Written Submission to the House of Commons Standing Committee on Finance

Pre-Budget Consultations
2024 Federal Budget

August 4, 2023

SUMMARY OF RECOMMENDATIONS

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

Recommendation 1

Enhance the passenger journey by:

- Developing a domestic trusted traveller program to increase access to the Verified Traveller program and improve flow and efficiency of Canadian aviation security screening.
- Expedite the implementation of an end-to-end digital travel journey to seamlessly verify and manage identity through various processes in the travel continuum.

Recommendation 2

Enable airports to build needed infrastructure to meet growing passenger demand and deliver on their roles as gateways to travel and trade, by:

- Re-investing airport rent paid to the federal government back into airport infrastructure, so airports can invest for growth and unlock economic potential for Canadians.
- Ensure airport eligibility in all major federal infrastructure programs.
- Recapitalizing key infrastructure funding programs to meet the needs of airports of all sizes.

Recommendation 3

- Support airports' ability to generate revenue, including through new streams.

Recommendation 4

- That the Government of Canada implement the Sustainable Aviation Fuel (SAF) roadmap promoted by the Canadian Council for Sustainable Aviation Fuels' (C-SAF) to develop a domestic supply of SAF.

INTRODUCTION

The Canadian Airports Council (CAC) — the voice for Canada's airports, including all the community operated National Airports System (NAS) airports — is grateful for the opportunity to offer members of the House of Commons Standing Committee on Finance (FINA) its recommendations for the 2024 federal budget.

We recognize that, over time, strong relationships with Members of Parliament have played an instrumental role in the responsiveness of the federal government to our sector. Without that ongoing dialogue, the progress achieved on a range of relevant policy files — from the reinstatement of NEXUS, the launch of the Verified Traveller Program, developments on support for Sustainable Aviation Fuels, and beyond — is unlikely to have happened. We are grateful to build on that conversation through this submission.

We are also mindful that several consequential steps on the future of our sector have either recently gone before Parliament or are currently being deliberated. They include revisions to the Air Passenger Protection Regulations (APPRs), and provisions in bill C-52 — the *Enhancing Transparency and Accountability in the Transportation System Act,* tabled in the House of Commons in late June — which will encourage the flow of data, shared accountability between air sector stakeholders, and overall transparency to Canadians.

In compiling our recommendations for Budget 2024, we were conscious of those changes that are currently in progress, and of Government of Canada commitments that we anticipate being fulfilled in advance of the 2024 spring budget. Examples include details on the forthcoming National Supply Chain Strategy, updates on infrastructure funding that were held in abeyance during the 2023 budget cycle, and the formal launch of the National Supply Chain Office.

While these steps are encouraging and appreciated, they are not enough. Our sector is at a turning point, and we have yet to round the corner. There remain several pronounced needs that must be addressed for us to deliver on what government expects of us — including achieving progress towards Canada's low-carbon transition, being effective gateways for future travel and trade, and continuing to be the economic engines of Canadian communities from the Pacific to the Atlantic.

RECOMMENDATION 1: ENHANCE THE PASSENGER JOURNEY

Our airports are not only the front door to the country for Canadians, world travellers, and immigrants alike — they are also critical links to the global markets, capital, and goods that support livelihoods in every corner of the nation. To support that lifeblood, every effort must be made to ensure travel across our borders is as smooth, modern, and *competitive* as possible,

While there have been notable steps recently to support that, more can and should be done.

The government's recent launch of the Verified Traveller Program, for example, was an innovative and welcome development that should be built upon. Consistent with the risk-based screening principles airports have championed for several years, the Verified Traveller Program will benefit both those who use the program and those who do not.

To illustrate: Under the Program, pre-approved travellers — including members of NEXUS and Global Entry, members of the Canadian Armed Forces, U.S. military and the RCMP, and uniformed air crew — will be expedited through screening. This will reduce the number of passengers requiring on-site screening resources, which are limited, therefore helping *all* travellers move smoothly through security, reducing processing times, and improving the overall passenger journey.

Airports will continue working with government and CATSA to support effective application of this new program. However, we also strongly encourage taking additional steps.

First, we recommend that the Verified Traveller program be expanded into a *true domestic trusted traveller program* so that more Canadians can benefit from faster screening without having to apply through the NEXUS program. This should be supported with appropriate funding and guided by clear policy direction on both implementation and operations.

Second, we recommend that the program be further expanded beyond the current list of six core airports (Vancouver, Edmonton, Calgary, Winnipeg, Toronto, and Montreal) and the two involved in the supplementary pilot program beginning in August (Ottawa and Halifax). Doing so would create consistency for travellers at airports across the country.

As the public's access to the Verified Traveller program is limited to the NEXUS program, which is a binational trusted traveller program that requires personal and biometric information be shared with both the Canadian and United States governments, Canadians should have the ability to apply for a domestic screening program that can be used for domestic screening, similar to the U.S. Transportation Security Administration Program, TSA PreCheck®.

Finally, significant work has been conducted between Transport Canada, CBSA, IRCC, and Public Safety to look at the entire travel journey to see how it can be streamlined for ease of the traveller. To this end, we would like the federal government to expedite the implementation of an end-to-end digital travel journey to seamlessly verify and manage identity through various processes in the travel continuum.

RECOMMENDATION 2: ENABLING AIRPORTS TO BUILD INFRASTRUCTURE TO MEET GROWING PASSENGER DEMAND

As committee members know well, pressure from the relentless pace of global change is persistent in every country across the globe. From shifting consumer habits, generational demographic change, and the fundamental push towards a low-carbon economy, the need to adapt is vital.

Airports are far from immune to those crosswinds — they are in fact at the centre. The shipping of cargo by air has expanded dramatically. Harnessing that shift for Canada's economic benefit, and supporting it to create supply chain resilience to protect from inflation, is essential. Transforming the use and delivery of fuels across all modes of transportation is critical to achieving global climate commitments. In addition, with a surging domestic population powered by rapidly growing immigration, there will be more Canadians relying on our transportation systems to see loved ones and earn a living.

However, meeting those demands require investment in infrastructure. Canada's airports are essential national transportation assets that benefit all Canadians and our country's economy and some support for investment must flow from federal infrastructure programs.

With that in mind, we recommend:

1. Re-investment of airport rent into airport infrastructure - $400 million annually for the next decade.
2. Re-capitalization of the National Trade Corridor Fund (NTCF) and broadening its parameters so that additional types of projects can qualify.
    a. It is recommended that an airport specific stream of NTCF of $500 million over five years should be stood up to support the significant growth in Canadian air cargo capacity.
3. Enable access for airports to existing federal infrastructure programs including the Canada Infrastructure Bank, the Canada Growth Fund and future federal-provincial infrastructure agreements.
4. Expanding the funding in the Airports Capital Assistance Program (ACAP) to $95 million annually, and the eligibility criteria be broadened to include all small airports.

The air sector has committed to the Net Zero 2050 agenda and is actively working on an Aviation Carbon Reduction Plan in partnership with the Government of Canada.

Airports are already leaning into this transition, in recognition of the impact of transportation fuels. To name but a few examples: Canada's airports have taken on an active role to pursue the development and adoption of a domestic supply of Sustainable Aviation Fuels, and the Edmonton International Airport has launched a partnership with Toyota to introduce a complete hydrogen fuel cell-powered ground fleet. Achieving net zero goals cannot be achieved in isolation, especially given the current constraints on financing, and airports will need support to fully realize the government's goals. To that end, a dedicated fund for green airport infrastructure would deliver a significant boost to that shared objective.

Furthermore, additional capital is needed to ensure that we meet the growing needs and expectations of the travelling public. If this capital comes only in the form of additional debt, we may be required to increase user fees in order to grow and remain competitive with our peers south of the border, who have received more than $40 billion in operational and infrastructure funding from the U.S. government.

Without capital injections, our airports risk long-term capacity constraints that may limit our ability to attract international visitors, support Canada’s supply chain and invest in greener and more sustainable infrastructure.

In the next decade airports plan to spend more than $28 billion in infrastructure. A reinvestment of $400 million into airport infrastructure annually would create an economic impact of $612 million, create nearly 2,400 jobs with an average salary per job of $79,700, and contribute approximately $160 million in GDP.

Rent reinvestments cannot be attached to limits on the airports’ ability to levy charges. The removal of the airports’ ability to set charges would have unintended consequences regarding current and future debt covenants.

As the committee deliberates, it is important to contextualize the ask above. Canada competes globally for tourism. In the recently released *Canada 365: Welcoming the World. Every Day. - Federal Tourism Growth Strategy*, the Government of Canada has stated its ambitious goal of increasing tourism by 60% by 2030. As the gateways of entry to Canada and key access points for tourism across the entire country, airport infrastructure investment and programmatic support are essential tools in ensuring our cities, regions, and destinations can welcome those visitors. These are essential investments for our global competitiveness and economic growth.

RECOMMENDATION 3: SUPPORT REVENUE GENERATING ACTIVITIES

As mentioned, the federal government has undertaken a broad effort of late to update policy, regulations, and legislation for the air transportation sector. Consistent with that effort, we recommend advancing additional items which would help support airports diversify its non-aeronautical revenue.

First and foremost is modernizing the Customs Act to permit international airports to offer Arrivals Duty Free for inbound international travellers. This would align with the goals of the new Federal Tourism Growth strategy, allowing visitors to purchase made-in-Canada products on arrivals. Airports would capitalize on this new revenue stream to support post-pandemic recovery, and to deliver additional tax revenues to government.

Second would be allowing Dual Shop Stores (DSS). This would provide an opportunity to increase revenue by allowing sales of duty-free goods to international passengers and duty paid goods to domestic passengers and employees.

RECOMMENDATION 4: IMPLEMENT THE SUSTAINABLE AVIATION FUEL (SAF) ROADMAP

SAF is a critical piece of Canada’s Aviation Action Plan and an essential part of decarbonizing aviation. Canada has many opportunities to develop a SAF supply chain to provide a domestic source to meet our national targets. C-SAF has presented a roadmap, which we believe the Government of Canada should strive to follow.

CONCLUSION

We are mindful that our sector's runway to recovery is dynamic, and that several relevant government legislative, regulatory, and policy initiatives remain in progress. Given that context, we would be grateful to appear before the committee's formal meetings on Budget 2024 to share further perspective to help inform your ultimate recommendations.

We are committed to deepening our engagement with you, and to working together collaboratively to improve the air passenger journey for all Canadians.