

Canada's Airports

Reinvention and Success



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Canada' Airports Reinvention and Success

- Thank you for inviting me
- I chose ***reinvention and success*** as the title of my presentation because in 1992, airports were reinvented.
- 1992 marked the transfer of the first four airports YYZ, YVR, YYC and YEG to local airport authorities.
- On average airports have been transferred less than 8 years. We have had some remarkable achievements in that brief time.

Subject Areas

- Tonight I want to focus on three areas that will demonstrate the success of Canada's privatized airports.
- I will:
 - Briefly describe how things were before 1992 when the transfers began
 - Describe the significant improvements that have been achieved at airports and what that has meant for communities, passengers and airlines
 - Discuss the airports relationship to its community and speak a bit about accountability and governance.

Before Transfer

- I would ask you to think back 13 years to what airports in Canada were like before transfer.
- In 1991, the government owned 150 airports in Canada.
- Airports were:
 - Locally managed but centrally controlled
 - subject to government fiscal constraints
 - had no responsibilities to their communities
 - In desperate need of capital to upgrade or replace aging infrastructure

Cost to all Taxpayers

- Airport operations were subsidized by Canadian taxpayers by about \$150 million annually.
- Capital investments in airports were severely limited (in 1993 \$50M) and politically based
 - A former boss, when working at Transport Canada, was told by the then Minister's staff to lengthen a runway by \$5 million
- The infrastructure was becoming worn and tired
 - Dorval had not seen a major upgrade since the 1960's
- 9 largest airports in Canada had a combined book value only \$1.16 billion.

The Transfer Process

- Two types of transfers
- For the vast majority of airports ownership was transfer to regional interests.
 - to local interests, could be provinces, municipalities, or even private interests.
 - Operational costs fall to airport and its community
 - Capital improvements also borne by the local airport operator
 - Limited, and ultimately inadequate, funding was made available through Airport Capital Assistance Program available for safety matters.
 - The only federal role is regulatory

National Airport System

- A unique Canadian Model where government has its cake and its it too.
- The National Airport System 26 airports. The largest airports plus provincial capitals was established.
- The operation of airports transferred to a local non-profit airport authorities.
- Authorities not linked to municipal governments but local entities nominate board members
- The Federal government retains ownership the land.
- Except for some transitional money, no support from the federal government.
- All NAS airports will pay rent at some point.

Airports helped solved Federal deficit

- One of the core policies at transfer was that the federal government be no worse off.
- If things had not changed
 - Airport subsidies would have totaled more than \$1.5 billion
 - Total capital expenditures, at the 1992 rate, would have been about \$600 million
 - A total of cost of \$2.1 billion
 - With little or no infrastructure improvements total book value of airports would have fallen to less than \$1 billion.

No worse off ?

- But things did change and local airport authorities have:
 - Invested more than \$8 billion in needed infrastructure improvements
 - Not just new or renovated terminal buildings, but runway and taxiway improvements, maintenance sheds, fire halls and other necessary improvements.
 - Increased book value of the 9 largest airports to well in excess of \$2 billion
 - Paid the government \$2 billion in rent in 12 years
 - And another \$2 billion in rent due in the next 5 years
 - By 2010 a \$6 billion turn around
- **NO WORSE OFF – IN SPADES!**

What Is the Modern Airport?

- First the numbers
 - 90 million passenger in 2004, more than 246,000 every day. A
 - In 2003 the 8 largest airports generated \$1.5 billion in revenue including the AIF
 - More than 143,000 people work at airports, but only 3300 are airport staff
 - Overall more than 305,000 people have employment related to airports
 - Overall economic impact of Canada's airports is in excess of \$35 billion
- Airports are important economic drivers in their communities.
- David Pang, CEO of the magnificent Hong Kong airport says airports are in the experience business
- Canadian airports may not have thought of the words but today's airports reflect that view.

Take a walk through a Canadian Airport

- Here's what you will find
 - Interior design no longer a warehouse but light, open, airy and comfortable
 - Efficient
 - A wide choice of shopping, food service outlets and additional services.
 - Specialized areas for children
 - Accessible for passengers with disabilities.
- WATERFALLS in at least 4 airports
 - YVR, YYC, YOW, YHZ
- Today's airports provide a good contrast to the crowded, tight seat pitch, minimal food service environment passengers will find on board the aircraft.

Growth in Common Use

- Technology is making the airport experience even better for passengers and airlines
- Common use facilities allow the airport flexibility and airlines to reduce their capital costs
 - Boarding bridges
 - Departure gates
 - Check in counters
 - Baggage facilities
- How many here have used a kiosk to check in? Amazing huh? They are becoming common use too.
- All of this flexibility helps speed you through the airport and keep you out of lines and **improves the travel experience**

Serving the Community

- The most important benefit of airport transfer has been accountability to the community.
- It is the airport that represents the communities interests when it comes to air transportation, not airlines.
- Today's airports are dedicated to bringing additional passenger and cargo services to their community.
- Look at YYC. Their team has been remarkably successful in attracting air cargo services to Calgary.
 - Oil field servicing expanded to mid-east only after YYC-Europe Cargo link was established.

Governance

- Much has been made of governance
- Airport Authorities have governance requirements in their lease
The lease is more than 250 pages thick.
- Also in Transport Canada Public Accountability Principles for Canadian Airports.
- Together these documents set out specific requirements, including the qualifications for Board Members, proper fiscal management, transparency in their operations and in financial reporting and active consultations with the community
- The good news is that each airport, within these requirements, has a board that reflect its community.
- Some boards have many municipal appointees, others have a number from business. Many airports, including all 8 large airports have former senior airline executives on their board.

Transparency...Take a look at their Web Sites

- NAS airport web sites have a wealth of information beyond flight information.
 - List of Board members
 - Detailed financial statements
 - Reports to the community on airport activity, goods and services
 - Listing of committees and their activities
 - Newsletters
 - Opportunities for feed back

Our We A Success?

- When the airport transfer policy was first enunciated, the Government outlined 8 guiding principles. They were:
 - Permit each respective airport to serve local interests better;
 - Enhance regional economic development;
 - Allow the airport system to operate more efficiently and commercially;
 - Bring capital expansion more quickly than under federal

- government stewardship;
- Leave the government no worse off financially;
- Reduce the effect of airport operating and capital expansion on the federal deficit, and over time diminish federal funding;
- Provide equitable benefits packages for employees; and
- Not diminish safety and security standards.
- Mission accomplished
- By any measure a success. Canada's airports have been reinvented as important engines of growth and dedicated to serving their communities

Thanks - Questions