

A MILE OF HIGHWAY GETS YOU
ONE MILE, A MILE OF RUNWAY
GETS YOU THE WORLD

THE IMPACT OF ATLANTIC CANADA'S AIRPORTS

Atlantic
Canada
Airports
Association



Association
des Aéroports
du Canada
Atlantique



AIR TRANSPORTATION IS VITAL TO ATLANTIC CANADA

Atlantic Canada's economic growth and standard of living depends on the export, import and movement of products and resources. Our region has sustained unprecedented economic growth and diversity in the past decade, and this growth has been facilitated and accelerated by the expansion of air service in Atlantic Canada.

In Atlantic Canada air transportation is more vital to our economic agenda than other modes of transportation. Our regions rail system is limited; our major cities are over a 10 hour drive from other major Canadian centres. Air travel links our region both domestically and internationally and is critically important to trade, economic development and tourism in Atlantic Canada. Our citizens depend on airlines daily to keep them and the economy moving – delivering both people and goods to their destinations.

AIRPORTS FUEL THE ECONOMY

As integral components of the transportation system, the Atlantic region airports are significant economic generators. The economic impact of air passenger and cargo traffic through Atlantic Canada's airports is over \$2.6 billion.

This represents 16,700 person years of employment.

While we have a relatively modest population base of 2.3 million people, we welcome over 5 million visitors to our region annually, which makes tourism an important sector and economic generator in Atlantic Canada. Our airports move more than 6.9 million passengers per year – that's 3 times the total population of the region - and that number has grown by an average of 5% every year since 2002.

This growth over the past decade has propelled the need for airports to expand infrastructure to meet the growing demand of the travelling public. Since the transfer of airports from the Government of Canada in the 1990's, airports in Atlantic Canada have self financed over \$420 million in capital improvements. There are currently seven major infrastructure projects planned or underway at our region's airports that will have a tremendous impact on Atlantic Canada's transportation system, when complete airports will have the ability to handle more passengers in inclement weather, accommodate more growth in passenger traffic and land larger cargo aircraft on extended runways.

While the growth in air travel in our region is a success story, it also poses challenges. For the majority of airports, keeping up with infrastructure demands and safety requirements, while balancing the books is an ongoing fiscal challenge.

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CHALLENGES AHEAD

Canada needs a more competitive business environment in order to allow more carriers to respond to market demand for international and domestic air service. There are three main policy areas that the federal government could impact that are affecting airline and airport today:

- Competitiveness of Air Travel in Canada
- Airport Infrastructure Funding
- Increasing Regulatory Burden

COMPETITIVENESS OF AIR TRAVEL IN CANADA

The most significant challenge facing Canada's aviation industry today is that it has become uncompetitive. The price of flying in Canada is too high. Canadian carriers are forced to contend with federal and provincial fuel excise taxes, security fees and airport charges that are amongst the most expensive in the world today.

Federal government policies have put a significant burden on airports, airlines and ultimately our communities. The net result is that Canada is at a competitive disadvantage

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for air transportation in comparison to the rest of the world. Our high prices are resulting in leakage of traffic to airports located across the border. In Atlantic Canada - especially in New Brunswick, we are losing as high as 20% of airport passenger traffic in Saint John and Fredericton to airports across the border in Maine.

Canada's National Airport System (NAS) airports have been paying rent to the federal government since the National Airports Transfer Policy was instituted in 1994. Over \$2.5 billion has already been paid for the infrastructure associated with these Canadian airports, infrastructure that was valued at only \$2 billion at the time of transfer.



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Canada's airports pay over \$250 million a year to the federal government in airport rent - a heavy financial

burden for which these airports receive nothing in return. Rent is the largest expense that is passed on to airlines through airport landing fees and ultimately passengers. Canada is competing in a global economy and our aviation sector must be globally competitive. This is currently not the case, as Canada is one in only a handful of countries in the world today that collect rent from airports. Airport rent is a significant burden to airports the size of Halifax and St. John's that are working to invest in operations and infrastructure in order to grow passenger and cargo traffic to improve the Atlantic Canada economy.

In addition, this policy is of concern to Atlantic Canada's five small NAS airports including; Fredericton, Gander, Charlottetown, Saint John and Moncton as the current federal government airport rent policy stipulates smaller NAS airports will begin paying rent by 2016. Small NAS airports struggle financially to fund their capital intensive assets as they do not qualify for federal funding assistance for airside safety projects through the Airport Capital Assistance Program (ACAP).

As gateways to the communities they serve, Atlantic Canada's airports have an integral role in furthering the economic prosperity of this country. In order to remain competitive, federal policies and programs should aim to facilitate and foster growth. The time has come to 'fine tune' our airport model. Over

the past decade we have invested in our infrastructure, expanded the business and diversified our

revenue streams, however, in order to have a more competitive aviation system in Canada we must evolve the airport model.

AIRPORT INFRASTRUCTURE FUNDING

The airports in Atlantic Canada are essential to the region's transportation system and economy, and would benefit from federal government funding support for infrastructure improvements. This is particularly true at the region's smaller airports.

According to Transport Canada, the Airport Capital Assistance Program (ACAP) was intended to provide an indirect means of returning revenues to the regional/local airports from lease revenues paid to the federal government



An ACAP type program for small NAS airports with less than 500,000 passengers is required

by Canadian Airport Authority's operating the larger airports. Despite the fact that Transport Canada's net financial result

for airports has changed from a negative \$130 million annually in the late 1990's to a positive \$250 million annually today, capital assistance in support of smaller airports has not reflected this improved performance. In fact, ACAP funding has not changed since 2000 and is funded at \$38 million on average annually. This represents only 15% of the funds being collected by the federal government through airport rent payments.

Under the existing ACAP program there is insufficient funding to meet the demand of small local and regional airports. Approximately 200 airports are eligible for ACAP funding and the \$38 million available annually through the program is not meeting the safety requirements of these airports. Since 2000, the funding in this program has not changed, while the cost of doing business has risen considerably. For example, the cost to resurface an average sized runway has risen by 50% since 2000. Airports are currently struggling to maintain capital infrastructure as ACAP is drastically under-funded and in many cases it is the airports only

source of capital.

The fact that small NAS airports do not qualify for ACAP funding also

presents a challenge, particularly in Atlantic Canada. These small regional airports with less than 500,000 passengers annually have significant capital expenditures and the revenue collected from traffic volumes is not sufficient to sustain their capital intensive assets. These airports require sustainable, predictable federal funding for essential, safety-related airside capital projects. An ACAP type program for small NAS airports with less than 500,000 passengers is required. These airports struggle to meet the same capital and operational demands as non-NAS airports.

It is imperative we maintain and improve the infrastructure at our 14 airports in Atlantic Canada. These vital links require significant investment and we will need the partnership of the Federal and Provincial Governments to meet that challenge.



REGULATORY BURDEN

With increasing government regulation it becomes challenging for smaller airports to keep up with the financial demands. For example; the Runway End Safety Area (RESA) regulation is going through the regulatory approval process now and Transport Canada estimated it will impact 18 airports in Atlantic Canada at an estimated cost of \$21 million. The amount varies per airport depending on the land surrounding the runway and in some cases ranges between \$1 million to \$4 million per airport to implement these runway end areas. Smaller airports do not have the capability to fund these runway extensions, nor do they have the passenger traffic to support this type of investment. Increasing government regulation is becoming a financial burden. It can no longer be "one size fits all" approach.

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YOUR SUPPORT

We look forward to continuing an effective dialogue with parliamentarians with a view to creating sound public policy in support of our industry's international and transborder air accessibility and our region's quality of life. In the immediate future, we look forward to the Report and recommendations from the Senate Committee of Transportation and Communication's study on *Emerging Issues in the Canadian Airline Industry*, as we believe this Report may help to shape federal policy for air transportation over the next decade and beyond.



ABOUT THE ATLANTIC CANADA AIRPORTS ASSOCIATION

The Atlantic Canada Airports Association is a not-for-profit body representing 14 airports in the Atlantic region including:

- Bathurst Regional Airport
- Halifax Stanfield International Airport
- Charlottetown Airport
- Miramichi Airport
- Deer Lake Regional Airport
- Saint John Airport
- Fredericton International Airport
- Stephenville Airport
- Gander International Airport
- St. John's International Airport
- Goose Bay Airport
- Sydney Airport
- Greater Moncton International Airport
- Yarmouth Airport

ACAA speaks on behalf of the airport industry in the Atlantic region with a mandate to undertake on a region-wide basis collaborative action on policy issues.

WORKING TOGETHER HAS PRODUCED RESULTS

With the support of the Atlantic Canada Opportunities Agency, Atlantic Canada's airports have been working with the federal government and all four provincial governments over the past three years on a number of marketing and business development initiatives to further develop air passenger service in the region. Air service growth is critical to the success of the Atlantic Canadian economy and we look forward to continuing to work with all stakeholders to enhance the economic agenda of our region.

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FOR FURTHER INFORMATION PLEASE CONTACT

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