

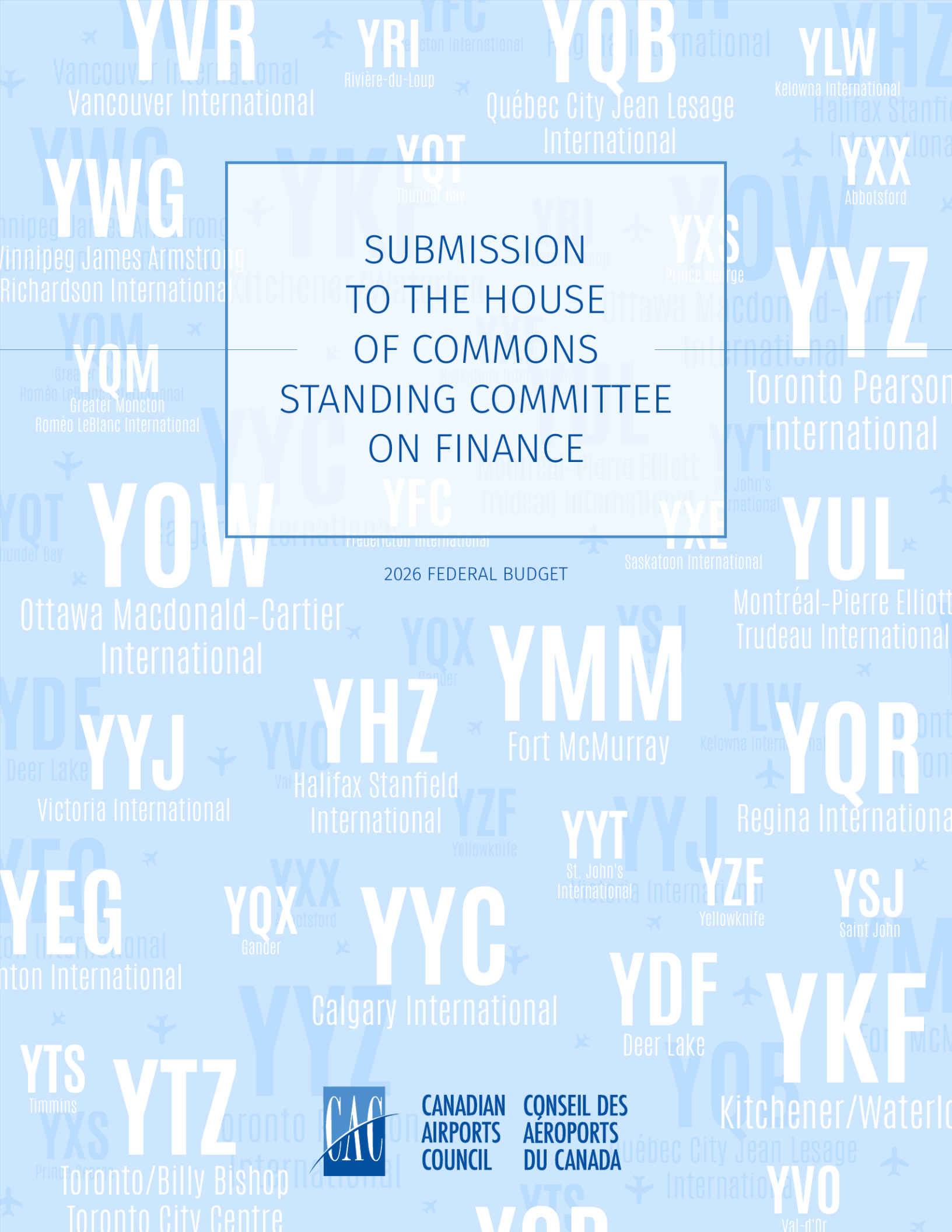
SUBMISSION
TO THE HOUSE
OF COMMONS
STANDING COMMITTEE
ON FINANCE

2026 FEDERAL BUDGET



CANADIAN
AIRPORTS
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Summary

Recommendation 1: Regulatory & Policy Modernization

That the government advance its commitment to the modernization of Canada's airports system, to strengthen long-term sector performance, lower costs, and unlock investment, by:

- a) **Completing 50-year ground lease extensions** for all National Airports System airports;
- b) **Reforming the Crown rent formula** by capping rent at current levels, excluding non aeronautical revenues from the rent calculation, and eliminating rent for airports with fewer than four million passengers;
- c) **Accelerating the digitization of the air traveller journey**, including digital identity verification, by committing to implement the opportunities developed within the CBSA-led Traveller Modernization Initiative working group of government agencies and sector partners; and
- d) **Modernizing Airport Zoning Regulations** and reducing federal review timelines to 2 years, safeguarding aeronautical operations from incompatible development encroaching in to working airspace.

Recommendation 2: Invest in Economic Growth

That, using Crown rent revenues and proceeds from any alternative ownership of transportation assets, **the government establish a new \$200 million annual “Small and Medium Airports Growth and Resilience” funding program** — to close the chronic federal funding gap across small and medium airports that fall outside existing program eligibility or where there is simply no funding available to support billions in expected infrastructure and economic development projects — plus **increase ACAP funding for safety upgrades at small airports to \$150 million annually** to support the full network of Canadian airports as strategic economic and connectivity assets.

Recommendation 3: Prioritize Air Connectivity for Trade and Supply Chains

That the government **prioritize air connectivity as a high-value pillar of Canada's renewed trade and economic agenda** — to underpin movement of high value goods and perishable agri-food, critical components and commercial shipping, and leveraging Canadian talent, tourist and business travel to fuel our wide-ranging services sector and trading relationships, by **strengthening the role of airports in evolving strategic investment and economic strategies** — and by advancing complementary actions to open new markets and improve airport competitiveness as trade platforms, including **modernizing Canada's Air Transportation Agreements and advancing Arrivals Duty-Free reforms and pilots in 2027**.



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Canada's Airports: Strategic Assets for a Growing Economy

The Canadian Airports Council represents over 100 member airports, including all National Airports System (NAS) airports and most passenger service airports in every province and territory. CAC members handle virtually all of Canada's air cargo and international passenger traffic and 90% of domestic passenger traffic.

Canada's airports are vital national assets to Canadians and our economic agenda. They generate nearly \$50 billion in GDP, support 435,000 good jobs, and produce over \$123 billion in economic output annually.

High-value Canadian goods and perishable exports are priority shipped by air — 50% in the belly of passenger aircraft — making air cargo a critical enabler of the government's goal to diversify trade outside the U.S. market and unlock \$300 billion in new overseas export opportunities. Air cargo tonnage shipped through Canadian airports increased more than 44% between 2016 and 2023, connecting communities with domestic and global supply chains.

Airport authorities operate with private-sector discipline, maximizing efficiency and non-aviation revenue to offset costs — including over \$550 million paid annually as Crown rent. Yet up to 12% federal ground rent on every dollar of revenue undermines the margins needed to attract outside business to airport lands, and only a fraction of that contribution is recycled back through limited infrastructure or economic development programs.

With 150 million passengers annually and demand projected to double in 20 years, these assets are well positioned to deliver on the growth, resilience, and trade diversification objectives the government has set — provided the policy framework enables rather than constrains them. Airports must source and invest \$28 billion in infrastructure projects over the next decade — projects that will meet that growth, create good jobs and opportunities for Canadian businesses, and be in position to serve Canadians for decades.

Canada's airports welcome the commitments made in Budget 2025 and the Spring Economic Update 2026 to advance key improvements sought by the airports system in recent years, and the CAC and Canada's airports are committed to constructive engagement with the government and stakeholders on this important work.



1. Regulatory and Policy Modernization

Canada's airports have long identified a set of operational and financial framework reforms needed to strengthen sector performance, lower costs, and unlock investment. Budget 2025 and the Spring Economic Update 2026 set out commitments to advance work in several of these areas. The actions below together form a coherent modernization agenda for the airports system.

a) Complete Ground Lease Extensions

With fewer than 50 years remaining on most NAS leases, airports and their private-sector partners cannot secure planning certainty or financing for major infrastructure projects. Lenders typically require 50- to 99-year terms for large-scale investments. Budget 2025 committed to negotiating lease extensions and the March 2025 Airport Investment Policy Statement established the framework. What is needed now is implementation — **a simple, single-clause amendment extending all NAS ground leases by 50 years, applied uniformly and swiftly.**

This will unlock real-world investment quickly: Edmonton's planned International Cargo Hub (\$4–5 billion in private investment, 2,100+ jobs) requires lease certainty and Calgary misses \$70 million annual unrealized revenues from development; smaller airports cannot attract long-term partners because amortization periods exceed remaining lease terms; extended leases enable renewal of 180 tenant sub-leases at market rates, compounding revenue health.

This is a zero-cost, high-return action.

b) Reform the Crown Rent Formula

Crown rent absorbs 8–12% of an airport's gross revenues — approximately \$557 million in 2025, and \$8.4 billion total since devolution. Applied to all revenues, including retail, parking, and real estate, it penalizes the revenue diversification that would lower costs for passengers and airlines. This is especially acute at regional airports, where the effective 12% tax drives commercial partners to locate outside airport lands entirely.

Budget 2025 committed to examining the rent formula. CAC recommends **three reforms: cap rent at 2024 levels** to prevent compounding while maintaining government revenue; **exclude non-aeronautical revenue from the formula**; and **eliminate rent for airports with fewer than four million passengers**. Collectively this would allow airports to reinvest approximately \$190 million into local economies across the country.

c) Digitize the Traveller Journey

Canada's airports are making generational investment decisions today — designing terminals, building new customs halls, and planning infrastructure to serve Canadians for decades. With billions in near-term investment in critical planning phases, clarity from government on the digital future of the traveller



journey is essential. Peer nations have moved decisively, while Canada lags. Digital customs processing rolling out in the EU is 70% faster and uses 50% less space, translating into lower capital and facility costs and higher passenger flow.

A CBSA-led Traveller Modernization Initiative working group of government agencies and sector partners has been developing the policy and operational pathways for digitization. What is needed now is for government to **announce a firm commitment to digitized passenger services and empower departments to launch a staged roll-out**, giving airports the certainty they need for upcoming major investments.

No new legislation is required — this is a matter of government process, policy direction, resourcing, and implementation, reinforcing government mandates for digitization and cost efficiency while unlocking capital and reducing costs for sector partners.

d) Modernize Airport Zoning Regulations

The growth and economic contribution of our airports is directly impacted by encroachment of incompatible development into the aeronautical zones that aircraft depend on for safe operations. Instrument flight procedures for aircraft approaches can extend 15 to 25 kilometers from an airport, and developments planned or underway in several Canadian cities have the potential to penetrate this airspace — with consequences for flight operations, capacity, and the economic value airports deliver.

Municipal zoning powers often fail to account for air movement requirements beyond the airport boundary, and federal authority under the Aeronautics Act is too narrow for an era of concentrated urban development. Changes to Airport Zoning Regulations currently take up to seven years — incompatible with the pace of construction. Federal review timelines must be reduced to a 2-year maximum.

Taken together, **modernized regulations, mandatory pre-construction assessment, and expedited federal review timelines are essential to safeguarding our airports' airspace for long-term viability and growth, while protecting consumers from the risks of incompatible development.**



2. Invest in Economic Development Opportunities

Canada has always invested in the essential transportation assets that connect a vast nation — roads, bridges, ferries, rail, and ports — recognizing them as foundational to the economy. Air transportation is equally fundamental, yet many of Canada’s airports are underserved by federal investment. Flight frequency at small regional airports is 34% below pre-pandemic levels. Five thousand communities depend on air service for medical access, commercial connectivity, family ties, and emergency response. The \$1 billion Arctic Infrastructure Fund rightly recognizes that northern airports are dual-use assets serving community needs and national defence — this principle should inform a broader approach to airport investment.

ACAP has been funded at \$38 million annually for over 25 years, recently increasing to \$53 million. CAC welcomes these additional resources, alongside the new Arctic Infrastructure Fund. However ACAP remains roughly \$100 million short of what eligible small airports require for mandated safety and security enhancements — costs they cannot reasonably recover through passenger and carrier fees alone. **CAC recommends ACAP be increased to \$150 million annually to support safety upgrades at small airports.**

Beyond ACAP, a broader funding gap persists. Small airports outside ACAP eligibility, medium-sized regional hubs, and airports falling below value thresholds for programs like the Canada Infrastructure Bank and the Trade Diversification and Corridors Fund have few or no federal options — leaving an estimated \$200 million annual gap on needed support for infrastructure and economic development opportunities across Canada.

CAC recommends the establishment of a new “Small and Medium Airports Growth and Resilience” funding program, open to small and medium airports to fund priority capital projects that strengthen connectivity, resilience, and economic contribution across the network. The program would complement an enhanced ACAP and align with the Arctic Infrastructure Fund’s recognition of airports as dual-use strategic assets. With airports having contributed \$8.4 billion in Crown rent to the federal treasury, it is time to reinvest traveller money back into the whole system. The government may offset program costs by recycling Crown rent revenues and proceeds from any alternative ownership of transportation assets.



3. Prioritize Air Connectivity for Trade and Economic Growth

Air connectivity is a high-value pillar of Canada's renewed trade and economic agenda. It underpins the movement of perishable agri-food, critical components, and time-sensitive commercial shipping, and supports business travel and tourism that fuels Canada's services sector and global trading relationships.

As Canada advances its trade and economic agenda across partners and target regions in Asia, the Indo-Pacific, Europe, Africa, and the Americas, the policy and program framework should more fully recognize and leverage air connectivity within the government's ongoing strategic investment and economic strategies. Today's program eligibility limits do not consistently reflect airports' role in Canada's economic connectivity, in regional business and cargo networks, or in enabling high-value exports and inbound critical supply chains.

Building on **new investment in airport economic development opportunities in a Small and Medium Airports Growth and Resilience program**, two complementary actions to open new markets and improve airports' competitiveness as trade platforms are recommended. The government should prioritize **modernizing Canada's Air Transportation Agreements to open new routes and linkages to the globe** — nine percent of departing seats at Toronto Pearson in 2025 were from new airline market entrants, demonstrating the demand, however current agreements are in many cases old, restrictive, and misaligned with current objectives.

Finally, **Arrivals Duty-Free sales must be put on track for approval, so airports can repatriate tens of millions of dollars in lost annual revenue to foreign airports**. Over 60 countries allow this policy today; Canada's restriction is a global outlier that forgoes jobs, convenience and new non-aviation revenue, instead directing traveller spending to foreign airports.

Government should advance policy reform and pilots of arrivals duty-free and hybrid duty-free/duty-paid retail. Canadian airports are ready to move forward on authorization in 2027.