

2019-2020 Federal Budget Submission

Prepared for the
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Standing Committee on Finance

Greater Toronto Airports Authority

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Recommendations

Climate Emergency: The Required Transition to a Low Carbon Economy.

As the committee deliberates on possible recommendations for the federal budget, we have put forward recommendation to address Canada's climate change issues while also addressing Canada's productivity. These recommendations help improve the flow of passengers and thereby reduce the impact of the airport on climate change by operating as efficiently as possible in a sustainable manner.

Recommendation #1

To bring this transformational project to life and reduce GHGs, we are seeking Federal leadership and funding to support the development of a multi-modal transportation hub at Toronto Pearson to improve regional connectivity.

Recommendation #2

Complete the transition of Canadian Air Transport Security Authority (CATSA) to an industry-led authority with a mandated service level agreement of 95 per cent of the passengers processed in 10 minutes or less with no passengers waiting more than 20 minutes. Modernize Canadian Border Services Agency (CBSA) operations, provide stable year over year funding to deliver a federally mandated service level standard of 95 per cent of passengers processed in 10 minutes or less consistent with other international airports and invest in innovative pilots at Toronto Pearson.

Recommendation #3

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.

Introduction

Everyday people count on Pearson to get them where they need to be and to help facilitate their personal and business travel in an environmentally sustainable manner. The Greater Toronto Airports Authority (GTAA) is the operator of Toronto Pearson International Airport, Canada's largest airport, with the largest number of international passengers in North America.

In 2018, 49.5 million passengers passed through Toronto Pearson—2.5 million more passengers than in 2017. In the last five years alone, Toronto Pearson has welcomed more than 11 million more passengers—equivalent to the combined populations of British Columbia, Alberta, Saskatchewan and Manitoba. In 2019, Toronto Pearson expects to welcome more than 50 million passengers.

Toronto Pearson has daily scheduled non-stop flights to destinations around the world that account for about 72 per cent of the global GDP. As airlines add new routes and expand services that access will soon reach 80 per cent.

Toronto Pearson's economic impact is \$42 billion, approximately 6 per cent of Ontario's GDP. Toronto Pearson has nearly 50,000 employees on its premises and 300,000 people work within the Airport Employment Zone, making it Canada's second largest economic zone after downtown Toronto.

Toronto Pearson has been on a journey of significant growth, and as an important contributor to Canada's economy, there is a strong obligation to ensure we are planning, preparing and building responsibly to be an airport that our passengers and the country can count on.

It is not just a duty to our passengers, but also to the communities that surround us. We are currently exceeding our target of a 20 per cent reduction in emissions by 2020. Toronto Pearson has achieved Level 3 accreditation in Airports Council International's Airport Carbon Accreditation program. Reaching this status means that not only are we taking our own steps to reduce greenhouse gasses, but we're also engaging our operating partners and others working on the airport site in our carbon reduction initiatives. Toronto Pearson was delighted to have been invited to be profiled in a recent UK-based documentary film as a corporation that is active in sustainable development in line with the United Nations' 17 Sustainable Development Goals.

Canada's recently announced Electric Vehicle Infrastructure Demonstration Project at Toronto Pearson will position the GTAA as a leader in integrating electric vehicle charging technology into airport operations. We will be deploying an innovative fast charging hub that will support fully electric buses to move our passengers between their aircraft and our terminals, enabling emissions-free travel for our passengers.

Our vision to connect our region via a Regional Transit and Passenger Processing Centre will further reduce GHG emissions by providing efficient multi-modal transportation connections, that get drivers out of cars and onto efficient, convenient forms of public transit that offer connections across our region.

Toronto Pearson is working to maintain a healthy environment through our air and water quality initiatives, such as containment and re-use of deicing fluid, electrification of our vehicle fleet and upgrades to our air quality monitoring program. We also have the highest waste diversion rate of any Canadian airport, with greater than 70 per cent of waste generated by the airport being diverted for recycling.

We are working with the Toronto and Region Conservation Authority through Partners in Project Green to make the *Pearson Eco-Business Zone* – the largest eco-business zone in North America – an internationally recognized community known for its competitive, high-performance and eco-friendly business climate.

As a facility that welcomes nearly 50 million passengers a year, we are acutely conscious of our impact on the communities we support. Passengers, stakeholders, and governments can count on Pearson to keep focused on environmental sustainability.

Our notion of environmental responsibility also extends to the efficient operation of an airport, including passenger flow and Arrivals Duty Free. This is reflected in our recommendations.

Transit Infrastructure Investment

In 2017 the GTAA announced plans for a multi-modal transportation centre at Toronto Pearson that would link rail and bus networks in the region, connect Toronto's western suburbs with much of Southern Ontario, and the world. The concept has continued to evolve as we worked with Metrolinx, other transportation agencies, community stakeholders and all levels of government, to more clearly define our collective vision for what has become known as 'Union Station West.'

Toronto Pearson recognizes that to facilitate the airport's growth and to address environmental sustainability issues, it must be prepared to do its part to address road congestion in the region - especially around Toronto Pearson. That's why the GTAA is investing \$37 million as its share of a cost-sharing arrangement with Metrolinx to study various transit connection to a new multi-modal transportation hub at Toronto Pearson. To bring this transformational project to life and reduce GHGs, we are seeking Federal leadership and funding to support the development of a multi-modal transportation hub at Toronto Pearson to improve regional connectivity.

The benefits of this facility are many, including attracting and retaining employees, and reduction in local GHG emissions to name a few. Creating the RTPC at Toronto Pearson would increase transit usage among air travellers and airport employees from the current 10 per cent to a target range of 25 to 30 per cent. This would reduce greenhouse gas emissions by an estimated 83,000 tonnes a year – equivalent to taking 18,000 cars off the road.

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Investing in CBSA

With proper funding of the Canada Border Services Agency (CBSA), arriving passengers can be processed in a safe and efficient manner.

CBSA is not funded to deliver a globally competitive standard of processing. Staffing has not been able to keep up with growth, which, particularly at peak times, can result in congestion and long lines for arriving international passengers. CBSA's legislative framework needs to be modernized to capitalize on new technologies and to allow for testing of innovative pilots to process passengers more efficiently. These could include technologies such as facial recognition and pilots to examine the benefits of a reimbursable model.

Transitioning CATSA

Toronto Pearson is committed to working with its airline partners and the government to transition CATSA to an industry-led authority from a government agency. As part of the reforms airports and airlines are examining ways to ensure that passengers are facilitated through preboard screening as efficiently as possible and that Canada has globally competitive service level standards. The industry continues to support a service level standard in which 95 per cent of the passengers are screened within 10 minutes or less with no passengers waiting more than 20 minutes. The standard should be applicable at all preboard screening locations and at all times of the day.

Toronto Pearson's contribution to the economy and the environment are dependent on the government adopting measures that ensure the efficient and long-term sustainable operations of CBSA and CATSA.

Recommendation #2

Complete the transition of Canadian Air Transport Security Authority (CATSA) to an industry-led authority with a mandated service level agreement of 95 per cent of the passengers processed in 10 minutes or less with no passengers waiting more than 20 minutes. Modernize Canadian Border Services Agency (CBSA) operations, provide stable year over year funding to deliver a federally mandated service level standard of 95 per cent of passengers processed in 10 minutes or less consistent with other international airports and invest in innovative pilots at Toronto Pearson.

Arrivals Duty-Free and Dual Shop Stores improve competitiveness

While it may only contribute to a minor reduction in greenhouse gas emissions, Arrivals Duty Free (ADF) would lighten the load on an airplane by not having to travel with duty free products. ADF and Dual Shops are another important part of the airport experience. Both programs are offered at airports around the world, and for Toronto Pearson to remain in step with other airports Canada should implement these programs.

Arrivals Duty Free would permit passengers arriving at international airports in Canada to purchase duty free goods on arrival.

Amending the Customs Act would repatriate approximately \$300 million in revenue that is currently lost to foreign jurisdictions, increase Canadian jobs, and provide additional revenue and taxes for the federal government.

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

Dual Shops have been operating in the United States and Europe for several years. Sales to domestic passengers are equivalent to approximately 10–15 per cent of current duty-free sales.

Recommendation #3

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.

Conclusion

Passengers, stakeholders, and governments all count on Pearson to take an environmentally sustainable approach while being Canada's largest airport. Toronto Pearson is fully committed growing in an environmentally sustainable fashion, as outlined above by our many commitments. There is an opportunity with the assistance of the government take another step forward towards environmental sustainability by ensuring that the airport can operate as efficiently as possible. This can be achieved by ensuring that CBSA and the new designated screening authority are committed to a service level standard of 95 per cent of the passengers processed in 10 minutes or less with no passenger waiting more than 20 minutes. By supporting the development of a multi-modal transportation hub at Toronto Pearson, the federal government can assist in the reduction of GHG emissions by an estimated 83,000 tonnes per year. Additionally, to help improve the airport experience and to create additional revenues for the government changes should be made to the Customs Act to allow for Arrivals Duty Free.

As the committee considers its recommendations for the federal budget, it is our hope that these recommendations will receive your top consideration.