



March 20, 2020

The Honourable Justin Trudeau
Prime Minister of Canada
80 Wellington Street
Ottawa, ON K1A 0A2

Dear Prime Minister:

Canada's airports appreciate the tireless efforts of you and your officials to respond to COVID-19, in a timely and measured way. Our colleagues at Transport Canada have been managing rapidly evolving developments with expertise and professionalism.

It is difficult to believe it was just one week ago that we wrote the Minister of Transport to inform the Government of the Canada of the actions that Canada's airports are taking to ensure the safety and security of travellers and employees through COVID-19. We also provided preliminary data showing the virus' downstream economic impacts.

What a difference a week can make. Unfortunately, we greatly underestimated both the pace in which developments have unfolded and the severe drop-off in domestic and global air traffic we have seen in the last week. This crisis has very quickly presented operational and financial challenges that far surpass what Canada's airports and our industry partners saw after the events of September 11, 2001.

Canada's airports are now facing the grim reality that many parts of the aviation sector could shut down without government action and relief. The revised forecast we received today is even worse than what we announced earlier this week. With traffic declines of 55-71% in the second quarter of 2020, Canada's airports now expect to see losses of \$1.8 billion to \$2.2 billion this year. This is unprecedented and catastrophic for our sector.

The most pressing concern for Canada's airports is the loss of airport operating revenues caused by flight cancellations and drastic declines in passenger traffic. These negatively affect revenue generated by landing and terminal fees charged to air carriers, as well as per-passenger fee revenue. Most on-airport businesses for passengers, such as shops,

restaurants and duty free, have already shut down or soon will. In addition to providing services to travellers, these are a major source of local jobs and revenue for airports.

Canada's airports are concerned about their cash flow, as they must maintain the same high standard of safe, secure operations on drastically reduced revenue. Airports are moving quickly to reduce operating costs as much as possible to respond to this unprecedented challenge. Airports are also reducing or suspending capital programs until passenger traffic rebounds.

Meanwhile, many airport operational costs related to safety, runway maintenance, and aircraft movements are fixed and cannot be reduced in proportion to reduced traffic volumes. In fact, with increased protocols aimed at controlling the spread of COVID-19 in place at terminals throughout the country, costs at Canada's airports actually increased over the past few weeks.

How Government Can Help

As we advised Minister Garneau last week, government can help with financial relief in several ways. In discussion with our airport leaders across Canada, we identified the following as examples of ways in which government could be most helpful. They fall into two broad categories: Short-term financial relief to get through the current period and immediate cash flow challenges, and longer term recovery initiatives to stimulate travel once the crisis is past.

Financial Relief

- **Short-Term Airport Rent Relief:** Rent relief of at least one year to allow airports to redeploy these funds to maintain operations and support their recovery strategies. Rent relief is the quickest direct mechanism with which the federal government can support National Airports System airports at this time.

While Billy Bishop Toronto City Airport does not pay ground rent to the federal government, it does pay a Gross Revenue Charge pursuant to the *Canada Marine Act*. In the case of this airport, the required relief would be in the form of the Gross Revenue Charge.

- **Financial Relief for Reduced Cash Flow** – Canada's airports are concerned about cash flows, as they must maintain the same high standard of safe, secure operations on drastically reduced revenue. While rent relief would be a critical first step, it does not help airports that do not remit rent, nor does it address the mounting costs incurred to stream international travellers through a smaller number of airports.

These developments threaten to slow or halt existing or planned capital investment projects, affecting employment in local communities. We ask the government to put into place a program to direct new funds to airports to compensate for their lost revenues and increased costs, as well as to ensure that airports and local economies continue to be stimulated by capital spending.

- **Regulatory Flexibility and Funding:** Flexibility to adjust tight implementation deadlines and dedicated federal funding to help airports meet new regulatory requirements. This includes new airport accessibility regulations that mandate some capital investments be made by June 2020. It also includes Runway End Safety Area (RESA) regulations introduced March 7th, which will have a significant capital cost for many airports (more than \$380 million nationally, about half of that at airports with fewer than 3 million passengers).

Recovery

- **Boosted Funding for Infrastructure:** To compensate for lost revenue and provide a boost to the industry once travel has rebounded, increased funding for federal infrastructure programs, including transit to airports and regional rail connections. The scope of the National Trade Corridors Fund (NTCF) should be expanded to support movement of people and goods on passenger aircraft, and funding should be increased for small airport safety and security through the Airports Capital Assistance Program (ACAP).
- **Modernization of Canada's Borders and International Travel:** Support for border modernization programs and initiatives such as Electronic Travel Authorization (ETA) 2.0, visa-free transit, and border facilitation initiatives pursued under the Beyond Preclearance Coalition. The cost to government to implement these initiatives is relatively low, yet their impact could stimulate international travel and airport revenue growth.
- **Tourism Promotion:** Increased funding for Destination Canada to promote travel domestically, as well as to stimulate international tourism to Canada once travel has begun to rebound. In addition, reforms to duty free programs, such as the ability to purchase duty free products upon arrival in Canada from an international flight, would allow Canadian airports to repatriate sales from foreign airports and bring Canada's offering to international travellers in line with those of competitive travel markets in other parts of the world.

Canada's airports have been working with partners in the air carrier and tourism sectors to identify other initiatives that could provide short-term relief now and help stimulate recovery down the road. All Canadian airports with slot rules moved quickly to grant a

request by air carriers to suspend slot rules, thereby relieving airlines of a significant cost issue.

However, airports cannot support requests for airport rent relief to be exclusively used to lower aeronautical charges, as airports are experiencing their own cash flow challenges. Airports are fixed assets that cannot be moved or shut down if aircraft are to continue to take off and land in Canada. While Canada's airports play an important role supporting commercial passenger traffic, they are national assets as well, facilitating the delivery of cargo, medical care, and providing access to northern and remote communities and supporting military flights.

As you know, Canada's airports enable foreign direct investment, international trade, and support our country's \$90 billion travel and tourism sector, which employs some 1.7 million Canadians. Airports provide employment for 194,000 direct workers and contribute about \$7 billion in taxes to local, provincial and federal levels of government.

Prime Minister, Canada's airports appreciate the tremendous efforts the Government of Canada has taken to manage this global crisis in a timely and measured way. We will reach out to Transport Minister Garneau in the coming days to discuss what airports are facing in the weeks and months ahead. In the meantime, on behalf of Canada's airports, we thank you for your dedication during this difficult time.

Sincerely,



Joyce Carter
Chair



RJ Steenstra
Vice Chair

CC.

- Hon. Marc Garneau, Minister of Transport
- Hon. Chrystia Freeland, Deputy Prime Minister and Minister of Intergovernmental Affairs and chair of the Cabinet Committee on the federal response to the coronavirus disease (COVID-19)
- Hon. Bill Morneau, Minister of Finance
- Hon. Navdeep Bains, Minister of Innovation, Science and Industry
- Hon. Mélanie Joly, Minister of Economic Development and Official Languages