

**2025 Pre-Budget Consultations
Submission to
House of Commons Standing Committee on Finance**



Atlantic Canada Airports Association
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Recommendation Summary

Enhance Competitiveness, Reliability and Efficiency of Air Travel in Atlantic Canada

Recommendation #1: It is recommended that the Government of Canada provide enabling support through policy, programs, and funding addressing infrastructure to finalize and implement regional planning to strengthen air connectivity within Atlantic Canada, serving as a catalyst for social and cultural connectivity and continued tourism and business development growth.

Recommendation #2: It is recommended that the Government of Canada commit to additional airport infrastructure support to meet growing air passenger and air freight demand by:

- Creating a \$400-million annual fund targeting airport infrastructure capital investments;
- Modifying all major federal government infrastructure programs to ensure airport eligibility; and
- Recapitalizing the Airport Capital Assistance Program (ACAP) to \$95-million annually to meet the specific infrastructure needs of Canada's small airports.

Recommendation #3:

It is recommended that the Government of Canada be a catalyst for a secure, smoother, and more efficient domestic travel experience by:

- Expanding Verified Traveller program eligibility for domestic travel through the creation of a new national security clearance initiative for Canadian citizens and permanent residents, or utilization of the NEXUS Canadian component; and
- Expediting the implementation of an end-to-end digital travel journey to seamlessly verify and manage identity through various processes in air travel from check-in to arrival.

Recommendation #4: It is recommended that the Government of Canada take immediate and urgent steps to strengthen the regulatory framework to protect Canada's airspace from obstruction.

Recommendation #5: It is recommended that the Government of Canada support new airport revenue generating opportunities for all stakeholders by changing federal government tax regulations and Canadian custom regulations to allow the sale of duty-free products (Arrival Duty Free (ADF)) to arriving air travellers on flights originating internationally.

Overview

The Atlantic Canada Airports Association (ACAA) is a not-for-profit organization that speaks on behalf of the airport industry in the Atlantic region. The ACAA's 14 member airports include both significant international hubs and smaller regional airports. The ACAA and its members are pleased to have the opportunity to highlight regional air transportation priorities for consideration by the House of Commons Standing Committee on Finance for the 2025 federal budget.

Given the direct impact our airports have on trade, business, and tourism, the ACAA's recommendations relate to strengthening the competitiveness, reliability and efficiency of airports and the airline industry in Atlantic Canada.

The recommendations in this submission are generally not new as most have been advocated for over several years. Repeating the recommendations reflects the ongoing critical issues and priorities faced by Atlantic Canada's airports, and all of Canada's airports for that matter; critical issues and priorities where the need to address has only become stronger.

Enhance Competitiveness, Reliability and Efficiency of Air Travel in Atlantic Canada

Recommendation #1:

It is recommended that the Government of Canada provide enabling support through policy, programs, and funding addressing infrastructure to finalize and implement regional planning to strengthen air connectivity within Atlantic Canada, serving as a catalyst for social and cultural connectivity and continued tourism and business development growth.

Intra-regional air travel, the movement of passengers within a specific geographic area, serves as a critical artery for economic growth, social cohesion, and tourism within that region. The significant value of intra-regional air travel is reflected in several ways:

Boosts Economic Activity: Efficient air connections facilitate business travel, trade, and direct business investment. Businesses can access regional markets quicker, attend conferences, and explore new partnerships. This fosters economic activity and regional competitiveness.

Enhances Tourism: Intra-regional travel allows tourists to explore diverse destinations within a shorter distance. This injects revenue into the tourism sector, creates jobs in hotels, restaurants, and transportation, and promotes cultural exchange.

Bridges Communities: Air travel enables families and friends living in different parts of a region to connect easily. It strengthens social ties, facilitates cultural exchange, and fosters a sense of regional identity.

Strengthens Regional Integration: Regular air links encourage collaboration between governments, businesses, and cultural institutions within a region. This can lead to joint development projects, knowledge sharing, and a more integrated regional economy.

Unlocks Remote Areas: Intra-regional air travel makes previously inaccessible destinations more reachable, promoting economic development in remote areas. It facilitates resource exploration, tourism opportunities, and allows for essential services to remote communities.

Intra-Atlantic seat capacity recovery is currently only 65 percent of pre-COVID levels. Regional stakeholders, including the four provincial governments and the Atlantic Canada Opportunities Agency, the federal government’s economic development agency for Atlantic Canada, are focused on implementing an action plan to strengthen intra-Atlantic air travel.

The federal government at the national level is encouraged to support this initiative and similar intra-regional initiatives in other regions through policy, programs, and funding addressing infrastructure (e.g., technology) and/or air access support to build long-term and self-sustaining routes and capacity.

Recommendation #2:

It is recommended that the Government of Canada commit to additional airport infrastructure support to meet growing air passenger and air freight demand by:

- Creating a \$400 million annual fund targeting airport infrastructure capital investments;
- Modifying all major federal government infrastructure programs to ensure airport eligibility; and
- Recapitalizing the Airport Capital Assistance Program (ACAP) to \$95 million annually to meet the specific infrastructure needs of Canada’s small airports.

With the exception of the much-valued temporary COVID funding support, the value of federal government infrastructure funding support programs for airports has not changed for several decades. At the same time, air travel and cargo demands, increasing safety and security regulatory requirements, ever-advancing technology, and rapidly escalating costs for capital infrastructure projects place considerable pressure on airports to reasonably finance these projects.

The ACAA supports the position of the Canadian Airports Council (CAC) that nation-wide rejuvenation of federal government funding support for airports is necessary to ensure the timely and efficient completion of capital infrastructure projects to meet ever-increasing demands on airports.

For example, according to the CAC, a federal government investment of \$400-million annually into airport infrastructure would create an annual economic impact of \$612-million supporting nearly 2,400 jobs and contributing approximately \$160-million annually in GDP.

Also, except for 2-year COVID recovery supplementary funding, the Airport Capital Assistance Program funding has been frozen at \$38-million annually for more than 20 years. To put this in some perspective, that \$38-million 20 years ago equates to approximately \$60-million today when simply adjusted for inflation.

Today, the funding continues to only meet the most acute needs across the country. It is currently estimated that nationally, there is a need for a minimum of \$95-million annually to keep pace with inflation, regulatory requirements, and advances in technology.

Lastly, airports are not eligible for major federal government infrastructure funding programs such as the Canadian Green Fund and the Canada Infrastructure Bank. The ability to apply under these programs presents airports with opportunities for grant funding or more favourable financing.

Recommendation #3:

It is recommended that the Government of Canada take immediate and urgent steps to strengthen the regulatory framework to protect Canada's airspace from obstruction.

Global regulations and standards specify criteria to be followed in aerodrome and air navigation design and operation to ensure that aircraft maintain vertical and/or horizontal minimum clearances from obstacles to facilitate safe operation during all phases of flight, including the critical phases of departure and arrival, and where emergency procedures must be used.

Within the airport ecosystem, the threat of land development encroaching on airport airspace is a significant concern for aviation safety and airport operations. Regardless of the size of the municipality, the threat can be reflected in residential, commercial, or industrial developments approaching airport boundaries or higher density vertical developments as much as 16 to 24 kilometres from an airport.

Developers and municipalities are encouraged to submit applications to NAV CANADA's Land Use Program to ensure that development plans do not negatively impact airspace safety. However, no legal obligation to complete this application exists, which increases the risk that new developments may unknowingly negatively obstruct airspace.

Strong federal regulation is the only practical solution to preserving safe airspaces. The ACAA supports a national solution whereby the federal government through Transport Canada utilizes powerful federal authority, regulatory and policy tools to immediately preserve safe airspaces with a view to a long-term solution to this challenge.

Recommendation #4:

It is recommended that the Government of Canada be a catalyst for a secure, smoother, and more efficient domestic travel experience by:

- Expanding Verified Traveller program eligibility for domestic travel through the creation of a new national security clearance initiative for Canadian citizens and permanent residents, or utilization of the NEXUS Canadian component; and
- Expediting the implementation of an end-to-end digital travel journey to seamlessly verify and manage identity through various processes in air travel from check-in to arrival.

Air travel can often be marred by lengthy delays and frustrations during the processing stages. From check-in queues to security lines, passengers can spend a significant portion of their travel time feeling stuck in limbo. These delays contribute to passenger stress, missed connections, and a diminished travel experience.

The root of these issues lies in the processing systems. But modern technology offers solutions. Investing in these technologies offers numerous benefits. Faster processing translates to shorter wait times, reduced stress for passengers, and improved on-time performance for airlines.

Streamlined operations also benefit airport staff, allowing them to focus on passenger safety and assistance as well as helping to create an enjoyable passenger travel experience.

The introduction of the Verified Traveller program has unquestionably been a success in improving security screening efficiency for eligible travellers, resulting in faster screening times and a more positive traveller experience.

However, as an early-stage program, Verified Traveller eligibility remains limited to a relatively small cohort of travellers. From a program delivery perspective, it is reasonable that an expansion of the population of eligible Verified Traveller users would increase utilization of Verified Traveller resources at security screening points while easing line-ups and wait times for general population security screening.

The ACAA recommends an expansion of Verified Traveller eligibility to Canadian citizens and permanent residents for domestic travel only. This could be achieved by creating a new security clearance initiative or by utilizing the NEXUS Canadian approval component.

The ACAA is pleased that the Verified Traveller program was expanded to include Halifax Stanfield International Airport as a pilot. The pilot has, without a doubt, been a success and the ACAA supports Verified Traveller being made permanent. The ACAA also supports expanding the program to include St. John's International Airport, the region's second largest international airport.

Imagine a world where air travel feels effortless. An end-to-end digital identity system could transform the entire journey, from booking to boarding, into a smooth and secure experience. The technology exists and is being used successfully in other regions including the United States, the United Kingdom, the European Union, and Australia.

To remain competitive globally, reduce stresses on processing resources and enhancing security while improving the traveller experience, the ACAA recommends that the federal government be proactive in leading the implementation of a national end-to-end digital identity system incorporating:

- digital travel credentials;
- biometric authentication;
- seamless data sharing; and
- enhanced privacy and security protection of passenger data.

Recommendation #5:

It is recommended that the Government of Canada support positive travel experiences and new airport revenue generating opportunities by changing federal government tax regulations and Canadian custom regulations to allow the sale of duty-free products (Arrival Duty Free (ADF) to arriving air travellers on flights originating internationally.

The global trend in duty-free shopping for air travelers arriving on international flights is steadily gaining momentum and particularly noticeable in Asia, the Middle East, parts of Europe and Latin America, with several key factors and developments driving this trend:

Growing disposable income: Rising global living standards, particularly in emerging economies, have led to an increase in disposable income for international travelers. This allows them to spend more on discretionary purchases like duty-free goods.

Increased travel frequency: Globalization has made international travel more accessible, leading to a higher volume of air travelers with the opportunity to engage in duty-free shopping.

Enhanced shopping experience: Duty-free shops have evolved from basic stores to experiential retail destinations. They offer a wider variety of high-end brands, curated product selections, and improved customer service, making them more attractive to shoppers.

Convenience and price advantage: Duty-free shops offer significant savings on certain products due to the exemption of import duties and taxes. This convenience, coupled with the ability to buy souvenirs and gifts in one location, attracts travelers looking for value and ease.

Digital transformation: The rise of online pre-ordering and click-and-collect services allows travelers to browse duty-free selections and reserve items before arrival, streamlining the shopping experience at the airport.

Evolving travel retail landscape: Airports are increasingly becoming destinations in themselves, with duty-free stores competing not only with other shops but also with airport restaurants, entertainment options, and relaxation areas. This creates a more holistic and engaging experience for travelers.

International Country Destination Competitiveness: Countries must remain competitive internationally as desirable tourism destinations and duty-free arrival shopping has unquestionably become a destination travel motivator for international travelers.

Arrivals Duty Free (ADF) is a no cost, high return proposition for the federal government. In the near-term it is estimated that implementing ADF would create 275 new full-time jobs, generate more than \$13.2-million in additional wages, and \$6.4-million in additional taxes and airport related revenue for the federal government.

Capitalizing on this strengthened international competitiveness for Canada and new revenue opportunities for airports requires changes in the federal government's tax regulations and Canadian custom regulations.