Introduction

- Brief overview of the Canadian airport model
- Canadian airports’ economic indicators
- Key medium and short term issues
Canadian Airport Model

- Unique - worldwide most airports still operated, managed and developed by governments
- Early 1990s: Canadian Government commenced transfer of airports to local airport administrations
- 26 most important airports operating under long-term leases from Transport Canada or sold to local governments as part of the National Airports System
- Private, not-for-profit, legally incorporated entities
Community based Boards to foster accountability

Not-for-profit organizations obliged to reinvest net cash flow generated into the airport’s development

Transfers obligations for investment and municipal taxes to airport authorities

Relieves government of all financial obligations
Canadian Airport Model
Montréal as an Example

- Responsible for managing, operating and developing Montréal’s two airports: Trudeau & Mirabel
- 60-year lease signed in 1992
- Main sources of funds: aeronautical activities, airport improvement fee and commercial operations
- Issue debt and arranges credit facilities to finance modernization and expansion
Canadian Airport Model
Montréal as an Example

- Provide quality airport services meeting the specific needs of the community while respecting efficiency, safety and security
- Contribute to economic development of Greater Montréal
- Maintain harmony with the community, particularly in the areas of safety and environment
2005 Economic Indicators of Canadian Airports

- 93 million total passengers (up 5.2% from 2004)
  86 million in 8 largest airports
- 2.1 Million aircraft movements
- 1.4 million tons of cargo
- $300 million in rent paid to federal government
Economic Spin-offs of Canadian Airports

- $34 billion in annual economic activity and 300,000 direct and indirect jobs
- Since 1992 nearly $9 billion invested by airports in terminal buildings, runways and taxiways
- The federal government has received rent revenues of $2 billion to date from the airports vs. annual subsidies of $125 million prior to the transfer
Canadian Airports’ Issues

Airport Rent

- Substantial economic burden passed to stakeholders
- House Committee on Transport and the Conservative Party both support lower fees and rents
- Airports have already paid far more rent than the book value of assets transferred
- Airports bear all the capital and operating costs
- Competitive disadvantage for Canadian airports
Canadian aviation strategy too protectionist, paternalistic and favors major airline – “What’s good for Air Canada may not be best for Canada”

U.S. Open skies a good step but similar agreements needed with more countries

“Right of Establishment” should be allowed

Canadian Airports Council and affected airports should be participants in international negotiations
Canadian Airports’ Issues
Administrative Regulation

- Government seeks a “Canadian Airports Act”
- Attempt to re-centralize control lost in privatization
- In the guise of good governance an attempt to introduce economic restrictions
- Potential impact on foundation of debt financing
- Could limit or prohibit business approaches designed to limit risk and enhance viability
Canadian Airports’ Issues

Canadian Border Services Agency (CBSA) services must be aligned with demand

Intelligent application of technology to supplement adequate staffing

Rapid deployment of Canpass/Nexus

Implementation of facilitation issues: transit departure facilities, transit without visa and arrivals duty free
Canadian Airports’ Issues

CATSA

- Canadian Air Transportation Security Agency (CATSA) undergoing a five year program review
- Opportunity to improve services and make agency more accountable
- Explore possibilities of seamless security integrated with airport authorities
- Introduce solutions to expedite processes without diminishing security – “Trusted Traveler”
Canadian Airports’ Issues
Operational Regulatory Creep

- Increasing regulatory burden – very costly
- Particularly punishing for smaller airports (fewer than 200,000 annual passengers)
- House Committee on Transport recommended transferring burden back to government
Canadian Airports’ Issues

ATSC

- Role of protection is the responsibility of government and costs should be borne by all taxpayers

- The Air Traveler's Security Charge (ATSC) is burdensome on aviation sector

- Anecdotal evidence that it has contributed to the elimination of certain short-haul routes

- Only Canada seeks recovery of all costs through fee therefore, charge among the highest in the world
Canadian Airports’ Issues

Small Airport Capital Assistance

- Small airports vital in local and regional economies
- Investment in infrastructure for small airports is deficient
- Unable to raise substantial capital, dependant upon Airports Capital Assistance Program (ACAP)
- Federal Government has consistently under funded ACAP
Conclusions

- Privatization generally viewed as a success but some effort needed to tweak the model
- Airlines seek influence over capital spending
- Government regulator: an effort to claw back some of what was privatized
- Need to preserve basis of economic strength
- Little government appetite for further privatization