits the efforts of airports to manage and reduce their carbon emissions" with four levels of certification: 1. Mapping; 2. Reduction; 3. Optimization; and 4. Neutrality.

In many respects, Airport Carbon Accreditation has become a "must have" from the perspectives of community, regional and national environmental responsibility.

However, like climate change itself, Airport Carbon Accreditation adds to capital expenditure requirements in addition to the staffing and support resources required to project manage implementation, certification and certification compliance.

The clear evidence of climate change impact is a relatively new phenomenon and is having a direct impact on capital expenditure requirements. The airport infrastructure model is changing, and airport infrastructure funding partners must adapt. The federal government's Airports Capital Assistance Program (ACAP) is a critical funding source and reflects the importance that the Government of Canada places on Canada's airports.

But the ACAP funding allocation of \$38-million annually has not changed since 2000 although the complexity and sophistication of just regulatory requirements have increased significantly over the years. Adjusted for national CPI inflation, that \$38-million equates to approximately \$60-million today.

Consider that the cost of a new plow truck for runway winter maintenance in 2005 was about \$152,000. Replacing that same truck today with the same tender specifications will cost about \$275,000, an 81% increase when there has been no ACAP funding increase over the same period. A \$4.5-million runway rehabilitation project in 2001 would cost about \$10.2-million today, a cost increase of 125%.

Funding support has lagged for many years and today there are new demands never foreseen almost 20 years ago.

Research and analysis findings by the Regional Community Airports Council of Canada indicate that an increase in ACAP funding to \$95-million annually is required to address inflationary increases in materials, equipment and labour, and the increasing maintenance and renewal demands faced by Canada's small airports.

## 2. Enhance Competitiveness, Reliability and Effectiveness of Air Travel in Canada

### **Recommendation #2:**

It is recommended that the Government of Canada eliminate rent for all airports with fewer than 3-million passengers. The \$12.6-million cost represents 3% of the \$396-million contributed by these airports to the Government of Canada in 2018. Cap other airports at current levels and review the formula to avoid penalizing growth and revenue diversification with the goal of phasing out rent over time.

A significant challenge facing Canada's aviation industry today is that it has become uncompetitive. For example, 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 U.S. receive operating funds from the federal government, Canadian National Airport System (NAS) airports paid \$396-million in airport rents to the federal government in 2018. 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 in 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 U.S. carriers, have been decreasing capacity to a number of destinations in Canada in recent years.

The \$396-million in rent that Canada's airports paid to the federal government in 2018 is a heavy financial burden on this important mode of travel. In 2018 in Atlantic Canada, Halifax Stanfield International Airport paid more than \$8-million in rent, while St. John's International Airport paid \$3-million. Five other airports in Atlantic Canada began paying rent in 2016, which creates an additional financial burden that 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 \$515,132 in 2018, a 15% increase. Meanwhile, the introduction of a new federal regulation mandating that airports with more than 325,000 passengers annually add 150 metre Runway End Safety Areas (RESAs) means that Moncton will be required to borrow more than \$4-million to meet this mandatory infrastructure requirement.

While our airports fully support initiatives designed to improve safety, the regulatory cost burden is becoming exorbitant for smaller airports. For airports of this size, rent paid to the federal government could be better invested in 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.

Eliminating airport rent for all airports with fewer than 3-million passengers annually represents \$12.6-million, or only 3% of the \$396-million paid to the Government of Canada by airports in 2018. Implementing this action step would eliminate federal rent for 13 NAS airports with smaller traffic volumes, with six of these airports being located in Atlantic Canada.

For larger airports, a positive action step would be to cap federal rents so that they no longer continue their upward trajectory, with the goal of phasing out federal rent over time and lowering the negative impact that these rents have on the cost of air travel in Canada.

**Recommendation #3:**

It is recommended that the Government of Canada endorse the recommendations in [Supporting Canada's Flight Schools](#) as submitted by the Standing Committee on Transport, Infrastructure and Communities and develop and implement an action plan.

The Air Transport Association of Canada estimates that Canadian air carriers will face a shortage of 6,000 pilots over the next 20 years. But regional carriers servicing Atlantic Canada's market regional are already experiencing pilot shortages that are negatively impacting flight scheduling and service delivery.

In their 2019 report, [Supporting Canada's Flight Schools](#), the Standing Committee on Transport, Infrastructure and Communities attributes much of the current and anticipated pilot shortages to factors such as: the national and global growth in the number of aircraft in service; a shortage of flight instructors; the underrepresentation of women and Indigenous people among Canadian pilots; a lack of modern training technology; and the high cost of training for both students and flight schools.

Among its conclusions, the Committee stated that "no single solution will adequately address the current labour shortages in the aviation industry," and that [the federal government has a pivotal role to play in correcting the pilot shortage situation](#). Some notable recommendations are listed below, and the complete report can be accessed at:

<https://www.ourcommons.ca/Content/Committee/421/TRAN/Reports/RP10406018/tranrp29/tranrp29-e.pdf>

- That the Government of Canada—in co-operation with relevant stakeholders, including but not limited to airlines, the general aviation community, flight school operators, provincial, municipal and territorial governments and Indigenous communities—develop policies to support and encourage the growth of Canada’s flight training industry.
- That the Government of Canada, in co-operation with provincial, municipal and territorial authorities, encourage flight instruction as a career path and consider implementing incentives such as tax credits for experienced pilots and loan forgiveness programs for newly graduated pilots. As well, that the Student Work Placement program be expanded to include flight instructor training.
- That the Government of Canada take steps to modernize the current hours-based flight instruction regime and encourage the use of Competency-Based Training methods as the primary reference for training completion.
- That the Government of Canada, in co-operation with provincial, municipal and territorial authorities, provide increased support to Canada’s flight schools and establish economic incentives to assist with the high capital costs associated with the establishment, operation and expansion of flight schools. Furthermore, that the Government of Canada increase the level of funding available through the Airport Capital Assistance Program, to reflect the recommendations of the 2015 Canada Transportation Act Review Panel.