

Notes on C-97 to the Senate Transportation and Communications Committee

Room W110, 1 Wellington Street

Tuesday, June 4, 2019

Honourable Senators, on behalf of the Canadian Airports Council and our 54 members that represent 90% of commercial aviation traffic in Canada, thank you for the opportunity to appear today in support of *the Security Screening Services Commercialization Act* contained in Bill C-97, *The Budget Implementation Act, 2019*.

Canadian airports are pleased with the direction government has chosen to take for the future governance model of aviation security screening services in Canada. The private not-for-profit delivery of services to air travellers is unique to Canada and has proven very successful.

With this proposed transition of security screening services out of government and into a new private not-for-profit entity, Transport Canada would continue to maintain regulatory and oversight responsibilities for aviation security in Canada. However, the operational responsibility for this critical part of the air traveller experience would be transferred a new organization whose mandate would be

aviation security screening, delivered more efficiently, effectively and with leading standards of professionalism.

In 1996, Transport Canada made similar moves to “commercialize” air traffic control, forming Nav Canada. Today NAV Canada is a respected world leader in its field, and its 23-year history has brought an entrepreneurial spirit and greater operational vigor to air traffic control, removing taxpayer responsibility to fund the system and ultimately lowering costs to users.

The proposed model for a new CATSA also mirrors the transfer of 21 of Canada’s major airports to local, private nonshare capital corporations with mandates to serve users, including air carriers, our shared travellers and other stakeholders in the community. As with air traffic control, airports are independent, operate without shareholders and are fully responsible for covering the costs of operations and capital investment.

The government is proposing a very aggressive timeline for the transfer of CATSA to this new model, with a stated goal of having the new organization up and running within a year. As airports, we are ready to engage with our air carrier partners and government toward this ambitious goal, but we will also be taking the time to get this right. We are building something important here, too important to be rushed. We will not cut corners.

The need for model change for CATSA is by no means a comment on the hard-working team of professionals that work there. Instead, the organization's structure and funding as a crown corporation is simply not responsive to the demands of a fast-growing air transport sector and the millions of additional travellers passing through Canada's airports each year.

Security screening of passengers, employees, and their possessions is an essential service for commercial aviation today. But while Canada's airports have confidence in the security value delivered by CATSA screeners and equipment, the reliance on annual appropriations to fund a service air travellers are already paying for through the Air Traveller Security Charge, simply doesn't work in a fast growing, volume-based business centered on the care and comfort of real human beings.

Moreover, this funding model significantly impedes CATSA's ability to plan long term and make investments in innovations that can deliver improvements in both security outcomes and the passenger experience. As such, the organization has not been able to deliver service levels that are globally competitive and acceptable to the industry and our air travellers. Nor does it have the prospect of being able to as long as it is structured the way it is today.

This has frustrated travellers, industry and government alike, which is why Canada's airports have worked with our air carrier partners for several years through an industry-led Screening Working Group in a bid to improve the service for travellers.

The culmination of this work between the CAC and Canada's two-largest air carriers was a recommendation for the creation and delivery of internationally competitive service level standards for screening that would see 95% of passengers being processed through high volume checkpoints in under 10 minutes with no passenger waiting more than 20 minutes.

Having worked for years to convince government of the need to reform CATSA, Canada's airports are pleased to see the commitments made in Budget 2019 to transition CATSA to a not-for-profit entity, using the nonshare capital corporate model developed to similarly transfer NAV Canada and 21 privately-operated National Airports System Airports in the 1990s.

It is with the memory of these earlier endeavors in air traffic control and airport management, and a shared conviction that we can do so much better for travellers, that Canada's airports seek to work together, with air carriers and the federal government to transition CATSA into a new more efficient, innovative and accountable organization that serves the needs of travellers with a motivated team of

professionals who understand that high security and professional service are not mutually exclusive, but rather go hand in hand.

Though supportive of the *Security Screening Services Commercialization Act*, we would like to see greater clarity provided in section 26(1)(d), which states “that charges may be used only to recover costs for security screening services”. The CAC and our members have concerns that this language is too restrictive and may preclude the new Designated Screening Authority (DSA) from being innovative and entrepreneurial in execution of its mandate. It may also prevent the new entity from accessing preferable rates to raise capital on the financial markets.

We do not believe that the provision of greater clarity in this charging principle will alter the original intent of the legislation. Instead, it will provide greater certainty to this new entity, regulators and the financial markets in years to come.

We also agree with our air carrier colleagues on the need for a financial backstop to protect the DSA against regulatory changes that create cost shocks.

Thank you for your time this morning. I am pleased to take any questions.