Speaking Notes to the House of Commons Standing Committee on Finance

May 1, 2020, Joyce Carter, Chair of the Canadian Airports Council and President and CEO of the Halifax International Airport Authority

Mr. Chair, members of the committee. Thank-you for the opportunity to present to you today. My name is Joyce Carter and I am the Chair of the Canadian Airports Council, and President and CEO of Halifax International Airport Authority.

I am joined by RJ Steenstra, CAC Vice Chair and President and CEO of the Fort McMurray International Airport.

It's nice to see some familiar faces today. You may recognize the very empty departures hall at Halifax Stanfield behind me, where we expect to see just 200 travellers today, compared to a daily average of 11,000.

Canada's airports are an essential part of our transportation network. Airports enable economic development in communities large and small, facilitate trade and immigration, and bring visitors to Canada's $90 billion tourism sector. We connect Canada to the world.

Pre-COVID, Canada's airports supported nearly 200,000 jobs, resulting in $13 billion in wages and $7 billion in taxes to all levels of government.

Along with our airline partners, Canada’s airports have seen a tremendous drop in traffic and revenues since this crisis began. In fact, in April, passenger traffic is down by more than 90% from normal levels. While we are preparing to restart some operations as travel restrictions are lifted, we don’t expect recovery in our sector for many years.

The few passenger flights that are still operating are quite empty. And some communities -- like Saint John, NB and Prince Rupert, BC -- have lost scheduled passenger service altogether. You can appreciate this situation is not sustainable.

It’s important to remember, airports must remain open to safely move goods, essential workers, and facilitate medevac and other important services for Canada’s economy and recovery.

Airports moved quickly to help in the repatriation of Canadians, and then to reduce operating expenses – including closing sections of our facilities and cutting wages and staff - but many of our costs are fixed. Costs related to safety, security, and runway maintenance, for example, cannot be cut in proportion with reduced traffic. In fact, while Canada’s airports anticipate revenue for the year to be down more than 57% of what we expected to see, costs cannot be reduced nearly as much.

We want to thank the government for ground lease rent relief. For the 22 applicable airports, this initiative is helping preserve some cash flow in 2020, particularly for Canada's eight busiest airports that pay 96% of the rent.

Airports must also continue to meet their capital debt obligations. With little or no passengers, the Airport Improvement Fee revenue that typically covers these costs has vanished.

Managing airports is about more than just passengers. We must maintain buildings, runways, taxiways, lighting systems, and other services that are all part of what makes an airport operation safe and efficient.

Airports also must conform to ongoing regulatory changes related to runway safety and accessible air travel, with price tags in excess of $350 million.

We do not oppose these requirements, but wonder how we'll pay for them based on our current financial situation.

Boosted funding for smaller airports through the Airports Capital Assistance Program, and new funding for safety and security through the National Trade Corridors Fund, would be helpful.

But infrastructure funding is really a longer term solution, to help airports recover over the next couple of years. Airports are struggling now to cover their costs based on severely reduced revenues.

Over the past few weeks, we have had positive discussions with officials from Transport and Finance about a series of measures to help airports of all sizes sustain operations in the coming months.

Permanently eliminating airport ground lease rent would be very helpful, given recovery of our industry is expected to be slow and arduous, and there is a good chance we will see a second or third wave. This would allow airports to preserve cash, focus on operations during the recovery, and pay off incremental debt acquired during the pandemic.

Loan or bond guarantees and preferred payment designation for airport lenders would relieve the cash pressures caused by current debt obligations, and allow airports to continue to borrow at favorable rates.

Additional debt and interest costs would have to be repaid, and airports are concerned about what this would do to future rates and charges to airlines and our shared passengers.

This is why interest free, longer-term loans would provide much needed cash without unduly burdening future consumers, who ultimately have to shoulder any additional costs placed on the industry.

The financial model for Canada's smallest airports is barely sustainable at the best of times, but, for many rural and remote communities, these airports provide the primary means of access for people and goods.

For smaller airports, a funding stream to cover essential operating expenses would be tremendously helpful so they can continue to connect their communities to much needed goods, workers, medical supplies, and emergency services.

The health of the entire air transport system is not only essential to serving communities and Canadians through this crisis, but also key to our economic recovery once we begin to reopen the economy.

Thanks for your time and I look forward to your questions.