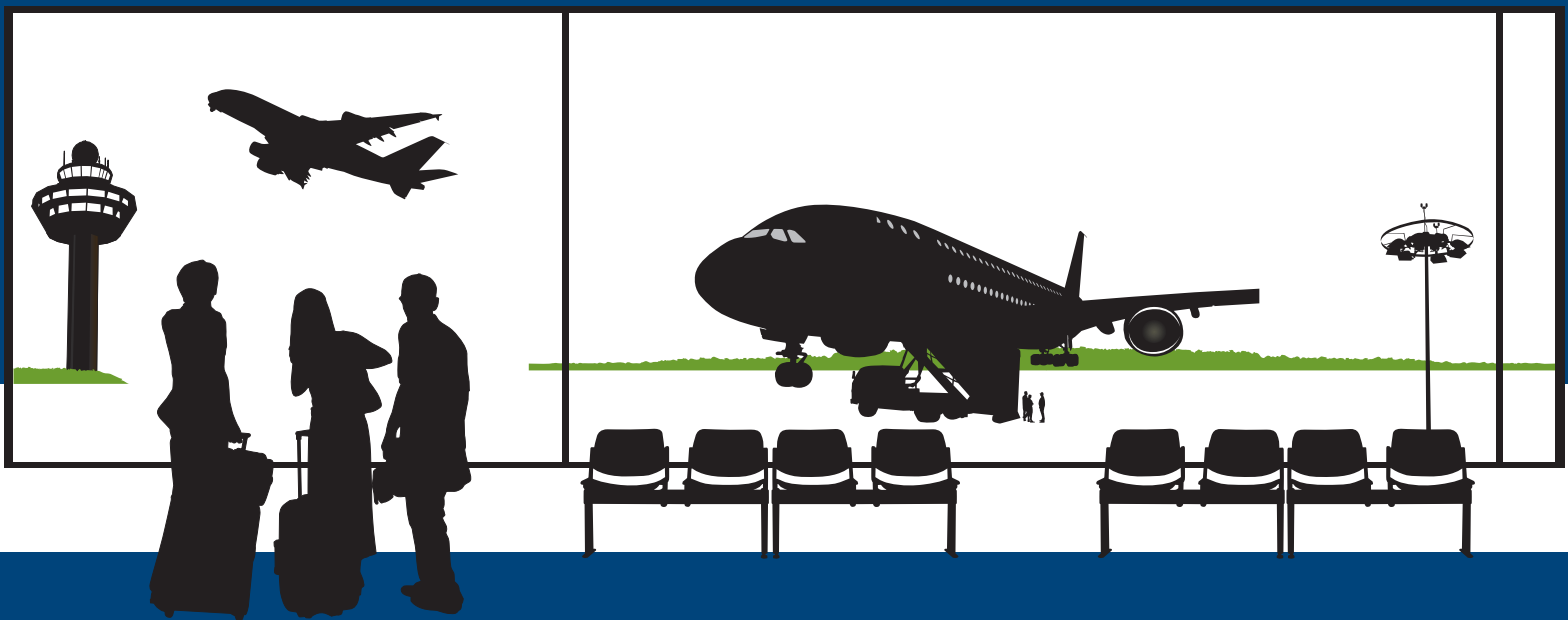


# CANADA'S AIRPORTS: ADVANCING A PROSPERITY AND TRADE AGENDA



PANEL DISCUSSION AND ROUNDTABLE | **SUMMARY**

JANUARY 2015

CANADA'S  
PUBLIC POLICY

**FORUM**

DES POLITIQUES PUBLIQUES  
DU CANADA

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# FORUM

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The Public Policy Forum is an independent, not-for-profit organization dedicated to improving the quality of government in Canada through enhanced dialogue among the public, private and voluntary sectors. The Forum's members, drawn from business, federal, provincial and territorial governments, the voluntary sector and organized labour, share a belief that an efficient and effective public service is important in ensuring Canada's competitiveness abroad and quality of life at home.

Established in 1987, the Forum has earned a reputation as a trusted, nonpartisan facilitator, capable of bringing together a wide range of stakeholders in productive dialogue. Its research program provides a neutral base to inform collective decision making. By promoting information sharing and greater links between governments and other sectors, the Forum helps ensure public policy in our country is dynamic, coordinated and responsive to future challenges and opportunities.

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## WITH THANKS TO OUR PARTNER



Toronto Pearson

## INTRODUCTION

On December 1, 2014, the Public Policy Forum, in partnership with Toronto Pearson, convened a panel of industry experts to discuss the role of airports in supporting the Canadian economy, and the challenges and opportunities affecting them. Over 110 individuals attended a panel discussion, including government representatives from Canada and internationally; academics; public servants; and business leaders. Afterwards, a group of 30 informed individuals participated in a roundtable discussion to delve deeper into the issues that emerged during the panel discussion. Both discussions were moderated by Paul Ledwell, Executive Vice-President of the Forum.

This summary seeks to describe the main ideas discussed in both the panel session and the roundtable discussion. In both cases, participants were encouraged to express their thoughts, concerns and ideas openly, with the understanding that The Public Policy Forum's practice of no attribution of comments would be applied at all times. As such, the views of particular individuals are not identified.

The discussions revealed the following themes:

- Airports are at the core of global connectivity
- Canadian airports face significant challenges and opportunities
- Airports view themselves as part of an integrated system of air transportation

## AIRPORTS ARE AT THE CORE OF GLOBAL CONNECTIVITY

Throughout the discussions, the role of airports in promoting connectivity, trade and economic development was a recurring theme. In the 21<sup>st</sup> century, business is global. In this context, global connectivity is essential for any region or country wishing to increase trade, promote tourism and enhance cultural understanding.

As a geographically large trading nation where one in five jobs relate to exports, the Canadian economy depends upon the safe and efficient movement of merchandise and people, both domestically and internationally. Within Canada, panel participants learned that 10%, or \$50 billion, of the country's growing merchandise trade is annually shipped by air, with a focus on high-end products such as pharmaceuticals and technology as well as specialty products such as lobster.

Panelists recognized that forging trade and investment ties with emerging and fast-growing economies requires the global movement of travelers and goods to and from Canadian cities. As such, international hub airports such as Toronto Pearson are an integral component of Canada's trade infrastructure. It was underlined that much like the spokes of a bicycle tire connect the outer rim to the centre, hub airports connect regional airports to Canadian cities and to international routes. This allows for goods, tourism and labour to flow to and from regions far beyond large urban centres.

As Canada's busiest hub airport, Toronto Pearson is annually responsible for \$12.7 billion of Ontario's GDP, while supporting 124,000 jobs. Nearly thirty-nine million passengers moved through Toronto Pearson in 2014, 60% of whom were international. It is estimated that by 2020, the number of passengers travelling through Pearson will reach 48 million, and up to 60 million by 2030.

Internationally, as the global standard of living rises, demand for air travel also rises. Panelists discussed the forecasted 200 million Chinese travelers who will take international trips in 2020. There was consensus that this will present great tourism and business opportunities for Canada. However, travelers have many options for destinations, underscoring the importance of ensuring that Canada is perceived as a desirable, safe and hassle-free travel destination.

Key points:

- Global connectivity is essential to trade, foreign direct investment, tourism and building cultural understanding
- Air transportation plays an increasingly important role in Canada's merchandise trade
- Hub airports are economic drivers and connect regional airports to Canada and the world
- Canada must position itself to attract a growing number of international travellers, for both business and leisure

## CANADIAN AIRPORTS FACE SIGNIFICANT CHALLENGES AND OPPORTUNITIES

The competitiveness of Canadian airports was a recurring theme throughout the discussions. There was consensus amongst participants that airports operate in a very competitive global industry, as airlines and airports routinely compete for a growing number of international passengers.

### *Price Competitiveness*

Although the Travel and Tourism Competitiveness Index ranks air transport infrastructure in Canada first in the world, the country is rated #124 for price competitiveness. As a result, as many as five million Canadians annually choose to travel through what is sometimes referred to as the “missing airport”—airports in the United States where tickets tend to be significantly less expensive than in Canada.

In addition, higher prices may prevent Canadians from traveling within Canada, hampering domestic trade. One individual recounted that in the past, their organization had chosen to hold meetings with other offices via teleconference, as the costs of meeting in person were prohibitively high.

The difference between costs in Canada and the United States stems from the reality that airports in the two countries operate under “fundamentally different funding models.” It was explained that in Canada, airports are funded entirely by user-fees. However, south of the border, key elements of airport infrastructure are owned and operated by U.S. municipal governments.

Although participants of the panel discussion and roundtable saw the difference between the funding models as a challenge to increasing competitiveness, it was not suggested that one system was obviously preferable to the other. Rather, both systems have good and bad qualities.



On the negative side, some felt that under the current funding model in Canada, airports could be viewed by the federal and provincial governments simply as sources of revenue, rather than as vital trade infrastructure worthy of investment. It was suggested that the multiple taxes and fees placed upon passengers and airlines, and a comparatively large amount of legislation and policies that airports and airlines are required to comply with, could be placing the air transport industry at a disadvantage.

On the positive side, panelists and roundtable participants were in agreement that Canadians are well served by their airports, and that airports in Canada are generally on the right track. The general consensus was that wherever possible, steps should be taken to lower costs, increase the ease of transit through airports, and take further steps to attract a higher volume of domestic and international travellers.

## **Promoting Ease of Travel**

Several factors emerged as opportunities for better facilitating ease of travel to and from Canadian airports. Many participants felt that Canada's current visa system is outdated, cumbersome, and may deter international travellers from coming to or transiting through Canada. As a result, airports experience less volume, which translates to fewer flights and reduced connectivity, and a corresponding loss of trade opportunities. Some felt that Canada's visa system could be much more innovative. With the abundant technology available, requiring passengers to write out customs forms by hand was considered to be an outdated process, given the many options stemming from digital technology.

Additionally, the process of applying for a Canadian visa can be slow, expensive and may take months to complete. For those who don't speak English or French, they may have to hire a translator, adding an additional expense and layer of complexity. One individual suggested that visa requirements make a statement about how Canada does business, and that

a long, complex process sends the wrong signal. It was noted during the discussions that people don't go to airports because they like going to airports. Because of this, the goal should be to provide travellers with a hassle-free experience.

Doing so requires that airports be considered an important part of ground infrastructure, allowing passengers to travel to and from airports as easily as possible.

An area that many participants expressed concern related to security and customs processes. It was acknowledged that while technologies such as Nexus and Global Entry, as well as other automated border crossing procedures have provided a good start in improving the efficiency of the process for frequent travelers, there is room for improvement. Technologies such as *Smart-Visas*, *E-passports*, and the use of data analytics and other technology could facilitate more efficient travel through checkpoints without compromising important security objectives. It was suggested that while the obvious priority for security and border personnel is the safety and security of passengers, the efficiency of border and connection processes is an important topic that may be under-appreciated, and should not be seen as a trade-off with security.

Some participants felt that Canada was not being innovative in this area. One individual described an automated preclearance process that was developed at a major Canadian airport and was subsequently expanded to three others in Canada. Over two years, the process was expanded and developed further for 15 U.S. airports, while being made available to Canadian and other non-U.S. travelers. In that case, Canadian technology had steadily improved the efficiency of passenger movement through U.S. airports, while the system remained unchanged at the Canadian airports that were the original sites.

An issue of particular concern to many participants was that resources for security and border processes are not tied to demand. Since the government has control over security and border services, funding decisions made by government can have a considerable impact on the day to day operations of airports. Participants stressed that the efficient

movement of passengers is not at odds with security objectives. However, there was concern that a growing number of passengers traveling through Canadian airports may lead to a significant “bottleneck” in the travel experience, unless funding is increased for security and border services. Although innovative approaches to security and border screening processes have improved efficiency, there was some doubt that innovation would be sufficient over a longer term. Indications that reduced funding will go to agencies such as CATSA to improve efficiency of service are a cause of concern.

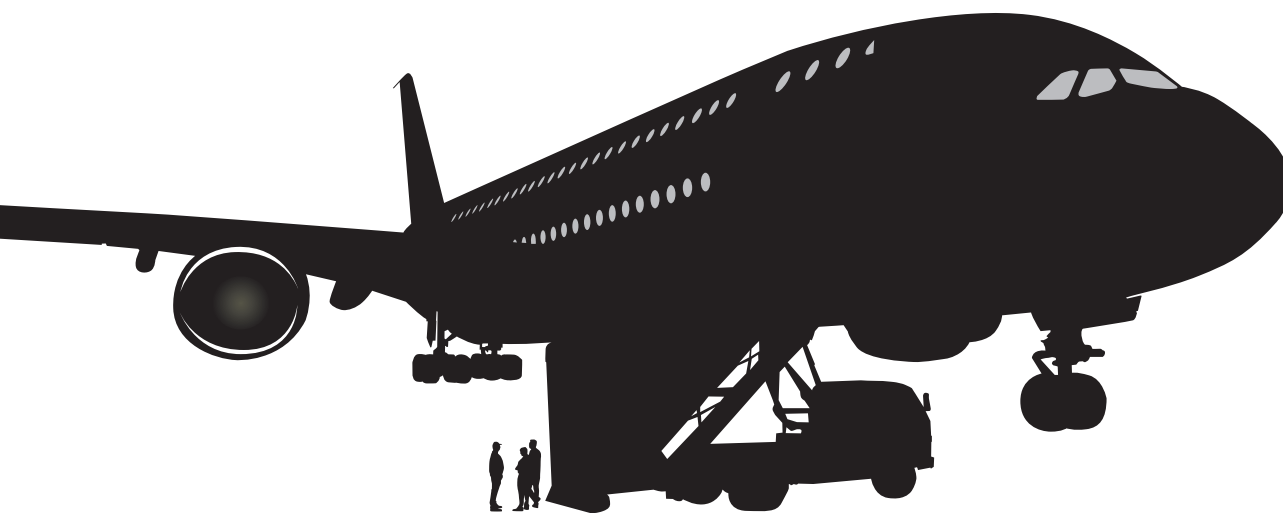
Key points:

- Poor price-competitiveness negatively affects trade and tourism
- Governments may view airports as sources of revenue, rather than as vital trade infrastructure worthy of investment
- Canada’s visa system could be simplified and improved to attract more travelers
- Collaboration between governments and industry is needed to promote innovation and develop technology
- Improving the efficiency of security services is an increasingly urgent priority

## AIRPORTS SEE THEMSELVES AS PART OF AN INTEGRATED SYSTEM

While one participant commented on a perceived disconnect between international hub airports and smaller, regional airports, most felt that airports increasingly view themselves as part of a larger system. If hub airports are able to increase passenger volumes and connectivity, this increases the likelihood that regional communities will be able to attract business and tourism, while providing residents with access to a greater number of global locations.

Participants ended the discussion by agreeing that communication between all stakeholders in the air transport industry will be important going forward. The ongoing *Canada Transportation Act Review* has suggested that federal policies, the governance of strategic infrastructure, and related funding arrangements could be modified to better support the air transport industry. Decisions regarding the governance, management and regulation of Canadian airports will have a direct impact on the ability of the industry to advance prosperity, support investment and promote trade. Many of those in attendance felt that it was important for the views of airports and airlines to be reflected in the findings of the review.



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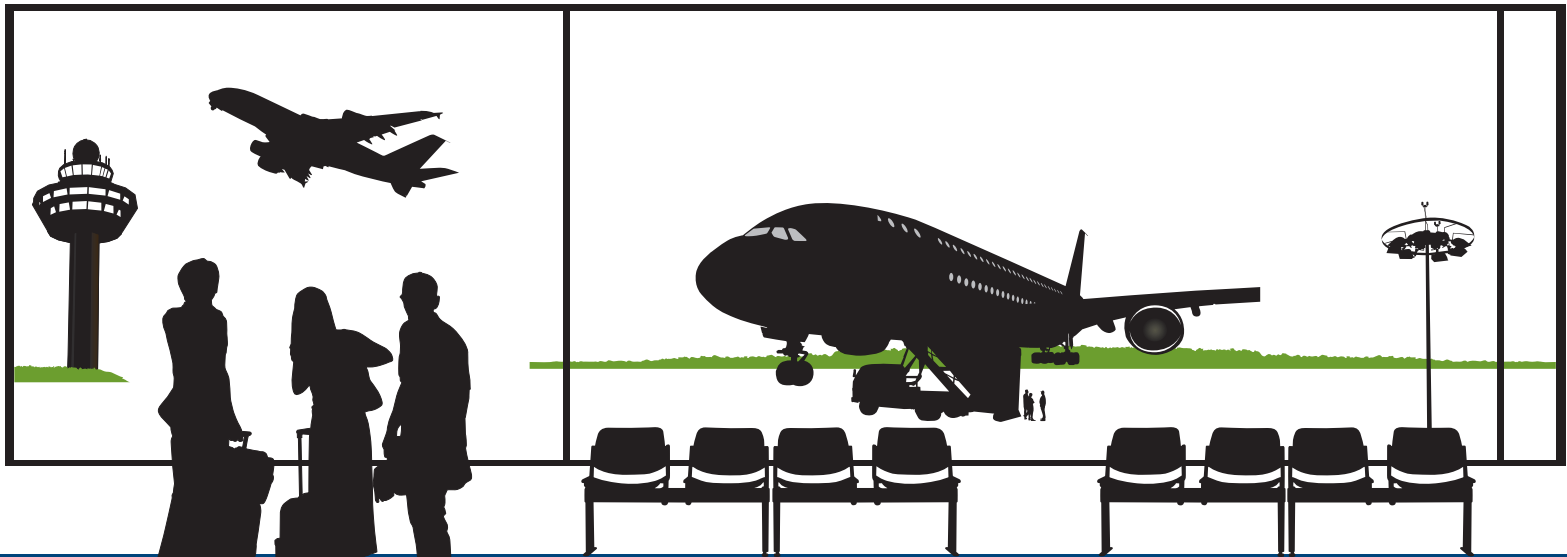
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