**2018 Pre-Budget Consultations**

**House of Commons Standing Committee on Finance**

**September 20th, 2017**

Let me start by thanking you for supporting the CAC’s 2017 budget submission. Canada’s airports are pleased that progress was made, particularly on infrastructure funding for small National Airport System (NAS) airports across Canada.

The Government of Canada’s National Trade and Transportation Corridors allows all major airports to apply for funding. For several years, six small National Airports System airports were barred from applying for federal funds; they can now finally access federal funds to improve safety at their airports.

This change is welcome, as aviation is dynamic, fast growing and capital intensive. Over the last ten years, passenger numbers have grown from 101 million to 140 million at Canadian airports. We are already seeing a 6.3 per cent increase in Canadian air traffic so far this year.

This growth supports our economy in tourism and trade and 141,000 direct jobs in air transport. The efficient movement of goods and people is essential to the productivity and competitiveness of Canadians and businesses across this country.

But the growth also means longer wait times at security screening at a number of airports, as well as at our air borders.

When we were before you last year, we proposed that the Government of Canada pursue comprehensive reforms to screening in Canada, including the establishment of service level standards at Pre Board screening and a funding mechanism that better matches screening resources to growing demand.

There are promising signs. Just under a year ago Transport Minister Marc Garneau committed to look at the Canadian Air Transport Security Authority (CATSA) governance model, to make its funding more nimble to growing demand, and accountable to service standards.

We understand that changes for CATSA will be considered this fall and this is a good step. Some airports believe the best approach would be to allow airports a greater role in the delivery of screening at airports – as is the case in many other parts of the globe. For such a fundamental part of airport operations, it is important we get this right and that government, CATSA and airports work together on any structural changes that may be made.

Finding a long-term solution is essential for passengers who deserve predictability and value for the Air Travellers Security Charge they pay. But in the meantime, CATSA needs to be sufficiently funded next year to support demand and allocating all revenue from the ATSC to CATSA screening is a good place to start.

CATSA’s current target to process 85% of passengers in under 15 minutes, means about 10 million travellers are waiting anywhere from 16 minutes to an hour. We do not believe this target is adequate; moreover airports tell us it is not even being consistently met. And airports are also spending millions of dollars to top up a service that travellers are already paying for through the ATSC. This undermines the goal of reducing the cost of air travel in Canada, as airports have to recover costs from users.

Government also should restart its stalled investments in CATSA Plus lanes – which are improving the traveller experience where they have been installed. But CATSA needs funding authority to proceed.

We are also requesting resources for the Canada Border Services Agency (CBSA) to support growing air service demands, and continued innovation. International arriving passengers are our fastest growing segment, with 10% growth so far this year outpacing last year’s numbers.

Working with CBSA, airports have invested millions in technology and infrastructure to speed up and improve the traveller experience, but CBSA needs greater government support also. The agency is at the forefront of keeping Canada safe in an increasingly complex, fast changing world.

CBSA supports important traffic and trade and has worked tremendously hard with airports this summer to manage a heavy volume of travellers. Toronto Pearson continues to see record growth, and this summer was particularly challenging as CBSA simply did not have the resources to keep up.  With the customs hall jammed, passengers were routinely held on aircraft or outside the customs hall, resulting in passenger delays that we're all working as an industry to avoid.

In addition to its security role, CBSA has an important business, trade and tourism role in this country. Canada is going in the right direction on this file. Better technologies and processes are constantly being developed, and Canada should be at the forefront of this. But we also still need to reinforce resources for border control officers in the field.

Another area of concern for Minister Garneau is reducing the cost of air travel.

Our submission includes two recommendations on cost.

On the revenue side, the introduction of duty free stores upon arrival from an international flight would provide an additional service to travellers and additional funds for airports to offset aeronautical charges to airlines. It’s already in place around the world.

On the cost side, airports last year paid $344 million in rent to the federal government. As a tax on gross revenue, this rent impacts the way airports evaluate business opportunities with low margin financial returns. We propose rent be eliminated for all airports with fewer than three million passengers and at least capped for larger airports to stop its upward trajectory.

In conclusion, I would like to again thank you for your support for CAC’s budget submission last year. Our recommendations would enable Canada’s airports to improve the productivity and competitiveness of businesses in the communities they serve. They will also improve traveller experience.

I’m pleased to answer any questions you may have.