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Opinion

Feds need to step up support for airports as it copes with revenue shortfalls

Despite the catastrophic financial impacts of COVID-19, airports must continue to pay fixed costs to maintain safe, secure operations and facilitate safe passage for Canadians.

BY ANGELA GITTENS & DANIEL-ROBERT GOOCH

The travel bans and precautionary measures that governments have in place are designed to help to mitigate the spread of COVID-19 and form part of a global effort to flatten the curve and to prevent further outbreaks from overwhelming hospitals.

A pressing concern for many airports, along with others in the global and Canadian aviation ecosystem, is the substantial loss of operating revenues caused by flight cancellations, travel bans, and the sharp declines in passenger traffic.

Despite the catastrophic financial impacts of COVID-19, airports must continue to pay fixed costs to maintain safe, secure operations and facilitate safe passage for Canadians.

The government's announcement of a 10-month suspension of rent payments for the 21 privately operated National Airport Systems and Billy Bishop is a positive step. However, in reality, rent relief provides little benefit for most airports. As rent is assessed on revenues, with the near collapse in revenues to airports, rent payments will be negligible. Airports are seeking to take advantage of federal support programs like the Canada Emergency Wage Subsidy, but there are continuing questions about eligibility that affects a significant number of Canadian airports, with scores of municipally owned and operated airports already deemed inadmissible.

Airport revenues, from charges on airlines and passengers to commercial activities, are directly linked to the level and evolution of traffic.

Canada's airports, which are not-for-profit entities, use revenues from aeronautic and passenger fees to cover capital costs and operating expenses such as staff costs. Current estimates point to airport industry losses of up to $2.2-billion in Canada and $70-billion worldwide as compared to a projected pre-COVID-19 baseline for 2020.

Still, the safety, security, and health of airport staff and passengers remain paramount. Airports cannot function without the variety of skilled and qualified personnel to perform key operations. That said, the airport labour force goes beyond essential operations.

Many employees who work at an airport are actually employed by outside entities, such as food and beverage and retail services, aviation-related services, including ground handling, and governmental services such as border control and security.

Based on Advanced Commercial Information data, both personnel employed by airport operators and personnel employed by outside entities represent more than 6.1 million jobs globally over 355,000 in Canada. The entire aviation sector accounts for 10.3 million jobs, so 60 per cent of employment in the aviation sector is generated "on the ground" at airports.

Most on airport businesses that cater to passengers, such as retail outlets, duty free shops, restaurants, and parking, now have significantly reduced economic activity with many of them already shut down.

In addition to providing essential services to the travelling public, these represent key revenue channels for airports.

According to the Air Transport Action Group (ATAG), the industry contributes some 66 million jobs, generated directly and indirectly, including through tourism.

Aviation's global economic impact is around $2.7-trillion or 3.6 per cent of the GDP. Canada's aviation sector generates $35-billion in total GDP.

For decades, the industry has remained a major catalyst in supporting growth in other industries such as tourism. In fact, as much as 57 per cent of international tourism is supported by air travel as the leading mode of transport.

In Canada, travel and tourism generates $102-billion annually and is the country's largest service export industry, with annual earnings of $22.1 billion.

Financial relief to protect the livelihoods of airport staff

Canadians airports and their counterparts around the world have identified several financial relief measures that states should consider to alleviate the significant drop in cash flows and to ensure operational and business continuity at f airports.

The measures that Canadian airports have requested from the Government of Canada include:

- Extended/permanent rent relief for NAS airports;
- Urgent federal funding to inject liquidity into airports to offset collapse in all revenue streams;
- Confirmation that all airports, irrespective of their ownership model would be eligible for all federal subsidies, programs, and grants available to Canadian businesses and not-for-profits, including the Canada Emergency Wage Subsidy program.
- Flexibility on deadlines for new regulations and dedicated federal funding to help airports meet new regulatory requirements;
- Postponement of any new, non-essential regulations;
- Funding programs that will help stimulate air travel and airport operations;

The CAC appreciates the government's leadership during this crisis, and urges it to take direct action to stimulate air travel and start to reboot the Canadian economy.

Canada's airports also support their international counterparts, which are asking for relief packages that include secured loans, grants, and the suspension or postponement of aviation specific taxes and airport rent and concession fees.

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Editor's note: This has been updated to reflect an additional measure called for by the authors and a clarification that, according to the authors, rent relief provides little benefit for "most airports."

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