WINNIPEG
AIRPORTS AUTHORITY

Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget

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List of Recommendations

Recommendation 1 – Provide Airports with rent deferral until traffic returns to 2019 levels and airports return to a positive cash position

WAA recommends that the Government of Canada provide rent deferral to Canada's major airports for 2021. This deferral should remain in place until traffic returns to 2019 levels, and airports are in a position to pay off the debt incurred to sustain operations during the pandemic.

Recommendation 2 – Implement measures to stimulate air travel, where medical evidence tells us it is safe, promote tourism, save jobs and keep goods moving

WAA recommends that the Government of Canada stimulate air travel by encouraging domestic travel and opening our borders to safe countries based on medical evidence.

Recommendation 3 – Increase Canada's global competitiveness by enhancing aviation and trade policies

WAA recommends that the Government of Canada review its Blue Skies Policy to liberalize air travel, move to a full open skies model for air cargo, strengthen Free Trade Zones and allow Arrivals Duty-Free at Canadian airports.

Thank you for the opportunity to provide our input for Budget 2021. No government budget in recent history has been more important for Canadians. The Federal Government has a chance in Budget 2021 to invest in critical sectors that will help rebuild our economy and position Canada for success in the near and long term. Airports will be essential to Canada's economic recovery and must be front and centre in the next federal budget.

The COVID-19 pandemic has hit the aviation industry hard. The International Air Transport Association (IATA) expects airlines to lose $84.3 billion in 2020, making it the worst financial year ever. Airport Council International-North America (ACI-NA) expects Canadian airports to see 66 million fewer passengers this year. All stakeholders have felt the impact, and we do not anticipate a return to 2019 passengers levels for at least four to five years. Canada's aviation sector is a user-pay model, meaning a 95 percent drop in traffic has had disastrous impacts on airport revenue. ACI-NA anticipates a revenue drop of about $2 billion this year. At the same time, over 80 percent of operating costs are fixed, putting airports in an untenable situation.

We see the aviation industry in other countries benefit from government support. In the US, eligible airports split $10 billion in grants as part of the CARES Act. Japan and France have provided airlines with bailout funds to support the aviation system and ensure its long-term sustainability. However, Canada has yet to act in a meaningful way. As of the end of July, Canada and the UK were the only G7 countries that had not provided a significant support package for the aviation industry.

Before the pandemic, airports supported over 200,000 jobs and delivered $19 billion in GDP. Winnipeg Richardson International Airport itself supported over 18,000 jobs in the region and generated $4.3 billion in economic activity. Winnipeg Airports Authority, the non-share capital corporation tasked with operating and managing Winnipeg Richardson International Airport, is committed to continuing to lead transportation innovation in support of our community. However, our industry needs help.

Budget 2021 can take the necessary steps to return airports to being economic engines for Canada and driving our recovery. WAA offers the following recommendations for the upcoming budget.

Recommendation 1 – Provide Airports with rent deferral until traffic returns to 2019 levels and airports return to a positive cash position

In 2019, Canadian airports paid over $330 million in rent to the federal government based on airport revenues. In March, the federal government provided a rent deferral to airports for the rest of 2020. This relief was an essential first step, and although appreciated, has had a minimal impact on airport budgets. Since rent is directly tied to revenues, the drastic decline in revenue has meant rent owing to the federal government is a fraction of what it was in prior years. For WAA, in 2019, we paid $9.7 million in rent, while our rent payment for 2020 is expected to be less than $4 million. The anticipated rent deferral amount from March to December 2020 is estimated at $2.4 million.

WAA is recommending rent deferrals be continued in 2021 and remain in place until traffic returns to 2019 levels and airports are in a cash positive position. A return to traffic itself is not sufficient as airports are incurring debt to sustain operations during the pandemic. Rent deferrals should include these added costs.

We believe it is inappropriate for the federal government to levy rent on airports when we are laying off employees and struggling to balance budgets. Rent deferral, while not sufficient on its own, is a simple and efficient way for the federal government to support airports and gives airports the cash needed to enhance cleaning practices, invest in proven technologies and keep employees working.

Recommendation 2 – Implement measures to stimulate air travel, where medical evidence tells us it is safe, promote tourism, saves jobs, and keeps goods moving

WAA supported the federal government's decision to restrict air travel to help flatten the curve and protect Canadians. Almost every country in the world took similar action, and there is little doubt it has been effective. However, the government continues to discourage domestic travel and continues to close the border to all non-essential travel, including countries with similar or lower COVID-19 case counts to Canada.

Other countries, including several G20 countries, have opened their borders to international travel by adopting measures to minimize COVID-19 exposure risk. These measures are based on medical evidence and endorsed by medical professionals worldwide. Examples include creating safe corridors of travel between approved jurisdictions with similar case numbers and deemed a low risk from a public health perspective, requiring a negative test for COVID-19 to enter the country, or a waiver of quarantine requirements following a negative test on arrival.

The government's decision to continue restricting traffic is having a severe negative impact on Canada's economy. Canada's tourism industry has been devastated by travel restrictions. 2019 was the sixth consecutive year of increased travel to Canada, and the industry was anticipating 2020 would be another strong year. The tourism sector is a $102 billion industry for Canada, and 1.8 million Canadian jobs rely on economic activity generated by travel and tourism.

Restricting travel has also slowed the movement of air cargo, and important issue for Winnipeg Richardson International Airport since we are a critical Canadian cargo hub. While cargo traffic has remained steady at Winnipeg Richardson International Airport during the pandemic, largely due to our cargo traffic being primarily air freighters, globally, cargo traffic has seen a significant decline. In April and May of 2020, there was a global decline of 750,000 tonnes of cargo. If you remove the 250,000 tonnes of personal protective equipment shipped during the period, it is a drop of one million tonnes compared to the same period the year before. Other countries are working with the industry to find ways to get goods moving. The EU has moved ahead recently with clear guidelines for air cargo operations, which not only helps to get products moving but also creates confidence in the system. Current Canadian travel restrictions make it difficult for air cargo operations and put Canada at a disadvantage on the global stage.

Airports are doing their part to keep travellers and employees safe. WAA has introduced the YWG Clean Program, an enhanced cleaning program for all areas of the terminal. We are investing in state of the art technology, including electrostatic cleaners and UV lights, increasing the cleaning of high touch areas of the terminal, and have made face coverings mandatory in all public areas of the terminal.

The risk of contracting COVID-19 during travel is minimal. If travel is permitted between countries with similar case counts as Canada, there is no additional risk to Canadians who wish to travel, and no risk for Canadians in welcoming visitors from these safe countries. The federal government must remove these artificial barriers and open up the country to travel where medical evidence shows us it is safe to do so.

Recommendation 3 – Increase Canada's global competitiveness by enhancing aviation and trade policies

Another way to support the aviation industry and rebuild the economy is by modernizing Canada's aviation and trade policies. By making it easier for Canadians to travel and for people to explore our country, facilitating the movement of goods, and allowing new revenue streams for airports, the federal government can create the necessary regulatory environment for success.

Canada's Blue Skies Policy is outdated and should be reviewed to liberalize air travel. Canada has full open skies agreements with only 22 countries and has exclusively negotiated five agreements since 2015, the last being Grenada in May 2019. Canadians have benefited from increased competition in recent years, with low-cost carriers Flair Airlines and Swoop helping spur traffic. WAA believes adding new open skies agreements will further benefit Canadian travellers by increasing competition and offering new routes.

Canada should also move to a full open skies model for air cargo. Canadian goods should be able to flow around the world with limited restrictions. As the global economy becomes increasingly intertwined, Canada must be in a position to compete. This is particularly true today as global supply chains have been tilted due to COVID-19. There is an opportunity for Canada to take advantage of the new landscape, but only if we have a supportive regulatory system.

Free Trade Zones (FTZs) are another area where Canadian policy can be strengthened. These zones are currently limited to specific areas of the country and are not as inclusive as other countries, including the US. Canada should align our FTZs with how business understands this model based on its experience in other countries. This will allow Canada to be more competitive in attracting new business.

These policy changes will support the investments made under the National Trade Corridors Fund (NTCF). For example, the NTCF is helping fund the new Multi-tenant Air Cargo Logistics Facility at Winnipeg Richardson International Airport. This facility delivers on the needs of business in this region, including providing access to temperature-controlled facilities. Funding for projects like the cargo facility in Winnipeg should be given priority in Budget 2021.

A long-standing issue whose time has come is Arrivals Duty-Free (ADF) in Canadian airports. Current government policy is only departing passengers are allowed to purchase duty-free products. ADF would enable passengers to arrive in Canada to buy products duty-free. More than 60 countries currently allow ADF, and WAA believes Canada should follow their lead. ADF is more convenient for the traveller and would repatriate sales Canadian travellers are now making abroad.

Conclusion

Budget 2021 will set the tone for how our country recovers. There is an incredible opportunity for Canada to drive global recovery efforts and be a model for others. Canada cannot recover on its own, and our connectivity will be essential to driving our recovery. Airports must be supported in Budget 2021 to keep Canadian connected and keep people and goods moving. WAA strongly believes that the recommendations presented above will position Canada for success and be implemented in Budget 2021.