2025 PRE-BUDGET CONSULTATIONS

BUILDING ONE STRONG ECONOMY

AUGUST 2025

CANADIAN AIRPORTS COUNCIL

CONSEIL DES AÉROPORTS DU CANADA

Recommendations:

Recommendation 1:
An immediate 50-year extension to all National Airports System (NAS) ground leases, through a simple amendment to existing lease agreements.

Recommendation 2:
Establish a Regional Air Connectivity Fund and increase ACAP funding to $150 million annually, while streamlining regulations and exploring additional support for northern, rural, and remote airports.

Recommendation 3:
Implement regulatory changes and funding to enable digital ID and biometrics in air travel, appoint a Minister to lead a national strategy, and update federal statutes and policies for secure, standardized digital identity.

Recommendation 4:
Cap federal airport rent and exclude Non-Aeronautical Revenue from formula, modernize Air Transport Agreements, ensure airport eligibility for all federal infrastructure funding, recognize major projects under Bill C-5, and promote onshoring of aviation services.

Recommendation 5:
Enforce and strengthen regulations protecting instrument flight paths under the Aeronautics Act to prevent incompatible developments.

Recommendation 6:
Amend Duty-Free Shop Regulations to permit Arrivals Duty-Free (ADF) sales for incoming international passengers.

Overview

Canada is the second largest country in the world by land area and our population centres are widely dispersed, making it imperative that every community has access to affordable, dependable air travel. Canada's air transportation infrastructure forms a crucial network of local, regional, and international airports, essential for linking expansive regions, promoting economic development, stimulating tourism, and ensuring even remote communities have access to essential services and opportunities.

From coast to coast to coast, Canada's airports are powerful economic catalysts, supporting national, regional, and local economies. Airports generate more than $49.6 billion in GDP, employ over 435,000 people, and produce more than $123 billion in economic output. Growth in the sector brings significant incremental benefits—every 1 million additional passengers, 1,490 jobs, $174 million in GDP, and $58 million in tax revenue are created. Canada's NAS airports have paid more than $7.9 billion in land lease rent to the federal government, including $525 million in 2024. Airports are transportation cornerstones, economic drivers, innovation incubators, and critical to the supply chain. They are also the front door to Canada for millions of visitors.

The government plays a vital role in establishing policies, regulations, and programs that support a sustainable air sector. The Canadian Airports Council (CAC)- the voice of Canada's airports- has put forth several recommendations to help the government create the optimal public policy environment for air travel to flourish, emphasizing innovation, operational efficiency, and investment for a more connected Canada.

The travel industry is changing, passenger demands and demographics are evolving, and airports are adapting. People are traveling less for business and more for leisure, prompting airports to invest in new amenities and technologies to improve the passenger experience.

Today's travellers expect seamless, predictable, digitized journeys, new planes, alternative fuels, and efficient, data-driven operations. Airports are in growth mode and must anticipate these shifts.

Overall, demand is growing. Global air traffic has resumed its pre-pandemic growth curve, and Canada's top airports are seeing similar trends, though rebounds are slower at some regional and remote airports.

1. Lease Extension

Background:
With less than 50 years remaining on many NAS leases, airport authorities and third-party investors cannot secure financing for major infrastructure projects, as lenders typically require lease terms of at least 40-50 years—preferably 99 years for large-scale, high-value projects.

The Issue:
Without a lease extension, airports are unable to attract new private investment, build vital supply chain and passenger infrastructure, or develop airport lands to their full potential.

What's Needed:
An immediate 50-year extension to all National Airports System (NAS) ground leases, through a simple amendment to existing lease agreements.

The Benefit:
This is a zero-cost, high-impact step that will unlock private investment and enable long-term planning for Canada's airports.

2. Regional Connectivity

Background:
Canada's vast geography and dispersed population outside of its major cities make air services essential for connecting regional communities. Air travel facilitates the movement of goods, services, and people, driving economic activity and fostering social ties. However, Canada's regional connectivity has fluctuated significantly due to global events and pressures on air carriers. Many domestic carriers reduced or suspended regional operations due to the COVID-19 pandemic and have yet to fully restore service to pre-2020 levels. Restoring regional air service remains a priority for many Canadian communities that depend on it for economic growth.

The Issue:
Regional air connectivity has declined since 2020, with carriers reducing service due to pandemic impacts, profitability concerns, and resource constraints. This loss has hurt employment and GDP, with Canada losing 14% of its connectivity since 2019.

Small airports face rising costs and depend on the underfunded and oversubscribed Airports Capital Assistance Program (ACAP) for critical infrastructure upgrades. The ACAP program, the only federal program aimed at supporting airports, is funded at $38 million annually and has not seen that level increase in 25 years. Meanwhile, the cost of essential safety work has risen substantially, the price of heavy machinery has increased, while the regulatory burden on small airports continues to grow, making the program less effective at achieving its goals and making it harder for airports to make necessary investments.

What's Needed:

- Create a Regional Air Connectivity Fund to support travel costs in rural, remote and underserved areas.
- Increase ACAP funding to $150 million annually for critical safety and security investments.
- Streamline regulations and provide support to help small airports manage new security requirements without passing costs to travellers.
- Exploration of funding support for northern, rural, and remote airports to promote and strengthen their economic and national security role in protecting Canada's sovereignty.

The Benefit:

Regional air services play an essential role in the movement of people and goods across Canada. Compared to alternative transportation modes, regional air services are faster, safer, and more reliable. Improving regional connectivity yields significant returns for Canadians. Considering direct, indirect, and visitor spending, a single regional flight can generate up to 210 jobs, and up to $19 million in GDP, and $41 million in economic output.

3. Create a Digital Strategy for Air Travel in Canada

Background

Canada competes across the globe for tourism, air service, and connectivity, making the processing of passengers through the airport travel journey a competitive advantage or disadvantage depending on procedures.

The Issue:
At present, Canada is behind our international peers in ensuring the travel process-security screening, customs and border procedures, and boarding- are modern, efficient, simple and biometrically based.

This will not only improve the travel experience, it will enable more efficient use of space, reduce pressure on infrastructure, and enhance security. Our major hub airports are in growth mode and systems and processes need to evolve with this infrastructure investment.

What's Needed:
To expedite the implementation of a digitized travel framework that is aligned with international standards, we are recommending the following actions:

Immediate Regulatory Changes

- Initiate a comprehensive set of regulations to enable digital ID and biometrics
- Amend Sections 3 and 4 of *Secure Air Travel Regulations* (SATR) to enable Digital ID to be recognized
- Amend CATSA Act to give authority for identity verification to CATSA screening officers

Supporting Actions and Funding

- Exempt CATSA from government spending cuts that would significantly reduce service to passengers, and increase pressure on aviation ecosystem
- Fund CATSA to remove the use of a screening officer for manual Verified Traveller lane ID checks and invest in automated infrastructure
- Modernize old architecture in trusted travellers by removing expensive NEXUS cards, and use international standards (digital travel credential) phased in for domestic and international travel
- Evaluate existing identity credentials in use across Canada to ensure standardization of specifications and suitability/readiness for future technology (e.g. Secure Certificate of Indian Status)
- Leverage existing passenger information through Passport Canada's gallery of passport holders to accelerate adoption of identity confirmation for citizens.

Appoint the Minister of Artificial Intelligence and Digital Innovation to advance a digital ID and biometrics strategy for Canada

- Request that the government establish a biometrics policy for all federal departments and agencies, supported by privacy protections and technology standards. This includes amending federal acts and statutes to enable the use of biometrics in the delivery of government services to Canadians.

4. Expanding Markets & Unlocking Infrastructure Growth

Background:
In the early 1990s Transport Canada concluded it did not want to pay the billions of dollars to modernize Canada's antiquated airport infrastructure. This led to the privatization and divestiture of Canadian airports. Under the privatization policy, airports are operated by local Airport Authorities that re-invest all revenue surpluses back into operations and facilities. As of today, airports have paid the federal government more than $7.9 billion in rent, have invested more than $32 billion in infrastructure upgrades and over the next decade plan to invest more than $28 billion into infrastructure improvements to meet growing passenger demands.

With the ongoing trade challenges, Canada must look both internally and externally to find opportunities to diversify and improve trade. As aviation offers the fastest way to move goods and services across the country and the globe, Canada must look at its current slate of bilateral Air Trade Agreements (ATA) to ensure that they do not represent a barrier to trade diversification. Similarly, Canada's trade enabling infrastructure also needs to be up to the task of ensuring Canada can meet the needs of a more dynamic and diverse trade market. Airports ship more than 938 metric tonnes of cargo annually. This represents approximately 10% of all Canadian international trade. Approximately half that value is shipped in the belly of passenger planes.

The Issue:
Canada's airports play a key role in supporting trade diversification, but Canada needs modern infrastructure and supply chains to compete globally. Additionally, many of Canada's ATAs are restrictive, limiting growth, and no longer meet the needs of a modern and diverse economy.

What's Needed:

- A cap on the rent the federal government charges to airports and the removal Non-Aeronautical Revenue (NAR) from the rent formula to allow more funds to be invested in airport infrastructure development.
- Review and modernize ATAs to open new markets and expand air service.
- Ensure that airports are eligible for all federal infrastructure funding programs, including the National Trade Diversification Fund and are considered under the Bill C-5 framework as projects of national significance.
- Encourage onshoring of aviation services, such as maintenance and training.

The Benefit:
Trade diversification and infrastructure investment will boost Canada's connectivity, global competitiveness, and economic resilience.

5. Protecting Canada's Airspace

Background:
Airport land use planning faces new challenges as urban development encroaches on airspace, threatening airport operations and safety.

The Issue:
There are few federal regulations to protect airport arrival and departure flightpaths allowing problematic developments that impinge on airspace to proceed. Once a development has pierced a flightpath the damage is irreparable. Currently, airports across Canada are actively confronting encroachment pressures.

What's Needed:
The federal government should develop and impose regulations to protect airspace and airport zones, specifically safeguarding Instrument Flight Paths. Existing powers under the Aeronautics Act should be enforced to prevent or remove incompatible developments.

The Benefit:
Effective regulation will maintain aviation safety, protect connectivity, and ensure airports continue supporting Canada's economy and global supply chains.

6. Support Revenue Generating Activity

Background:
More than 60 countries allow the practice of Arrivals Duty Free (ADF), yet Canada's laws preclude this revenue generating practice.

The Issue:
ADF allows for travellers to purchase duty free goods upon return to Canada rather than the point of departure. In addition to ease for travellers, this practice will also repatriate millions of dollars in revenue and the sales of Canadian goods and products.

What's Needed:
Currently Duty-Free sales are restricted to departing international passengers as per section 18 (1) of the Duty-Free Shop Regulations. Amendments to these regulations is essential to allow for ADF.

The Benefit:
It is estimated that over the first five years of ADF, $716 million in incremental sales will be generated, 376 full time jobs will be added across the country, and $40 million in tax revenue will be raised for the federal government.