CANADIAN AIRPORTS COUNCIL | CONSEIL DES AÉROPORTS DU CANADA

CAC presentation to the Standing Committee on Transportation, Infrastructure and Communities

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Mr. Chair, members of the committee. Thank-you for the opportunity to speak with to you today. I am Daniel-Robert Gooch, and I am president of the Canadian Airports Council.

The CAC is the voice of Canada's airports. Our 54 members represent more than 100 airports, including all of the privately operated National Airports System airports and many regional airports.

We appreciate the opportunity to address you so soon after the Fall Economic Statement (FES). While we are still waiting on program details, our initial assessment is that the airport measures are a positive first step, but insufficient to avoid serious challenges in the New Year, such as additional rate and fee increases that nobody wants to see.

Along with our sector partners, airports moved quickly when the pandemic began to invest in increase cleaning, to social distancing and mandate masks indoors before being asked, and had implemented nearly all global ICAO standards before they were even released. All while watching the business collapse.

Since April, passenger traffic in Canada has dropped about 90 percent, with October traffic down by 85.5 percent. So the business today is 10-15% of normal.

This has placed a big burden on our workers. Thanks to them that our airports remain safe and healthy, and are doing so under very difficult circumstances: the air sector has laid off about half of its workers.

Most of Canada's airports are not subsidized by government: They rely on passenger revenues. All of the services they provide, including emergency services, are supported by passenger revenue that has vanished. During an unprecedented crisis like this the system simply doesn't work.

As travel restrictions and quarantines drag on into the winter, the outlook is bleak. Airports expect to incur more than $4.5 billion in lost revenue and debt levels will increase by $2.8 billion by the end of 2021.

With COVID-19 on the rise, and full global vaccination some time away, this will not be solved soon. Critical decisions must be made now if Canada's travel and tourism sector is to start recovery next summer, as we expect other northern hemisphere countries will. Summer 2021 simply can't look like summer 2020.

This is critical for regional airports and their communities. With route cancellations already announced by both Air Canada and WestJet, and potentially more to come, regional connectivity is under threat.

Airports are part of a system. Airlines, NAV Canada and other key partners are all hurting and need federal attention, if our system is to recover.

This is why we were hoping to see news in the FES on rapid antigen screening at airports. This is an essential piece that needs to be implemented for those who are travelling today and to return consumer confidence in the travel process when Canadians are ready to travel again in great numbers.

We were pleased to see the FES announce $500 million to make critical investments in safety, security and transit infrastructure at airports. While this a positive move – the money won't go far over six years, given the need and the size of some of these projects.

The FES increased funding to the Airports Capital Assistance Program (ACAP) by $93 million a year for two years. This program provides funding to many small airports for safety and security related investments. It is a positive move but we wonder how airports will be able to contribute their part, given they have run down their cash reserves.

It is good to see $206 million for regional air routes. But we have no details, and regional connectivity is essential to the well being of our communities so we urgently want to understand more.

On airport ground rent paid by 22 airports, the CAC has sought a multi-year waiver at the eight busiest airports until business has recovered. We recommended government eliminate rent for the other 14 small airports as they have never provided more than $15 million in revenue a year to the government. This would make a big difference to those airports when revenue recovers.

The federal government owns the land these airports sit on, so rent is like a dividend they pay to their sole shareholder. It is a revenue based charge that is very lucrative for the federal government in good years, providing $419 million in 2019 and $6.5 billion since 1992.

In the FES:

- the largest four airports that pay 85% of the rent, were only granted a rent deferral on 2021 rent to be repaid over ten years beginning 2024,
- rent was waived just one more year for 12 mid-size airports, who pay about 15% of rent.
- while the eight smallest rent paying airports were given three more years of rent relief, this represents 0.3% of rent paid in good years. And none of these airports were expecting to pay rent in 2021, because they won't make enough money to trigger it.

This is helpful but airports won't receive any cash from this. It means these airports will be able to stop paying the federal government its dividend for another year.

Rent really needs to be waived beyond 2020, as the sector recovers and those funds can be used to pay down debt accrued through the pandemic.

And I must note that most airports pay no rent, which is why we also asked for interest free loans or direct operational support. The FES did announce a Highly Affected Sectors Credit Availability Program, but its cap of $1 million is insufficient to help many airports. The very small airports it might be able to help include a lot of municipal airports, which have been excluded from federal COVID programs.

To conclude, no matter where you live in Canada, the air sector is essential to putting our economy back on track, and airports are a key part of that eco-system. We need them to be ready for every journey.

Thank-you.