CANADIAN AIRPORTS COUNCIL
CONSEIL DES AÉROPORTS DU CANADA

Positioning Canada's airports for a strong, inclusive and sustainable COVID-19 recovery

Written Submission for Pre-Budget Consultations in Advance of the 2021 Federal Budget

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Recommendations

The Canadian Airports Council (CAC) recommends that the government:

Recommendation 1

Provide immediate financial support to Canada's airports through a moratorium on ground lease rents and interest-free loans (or equivalent operational support) in order to cover operating costs and alleviate the need for rate increases during the recovery.

Recommendation 2

Expand national transportation infrastructure programs and support border modernization efforts to help Canada's airports meet safety and security requirements and adapt to the new realities of COVID-19.

Recommendation 3

Increase the Airports Capital Assistance Program to $95 million per year to ensure sustainable recovery at Canada's regional airports.

Recommendation 4

Provide sufficient funding for the Canadian Air Transport Security Authority (CATSA) to ensure it can meet its current and new mandates to protect the health and security of travellers and workers in the air sector.

Recommendation 5

Implement measures to stimulate domestic and international air travel to promote recovery in the Canadian tourism sector.

Introduction

The Canadian Airports Council (CAC)'s 54 members represent more than 100 airports, including all of the National Airports System (NAS) airports and most passenger service airports in every province and territory. CAC members handle virtually all of the nation's air cargo and international passenger traffic and 90 per cent of domestic passenger traffic.

An essential element of our national economy, Canada's airports not only serve as gateways to urban and rural communities but they also enable economic development in our communities and facilitate trade, immigration and tourism. With over 160 million passengers in 2019, airports supported nearly 200,000 jobs and contributed $19 billion in GDP and nearly $7 billion in tax revenue to all levels of government.

However, COVID-19 travel shutdowns in 2020 led to a catastrophic drop in both traffic and revenues. Air service dropped by 95-98 per cent in most communities and some saw services suspended altogether. The longer pandemic travel restrictions have remained in place, the deeper the impact; Canada's airports have already had to update their forecasts as previous "worst case scenarios" became a reality. With coronavirus containment measures such as travel restrictions and border closures expected to remain in place for some time, recovery in the sector will likely take until 2024, a year longer than previously anticipated.

As the federal government works with public health officials to safely restart the Canadian economy, every segment of the sector — from airports to airlines to air traffic control — has worked diligently to reduce costs to shore up liquidity while maintaining the ability to safely support essential travel, cargo, medevac, and other critical needs. At the same time, we must brace for potential subsequent waves of COVID-19.

This requires significant investment in airport infrastructure and innovative technologies. As you will see in the following recommendations, with targeted and sufficient government support, airports will be able to weather the turbulence of the pandemic crisis and generate economic growth and recovery when the worst is behind us.

Recommendation 1: Provide immediate financial support to Canada's airports through a moratorium on ground lease rents and interest-free loans (or equivalent operational support) in order to cover operating costs and alleviate the need for rate increases during the recovery.

Throughout the crisis phase of the pandemic, Canada's airports have taken steps to preserve cash, which has enabled them to focus funds on operating costs, critical capital expenditures and the continued employment of staff. For regulated businesses like airports, which rely on passengers for about 90% of their revenue but with highly-fixed costs that can only be cut by 10-20 per cent, financial relief is needed to help pay off additional debt acquired during the pandemic.

Based on existing industry recovery scenarios, a moratorium on federal airport ground rent is needed until traffic has returned to 2019 traffic levels so that airports can repay debt incurred to support operations through COVID-19. Rent should be eliminated for all but the eight busiest airports.

This direct relief would allow 22 privately operated airports across Canada to navigate through the COVID-19 storm, support the efforts deployed by the federal government to speed up Canada's economic recovery, and preserve levels of service.

During the recovery period, as airports start to generate revenues once again, further relief from the revenue-based ground rents can help preserve cash flows to support investments in infrastructure, health screening measures and employee retention. Depending on how long traffic is suppressed, this could take five years or longer to sufficiently address the deep financial losses airports are sustaining with very low traffic volumes.

To help airports that don't pay rent, interest-free loans (or equivalent operational support) would provide direct, immediate support for liquidity. This would sustain safe operations at airports and maintain jobs, as well as stabilize and preserve borrowing capacity to allow these airports to adapt as passenger volumes rebound.

Immediate financial support will help airports to cope with the financial implications of ongoing travel restrictions while protecting against both revenue erosion and bad debt from tenants and carriers.

Recommendation 2: Expand national transportation infrastructure programs to help Canada's airports meet safety and security requirements and adapt to the new realities of COVID-19.

a. COVID adaptation

COVID-19 has forced Canada's airports to modify their terminals to promote physical distancing and ensure compliance with other health and safety protocols for passengers and staff. Reducing high-touch areas at airports as much as possible requires costly investments. With diminished sources of funds for these critical upgrades, Canada's airports need the federal government's help.

The emerging global consensus is that health checks at airports are likely to include some form of testing and contact tracing, automated processes, touchless technologies, and the integration of government-industry systems through data transmission protocols and mobile applications.

Canada's alignment with internationally-agreed protocols, regulations and standards will be critical to ensure sustainable industry recovery and foster traveller confidence, and should include support for Canada Border Services Agency's border modernization program. Border facilitation initiatives such as e-gates, biometrics and CT scanners will promote passenger safety and physical distancing and minimize the need for larger and more costly infrastructure.

b. Regulatory compliance

COVID-19 adaptations at airports will come on top of ongoing regulatory changes related to runway safety and accessible air travel, with price tags in excess of $350 million. After all, managing airports is about more than just people. Airports must maintain buildings, runways, taxiways, lighting systems, and other services that are all part of what makes an airport operation safe and efficient.

Airports not eligible for ACAP need an infrastructure funding pool for safety and security to support ongoing maintenance and compliance with safety security and investments mandated by regulatory requirements, such as runway end safety areas (RESA), and better accommodating passengers with disabilities.

c. Expanding the NTCF

Economic recovery in the sector is an opportunity to rebuild greener and better, moving millions of travellers and airport workers out of cars and off congested local roads and highways. As we emerge from this crisis, increased investments in transit to airports and regional rail connections would compensate for lost revenue and provide a boost to the industry once travel has rebounded.

To achieve this, expand the National Trade Corridors Fund (NTCF) to support movement of people and goods by air. Airports have shared with government a list of shovel-ready projects to help economic stimulus through construction jobs, as well as support the Transportation 2030 Strategic Vision, which aims to modernize Canada's transportation infrastructure and build stronger and more efficient corridors to international markets.

Recommendation 3: Increase the Airports Capital Assistance Program to $95 million per year to ensure sustainable recovery at Canada's regional airports.

Prolonged recovery in the airport sector is likely to result in a deep liquidity crisis that could jeopardize the ability of regional and smaller airports to fulfill their most basic safety obligations. These airports play a vital role in communities, connecting small and medium businesses in smaller areas with broader markets. Cancelled flights and closed airports can hold back recovery in our regions.

Smaller airports need a dedicated fund to help them meet safety and security regulations and COVID adaptation, but the funding envelope was insufficient to meet demands for the program even before COVID-19. Expanding ACAP to $95 million per year is a minimum requirement to ensure sustainable regional recovery. We must protect critical air connections to Canadian communities to stimulate recovery; even one cancelled route can be devastating. Ensuring the survival of smaller regional airports will also promote tourism outside major urban centres.

ACAP enhancement is a long-term investment in regional economic development and long-term prosperity. Over the initial five years, the increased investment will enable competitiveness and economic growth in both urban and rural areas by supporting over 1,000 direct Canadian jobs and contributing almost $240 million to the national economy.

Recommendation 4: Provide sufficient funding for the Canadian Air Transport Security Authority (CATSA) to ensure it can meet its current and new mandates to protect the health and security of travellers and workers in the air sector.

The Canadian Air Transport Security Authority (CATSA) is funded ostensibly through the Air Traveller Security Charge (ATSC), which is applied to airline tickets sold in Canada. With the collapse in air travel, revenue from the ATSC may not be sufficient to cover the costs of CATSA services.

Since the pandemic has delayed the transition of CATSA to a designated screening authority announced in Budget 2019, it needs stable funding until that process can be completed. CATSA has been mandated to conduct temperature screening for passengers and non-passengers at airports as part of increased health and safety protocols for COVID-19. In 2020, this new responsibility has been paid out of previously-committed funding provided in Budget 2019, made available through the decrease in passenger volumes. Going forward, CATSA must be adequately funded to ensure it can fulfill this essential bio-security screening, while also delivering a high degree of aviation security screening it was already providing.

Recommendation 5: Implement measures to stimulate domestic and international air travel to promote recovery in the Canadian tourism sector.

COVID-19 has shaken confidence across the tourism ecosystem, of which Canada's airports play a critical part. However, the pandemic offers an opportunity to restore Canada's tourism sector and unleash Canada's potential as a top destination for international passenger traffic.

Taking steps to improve the movement of travellers through the border will help rebuild traveller confidence and stimulate international travel and economic recovery. In the age of COVID this is all about touchless and facilitating efficient movement of travellers. Programs such as Electronic Travel Authorization (ETA) 2.0, visa-free transit and investments into tourism marketing through Destination Canada and travel incentives are helpful, as would be modernization of airport retail offerings such as the ability to sell duty free goods on arrival into Canada and dual duty free/duty paid shops. Recovery measures that focus on stimulating demand for domestic and international air travel and maximizing airport revenues from these travellers would have a multiplier effect; more air services will ultimately translate into more revenues for Canada's airports. This could also lessen the need for additional government financial support as part of a cross-national, pragmatic and inclusive approach to recovery.

Conclusion

As the country emerges from COVID-19, Canada's airports remain focused on working constructively with government on solutions that will benefit all Canadians. We have a historic opportunity to rebuild the sector better, stronger, greener, and more efficient than ever before. Shovel-ready projects at our airports will create construction jobs, further stimulating immediate recovery and creating a significant multiplier effect throughout regional economies.

Canadians deserve to have access to safe and high-quality air travel, no matter where they live. 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 long-term economic recovery.