



POSITION PAPER



UCTE - UCET

UNION OF CANADIAN TRANSPORTATION EMPLOYEES
UNION CANADIENNE DES EMPLOYÉS DE TRANSPORTS

SUSTAINING AIRPORTS FOR THE FUTURE



These are challenging times for all Canadians. But for the people who work to make our airports run smoothly and safely, their lives and their livelihoods have been dramatically altered. Some have been laid off, others have had their hours reduced and the rest are hanging on a by a thread in the hope that help for a key element of our transportation sector is coming their way...and soon.

CANADA'S AIRPORTS IN DISTRESS

Since Covid-19 has hit, passenger traffic at Canada's airports has slowed to a trickle and airports have seen a dramatic decline in revenues and income. Nav Canada, our civil air navigation system, said in its monthly report release in May that air traffic decreased in April by an average of 74.7% compared to the same month last year. In June it wasn't much better. Nav Canada, reported that air traffic in June 2020 decreased by an average of 71.1 per cent compared to the same month in 2019.

Even in July which has historically been the busiest month of the year for aircraft movements, the monthly volume of traffic (384,872 movements) was similar to levels typically seen during the winter. Indeed, aircraft take-offs and landings in July declined 37.4% from July 2019. Domestic travel was down 39.7%, while traffic to the United States (-85.4%) and to other international airports (-79.3%) was well below last year's activity. Passenger demand also remained well below normal levels and this was reflected in low levels of activity compared with July of last year. For example, total traffic at Toronto/Lester B. Pearson International (-76.4%) and Vancouver International (-63.5%) in British Columbia dropped year over year.

When will it get better? Not any time soon. Some airlines are talking about three years, but most experts are suggesting that the window for dramatic improvement in these figures, and the economic well-being of airports is at least two years away. The real question is not when, but how. As in, how will airports survive the next two years of turbulence?



That doesn't mean airports are not open for business and ready to accept flights and passengers. In a country like Canada, airports are an essential service. We need airports to get back and forth to work in the resource sector, to visit family who live across the province or across the country. Canada may have been created by the railroad, but it has been maintained and grown through our community of airports from coast to coast to coast.

The purpose of this paper is to try and answer some of these questions. First, to talk a little about where we've been and the development of the modern Canadian airport system. Then, to outline some possibilities about moving forward. Canada's airports must move forward. Our economy and maybe our country depend on it.

VALUE OF AIRPORTS

Canada's airports are not just transportation hubs. They are economic engines that create their own wealth for their communities and the Canadian economy. According to 2016 data from the Canadian Airports Council, Canada's airports handled over 140 million passengers, contributed \$48 billion in economic output, \$19 billion in GDP, 194,000 jobs and \$13 billion in wages. When indirect and induced data are included, the total impacts jump to \$79 billion in economic output, \$35 billion in GDP, 355,000 jobs, and \$22 billion in wages.

Prior to the pandemic, airports generated over \$7 billion in taxes that was directed to various levels of government. Larger airports like Ottawa are major contributors to the prosperity of the local economy, generating \$2.2 billion in total output each year. Even smaller, regional airports, like the Greater Sudbury Airport, create economic opportunities for local business. It is important to note that most people don't realize the majority of Canadian airports are independently operated and are mandated by regulation to be self-sustaining.



Toronto's Pearson Airport contributes nearly \$50 billion annually to Ontario's economy, or 6.3 per cent of the total GDP in the province. 50,000 people work at Toronto Pearson and live in nearby communities. There is additional positive economic impact through spending on accommodations, dining, retail shopping, services and attractions by Canadian and international tourists and foreign direct investment in human resources, real estate, production and distribution facilities, and other aspects of business development facilitated by a global mega hub.

The Vancouver Airport Authority provides economic benefit on a local, provincial and national scale. This includes over \$20 billion in total economic output and \$10.4 billion in total GDP across B.C. There are more than 26,500 people employed at the airport and more than 126,000 people employed across B.C. as a result of airport activities in sectors like tourism, hospitality, engineering, retail and operations.

Calgary International Airport adds \$8 billion in GDP to its region and supports approximately 50,000 direct and indirect jobs while more than 250 businesses active in eight different industries operate out of Montréal-Trudeau and Montréal-Mirabel airports. Ottawa International Airport continues to be a major contributor to the prosperity of the local economy, generating \$2.2 billion in total output each year and is a catalyst for business development and trade, as well as a gateway to domestic, U.S. and other international vacation destinations. Halifax Stanfield International Airport and the surrounding region also has over \$2.3 billion and directly employs nearly 15,000 people.



Regional airports are a significant employer for their cities and important facilitators of economic development for their provinces. St. John's International Airport's latest economic footprint study in 2016 showed that it created almost 4,000 full time jobs and was moving towards a billion dollars in economic input. But those jobs and their positive economic impact is in peril.

As non-profit entities, local airport authorities reinvest revenues in operations and do not pay shareholder dividends. This model ensures a system of governance that combines professionalism and sensitivity towards the local community. The board of directors, which does not include elected officials or active staff members, is composed of experienced administrators who have a fiduciary role toward the airport authority and collectively possess a set of key skills. In addition, governance of airports is based on transparency and consultation of stakeholders. Over the years, these authorities have been able to efficiently and harmoniously reconcile the various interests at stake and put the community and travelling public's interest above all else.

A MODEL FOR THE WORLD

Canada's airports are amongst the best in the world. They pay their own way by using a user-pay system that passes the costs directly to air travellers. They make massive investments in local communities such as the \$300 million-dollar contribution towards the new SkyTrain stations in Vancouver. They build shopping centres right on their property that not only generate additional economic activity but win awards for design and efficiency. They work great just as they are.

How did we get here? In the 1980s, the federal government ended its direct ownership and operation of Canada's airports. It adopted a system in which the federal government retained ownership of the land but transferred the operation of the largest 22 federally owned airports to airport authorities that run on a not-for-profit basis and pay rent to Ottawa.

Most airports were fully divested. Only 18 small airports remain under the direct ownership and operation of the federal government. Ottawa currently receives about \$1 billion a year from airports in rent and security fees. The airport authorities are responsible for covering the cost of infrastructure maintenance and upgrades through passenger fees.

Our built-in-Canada works well. The current Canadian model for airport management has proven effective with major Canadian airports ranking amongst the best, efficient and whose infrastructures are well maintained and regularly upgraded. Most airports are 100% common-use for improved utilization. Furthermore, financing is simple and expansion projects are tied to community needs and not government agenda.



DEALING WITH THE SHORT TERM

Canada's airports and the workers who help keep them safe and secure are in for a few difficult years. Air travel will be slow to return and for at least two to three years we will have to find ways to sustain and maintain our physical infrastructure and our trained workforce.

The federal government has made some important steps in this regard by providing some short-term help through rent relief and the pandemic employer wage subsidies. They are welcome and appreciated, but much more needs to be done to save this vital part of our transportation infrastructure.

Government extended that support in their Fall Economic Statement which included additional funding for the Airports Capital Assistance Program and allowing more smaller airports to access these funds to make needed infrastructure improvements. They also provided more financing for large airports to improve safety, security and transit infrastructure. And they announced more rent relief for many airports but for the larger airports this relief was in the form of a loan to be paid back over 10 years.

All of these steps are welcome, but they don't really solve the problems that airports of all sizes are facing. They simply need to do much more to protect our valued airports and the people who keep them operating.

That should include:



RENT REPRIEVE

Canada's large and medium-sized airports will need a full rent relief program that lasts until air traffic gets back to 90 percent of what it was before the pandemic. In order to give airports the support they need to rebuild and recover, the federal government should also waive ground rent paid by these 22 airports until passenger volumes return to 2019 levels. This should not be a loan but a non-repayable investment in this vital part of Canada's vital transportation infrastructure.



BRIDGE FINANCING

We support the call for funding for the resumption and/or maintenance of air services sometimes referred to as "air bridges". This would address current shortcomings, both domestically and internationally, by preserving routes that will continue to connect communities, countries and commerce to the benefit of all Canadians.



EXPAND AIRPORTS CAPITAL ASSISTANCE PROGRAM

The move to allow more smaller airports to access the Airports Capital Assistance Program is also welcomed. But the program itself needs to be expanded beyond making infrastructure improvements and repairs. It should include wage and maintenance support programs to allow regional airports to make it through to better times. This could include interest-free loans, especially to airports that do not pay rent, and expanded federal infrastructure programs to include funding for safety and security related infrastructure.



RAPID TESTING

There was no mention of this much-needed aspect to help get air travel back into fuller operations in the Fall Economic Statement. The federal government must support the implementation of a nationally consistent and globally aligned rapid antigen screening program at airports to reduce or eliminate quarantine restrictions. We also need the federal government to work with airports and the industry to support the science-based approval and deployment of this testing to restore consumer confidence in air travel.



SUPPORT FOR WORKERS

There was also little additional support offered for workers in the Fall Economic Statement. This is a critical error that must be corrected. The extended CEWS program has provided some measure of job protection for employees but it has not been sufficient to stop layoffs at airports in Canada. We will need a special wage subsidy and support program for the next three years if workers are going to survive in the aviation sector. We cannot afford to lose this highly training and highly skilled workforce.



LONGER TERM SOLUTIONS

WORK WITH PROVINCES

We share a common goal of maintaining our airports as transportation hubs and drivers of our national and regional economies. The federal government should be working with their provincial and municipal partners on ways to cooperate on getting financial support and tax relief to airports of all sizes.

STRUCTURAL CHANGES AND MUNICIPALITIES

The Crown retained ownership of the lands and assets, under relationships governed by 60-year leases (with one 20-year renewal option). The authorities pay rent, and at the end of the lease, they must turn over a world-class airport, with no debt to the government. As the end of lease approaches, authorities will have increasing difficulty borrowing to maintain/improve assets, and leasing to businesses operating on airport lands. Airport authorities should be free to set fees, take on debt, and operate subsidiaries.

WHAT ARE THE CHANGES WE NEED HERE?



LET AIRPORTS BORROW MORE

We need to consider giving larger airports the ability to borrow more today so that they can secure their future and our airports for tomorrow. Airports have a remarkable capacity to generate income and growth and they should be permitted the opportunity to expand.



ARRIVALS DUTY-FREE

Airports have a remarkable capacity to generate income and growth and they should be permitted the opportunity to expand their services like shopping and arrivals duty-free services to support this essential service.



GETTING EVERYONE ONBOARD

We need to get everyone on board, from all levels of government and all segments of the economy, including business and labour. We all have a stake in maintaining our critical transportation infrastructure and the jobs and economic growth that comes from that.



WORKERS

The federal government should tie any financial assistance to all of the aviation sector to conditions that protect the jobs and job security of the people who work in this industry. They are as essential to the operation of airports and air transportation as planes, runways and airline companies and should be treated accordingly.



The vastness of Canada makes air travel a necessity; not a luxury. It is critical to the economies of so many communities and for the day to day well-being of hundreds of thousands of Canadians. It's time for the federal government to show its long-term commitment to maintaining our airports now, so they are ready for us when we need them.



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