

A Five-Point Competitive Plan

Speaking Notes for the Standing Committee of Finance

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Good afternoon ladies and gentlemen. Thank you for the opportunity to address you today on the importance of Canada's airports to our nation's economic competitiveness. The Canadian Airports Council is the national voice for Canada's airports, with 45 members representing 150 airports, including all National Airports System airports. Our members handle 95% of the passenger traffic and 100% of the cargo traffic.

The theme of the pre-budget consultations, Canada's Place in a Competitive World, is one the Canadian Airports Council is honoured to address. Several key areas of federal policy today directly, and often adversely, affect the competitiveness of Canada's airports in the world. And this has an important impact on Canadian competitiveness in the world, as the ever shrinking global economy ensures that Canada's transportation links with the world will remain vitally important to our economy for years to come.

Les aéroports du Canada sont des moteurs économiques pour leurs collectivités, générant plus de 30 milliards de dollars d'activité économique. Comme ils sont des éléments vitaux de l'infrastructure du Canada pour le commerce, leur compétitivité peut avoir un impact considérable sur les collectivités qu'ils desservent. Le transport aérien étant une industrie mondiale, les collectivités canadiennes doivent concurrencer avec les villes américaines et étrangères pour offrir un service international de transport de passagers et de fret.

On a host of issues, federal policy and spending priorities have an important impact on competitiveness for our airports. In the short time that I have, I will present our Five-Point plan that we believe is worthy of this Committee's attention in its report to the Minister.

Airport Rent

Canada is unique in the developed world for charging airports rent, and it creates a dramatic competitive disadvantage for Canada's airports – a burden of some \$300 million a year. It also serves as a yoke on the ability of a community, through its airport, to further expand its trade opportunities.

On assets valued at about \$2 billion at the time of transfer, Canada's airports have paid back more than \$2.5 billion in rent. Canada's airports have more than repaid the federal government for its initial investment in the nation's airports while simultaneously investing more than \$9 billion to upgrade and expand Canada's air transportation infrastructure to ensure we are well-positioned for future growth and tomorrow's trade opportunities. The future cost to airports of rent is estimated at \$35 billion.

Put quite simply, airport rent is tax, a tax that stifles Canada's economic competitiveness. It should be eliminated.

As an interim measure, the definition of airport revenue that is used to calculate rent should be reformed. Most notably, revenue raised to cover debt servicing costs should be excluded from the total revenue used to calculate rent. It is not today, and as currently written, the definition punishes airports for making the very capital infrastructure investments that were tasked to them under Canada's National Airports Policy.

Surely this is not the Government's intent. As we move forward, this interim measure would help all renting paying airports that raise revenue to service their debt and compete in the world market place.

Canada Border Services Agency

Simply put we are also asking this committee to recommend to the Minister of Finance that the Canada Border Services Agency be given more money in order to meet the growing demand for custom services at airports. Airports are an important port of entry for returning Canadians and visitors from around the globe.

The role of customs agents at airports can not be understated. As we move toward more liberalized air service agreements, we will need to have the necessary infrastructure in place to deal with the growing demands on the system. The status quo will not meet the expected demand. We need to continue to invest in new technologies that will facilitate the flow of passengers through the customs lines, three of Canada's largest airports – Halifax, Ottawa and Winnipeg – do not have 7/24 customs available.

Nos aéroports plus petits, c'est-à-dire ceux qui reçoivent moins de deux millions de passagers annuellement, ont de la difficulté à attirer des transporteurs internationaux s'ils n'ont pas de services douaniers. Les niveaux de service qui étaient en place en 1987 sont les mêmes aujourd'hui – figés dans le temps. Si Halifax, Ottawa et Winnipeg ont besoin d'un service douanier après les heures normales, ils doivent payer pour ce service.

C'est aussi vrai pour nos aéroports plus petits qui n'ont pas d'agents des douanes. L'aéroport de Fredericton, par exemple, paie 250 000 \$ par an pour un service douanier afin que Fredericton et les collectivités environnantes puissent être desservies par un transporteur américain.

Plusieurs autres petites collectivités doivent aussi payer pour leurs services douaniers, une mesure qui essentiellement les punit pour avoir assuré des liens économiques vitaux procurés par un nouveau service aérien international.

Arrivals Duty Free.

This summer's August 10th security incidents demonstrate just how vulnerable Canada's airports can be to ever-changing security requirements. While working quickly in

cooperation with government to ensure the safety of Canada's skies, airports nonetheless lost millions in lost revenue due to the ban on liquids from lost sales in retail and duty free shops.

Currently, Canadian Federal duty-free related laws and regulations (*Customs Act* and *Duty Free Shop Regulations*) do not permit the sale of duty-free goods upon arrival (ADF) at Canadian airports. Duty Free or tax-free sales at Canadian airports (and other border points) are only available for persons who are about to leave Canada.

The prohibition of Arrivals Duty Free creates a competitive disadvantage for Canadian airports and reduces the potential revenues that could be generated from international visitors and returning residents.

Canadian Airports are seeking support to change the Customs Act and Duty Free Shop Regulations to permit Arrivals Duty Free at Canadian Airports.

Having Arrivals Duty Free available in Canada is consistent with the Federal Government's goal of making Canadian gateways competitive. Arrivals Duty Free is also consistent with innovative regulations in Canada's economy and promoting a tax system that ensures the Canadian economy remains competitive given the fundamental changes occurring internationally.

Programme d'aide aux immobilisations aéroportuaires

Pour les aéroports plus petits du Canada, l'accroissement des fonds disponibles pour le Programme d'aide aux immobilisations aéroportuaires est d'une importance vitale. Les petits aéroports ont besoin d'un financement fédéral suffisant et prévisible pour couvrir les coûts liés aux installations de sécurité côté piste, comme l'éclairage, les aides visuelles et le matériel de déneigement. Or, le PAIA est surchargé et sous-financé. Avec quelque 200 aéroports admissibles au financement du PAIA, 38 millions de dollars par an ne suffisent simplement pas pour répondre à la demande.

International Air Service Agreements

The CAC believes that we must liberalize our air service agreements in order to be more competitive. We need a new international air policy, one that will open up opportunities to Canadian airports and the communities they serve to the world. Canadian airports today are actively marketing their communities to airlines around the world. Our air service relationship with some of Canada's top traders and sources of tourists limit the ability for carriers to introduce new service. Canadian communities are missing out on opportunities because of this.

Economic impact studies conducted by our members' show that each foreign passenger and cargo airline introducing service to Canada translates into not only increased competition, but also into direct Canadian jobs. But with a restrictive air policy, money is literally being left on the table. We are hopeful that change is forthcoming in this area.

In conclusion, Canada's airports play a vital role in the competitiveness of Canada in the world. They facilitate trade, connecting Canadians and Canadian business with the world. Strong, financially viable airports able to compete

on an equal footing with other airports around the world, and with resources required to take advantage of opportunities present today, are essential to Canada's continued economic vitality.

Thank-you for your time.