

Special

Canada's Airports



With better policy support Canada's airports could land more business

With our economic future increasingly hinging on linkages to emerging overseas markets, Canada's airports have a simple proposition: make them an even bigger part of Canada's equation for success.

"The federal government has been talking about the importance of the expansion and diversification of trade beyond the U.S. That starts with people getting on a plane," says Toby Lennox, the vice president of Corporate Affairs and Communications at Greater Toronto Airports Authority.

He says the time has come to move beyond talking about growth in Asia, Latin America and Africa, and take action. "The

propensity of people travelling to and from these markets is growing rapidly. A market of 130 billion trips annually is emerging. We have a historic opportunity to position Canada as the world's next great transportation link," says Mr. Lennox.

Asserting that Canada is already recognized for having the world's "number-one aviation infrastructure," he says the question is "how can we as an industry work with government to grow traffic to Canada's airports? It is incumbent upon Canada's aviation industry to bring solutions and scale for success."

Canadian Airports Council president Daniel-Robert Gooch says Canada's airports are

concerned that government-imposed airport rents, user fees and taxes are burdens that unduly push up the cost of air travel in Canada. He adds, "There are various components of aviation policy – how we handle international arriving passengers, how we flow them through our airports – that could be improved to capture more international traffic and facilitate more business."

Mr. Lennox says, "All airports are in the 'flow' business. We move people, goods, information and money. In the process, we enable tourism and Canadian business growth at home and abroad."

James Cherry, president and CEO of Aéroports de Montréal (ADM), which operates Montréal-Pierre Elliott Trudeau International Airport and Montréal-Mirabel International Airport, says the continuous

"The propensity of people travelling to and from (Asia, Latin America and Africa) is growing rapidly. A market of 130 billion trips annually is emerging. We have a historic opportunity to position Canada as the world's next great transportation link."

Toby Lennox
is the vice president of Corporate Affairs and Communications at Greater Toronto Airports Authority

improvement of transborder and international passenger flow is a top priority.

A snapshot of Montréal-Trudeau traffic tells why: In 2002, 40 per cent of its business was domestic, 30 per cent transborder and 30 per cent international. Today, while domestic has fallen slightly to 38 per cent, and transborder traffic is just 22 per cent, international has risen to 40 per cent of ADM's 13.6 million passengers annually, a number that has grown from 8.8 million just 10 years ago.

He says Montreal's strong connections to major North American airport hubs and its proximity to Europe and other popular destinations has resulted in "people transiting through Montreal from Chicago, LA and Toronto to Brussels, Geneva and holiday spots like Cuba and the Dominican Republic."

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EXPERT OPINION

Cross-border shopping taking toll on Canada's airports



By **Vijay Gill**
Principal Research Associate
Conference Board of Canada

Canadians don't hesitate to travel to the United States for bargain prices on everything from consumer electronics to milk. In recent years, the shopping list has grown to include flights from American airports that can be 30 per cent cheaper or more than flights to the same destinations originating in Canada.

Canadians are making an estimated five million trips annually from cross-border U.S. airports. These trips tend to be taken by leisure travellers – often travelling as families or as groups – whose savings from multiple fares more than make up for the driving time needed to reach an American airport and the potential inconvenience from crossing the border by land.

Cross-border air fare shopping is being driven by a "perfect storm" of influences. Higher air fares in Canada are often blamed exclusively on Canadian fees and taxes, but factors such as differences in wages, aircraft prices and industry productivity – as well as U.S. aviation policies – contribute to the cost savings that passengers gain by using cross-border airports.

Some of these factors are beyond Canada's control, and some of them are due to Canada's fiscally responsible approach that sees users cover the costs of airports and navigational systems. Fees and taxes, however, do comprise a substantial part of the gap between Canadian and U.S. fares. A recent Conference Board of Canada report, *Driven Away: Why More Canadians Are Choosing Cross Border Airports*, estimates that fees and taxes contribute to roughly 40 per cent of the total air fare difference in three mar-

kets – Vancouver, Toronto and Montreal.

The fact that Canada's largest airports are losing traffic to cross-border competitors undermines their role as national and international hubs. When a Canadian hub airport loses passengers, it can lead to reduced flight frequencies, higher travel costs and poorer service for all Canadians. For example, Atlanta's airport has three times the traffic as Pearson airport in Toronto even though the two cities have similar-sized populations.

The Conference Board estimates that eliminating this part of the gap could bring more than two million passengers a year back to Canadian airports. Even small reductions in the air fare differential – through changing the way that fees and taxes are calculated and collected – could lead to increased traffic at Canadian airports and passengers for Canadian carriers. While lower fees and taxes would reduce government revenues in the short term, over time much of this loss could be recaptured through direct and indirect tax revenues generated by the additional traffic originating in Canadian airports.

Reduced fees and taxes will not make a significant difference unless airports and airlines co-operate in passing through the benefits to passengers. Airlines can change how they charge fees to passengers, and airports can consider reducing improvement fees if rents to government are also cut. As no single factor is the dominant reason for the differential in Canadian and U.S. air fares, co-operation within the Canadian aviation industry is required to stem the flow of U.S.-bound air passengers.

Vijay Gill, Principal Research, Associate, The Conference Board of Canada, is author of Driven Away: Why More Canadians Are Choosing Cross Border Airports (http://www.conferenceboard.ca/e-library/abstract.aspx?did=5128).

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Regional airports. Canada's smaller airports are contributing to local economies in growing ways. [Page CA2](#)

Improvements. Canada's airports could land even more business writes Canadian Airports Council president Daniel-Robert Gooch. [Page CA3](#)

CANADA'S AIRPORTS

SERVICE

In business to serve, regional airports aiming higher

In communities across Canada, the role of regional airports is growing, not only as vital transport hubs, but also as economic engines that facilitate tourism and business.

When Calgary-based Devon Canada realized it needed to recruit beyond Alberta's oil patch in order to meet its growing demand for skilled employees, the solution was an enlightened, business aviation strategy.

"We decided that we needed to reach out a bit further, and to get workers to our site quickly and efficiently," says Kelly Hansen, Devon's production manager.

The company found skilled employees — about 30 so far — in British Columbia. Rather than uproot entire families, however, Devon flies these employees to its jobsite south of Fort McMurray for week-on, week-off shifts.

For Devon Canada, recently named Producer of the Year by Oilsands Review magazine, and its B.C.-based employees, it's a win-win deal, says Mr. Hansen, noting that fly-in staff members "can stay closer to their communities and families while enjoying a rewarding career in the oil sands."

As a key transportation hub serving Canada's hottest economic region, Fort McMurray's regional airport (YMM) is one of the fastest growing airports in Canada, with a 17 per cent annual increase in passenger traffic.

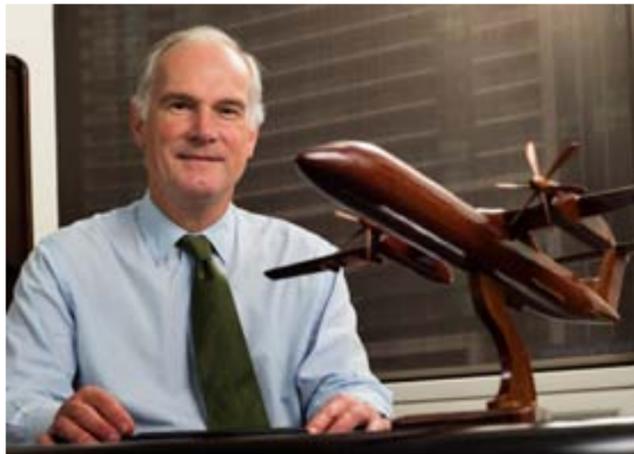
"YMM acts as a major generator for a range of economic activities in the area," says Jesse Meyer, airport spokesperson. "It influences company location decisions and competitiveness, and helps attract new investment."

A major terminal expansion project and related civil works initiatives now underway will allow YMM to accommodate up to 1.5 million passengers. The total cost: \$258 million.

While the Fort McMurray Airport Authority (FMAA) has financed the terminal expansion's \$158-million cost and committed an additional \$25 million towards the initiative's related civil works upgrades, the FMAA says it cannot raise further fund-

"Under the national airport systems, airports have generally been barred from participating in federal infrastructure programs. As a result, Canada's regional airports are seeking access to the federal Airports Capital Assistance Program, a \$38-million fund helping support infrastructure development."

Daniel-Robert Gooch is president of the Canadian Airports Council



Billy Bishop Toronto City Airport has quickly risen to become Canada's ninth largest airport and a key contributor to Toronto's economic vitality, says chief executive officer Geoff Wilson, pictured above.

TOP, NORM BETTS; BOTTOM, ISTOCKPHOTO.COM

ing from commercial markets. As a result, FMAA has proposed that the Regional Municipality of Wood Buffalo and the Alberta and federal governments share the \$75-million balance.

A regional airport is also having an immense impact in Canada's most densely populated centre. According to a recent study, Billy Bishop Toronto City Airport (YTZ) generates \$1.9 billion in economic output, approximately 5,700 jobs and \$290 million in wages, and \$57 million in tax revenue each year.

Since Porter Airlines introduced its regional passenger service from Billy Bishop in 2006, Toronto's "downtown airport"

has become an essential and expedient gateway to the city's core. "It's a facilitator of business investment and tourism," says Geoff Wilson, YTZ's chief executive officer. "The airport plays a very important role in supporting the city's strategic economic clusters."

Only six years ago, just two flights each day left the airport, which is owned by the Toronto Port Authority. Co-investment by Porter helped spur average annual growth of over 30 per cent, to two million passengers each year. Air Canada added service in 2011. "We're now the ninth largest airport in Canada," says Mr. Wilson.

The airport's strategic mandate is "managed growth," he says. "We've looked at the value proposition of the airport and asked ourselves how can we continue to align ourselves with first-class carriers for a first-class customer experience."

Mr. Wilson says Billy Bishop airport's continuing evolution is in perfect step with Toronto's urban density growth. "An airport forms the economic backbone of a growing, thriving metropolis. A city airport, combined with a mega-international airport like Pearson, gives Toronto an extraordinary advantage to support its economic vitality."

The airport is currently accessed by a brisk ferry ride, but a foot-passenger tunnel with a moving walkway slated to open in 2014 — and funded through a public-private partnership model with Forum Infrastructure Partners — will provide even more efficient access, says Mr. Wilson.

While the importance of regional airports and the need for their expansion and improvement continues to rise, the capital-intensive nature of aviation exerts financial pressures that are not often easily resolved.

Daniel-Robert Gooch, president of the Canadian Airports Council, says that even as regional airports such as Quebec City, Fort McMurray and Billy Bishop have seen tremendous growth, some of Canada's smaller airports have expressed concerns over funding needs for improvements and maintenance.

"Under the national airport systems, airports have generally been barred from participating in federal infrastructure programs," he explains, noting that regional airports have limited access to revenue streams open to larger airports, such as airport improvement fees and stores and services.

"As a result, Canada's regional airports are seeking access to the federal Airports Capital Assistance Program, a \$38-million fund helping support infrastructure development," says Mr. Gooch.



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CANADA'S AIRPORTS

EXPERT OPINION

Generating more international travel business a key focus



By Daniel-Robert Gooch
President of the Canadian Airports Council

Think about the last time you flew out of a Canadian airport. You may not have noticed, but there are many different types of air travellers: some on their way to business meetings, or headed to an exotic travel destination, or perhaps even a family taking their first trip together.

With the number of air travellers expected to increase in the coming years, there are several areas in which Canada's airports community is actively working with government, airlines and other stakeholders to improve the passenger experience for business and leisure travellers alike.

Air travel is showing signs of growth in all areas, but some of the biggest growth has come in international travel. According to

the United Nations World Tourism Organisation, international travel continues to show strength despite the economic downturn seen in some parts of the globe. International arrivals are forecast to exceed one billion by the end of 2012.

Connecting Canada with the world has many benefits. First, and perhaps most obvious, is that international travellers can explore many truly unique experiences found on Canadian soil. Secondly, the tourism sector alone is responsible for roughly 1.7 million Canadian jobs and contributes close to \$80 billion to the Canadian economy.

Business travellers may find themselves in and out of airports several times a week. Airports are now better equipped to help them stay on schedule – shorter wait times make for easier connections through airports and help make flying a more appealing option when travellers are trying to decide whether to travel by air or ground.

Airports have worked with partners to make Nexus, the Canada-U.S. trusted traveller program, more valuable to its

“Airports have worked with partners to make Nexus, the Canada-U.S. trusted traveller program, more valuable to its members by adding expedited screening lanes at large airports and an increasing number of small airports. This now has been extended to some U.S. airports for Canadian Nexus members.”

members by adding expedited screening lanes at large airports and an increasing number of small airports. This now has been extended to some U.S. airports for Canadian Nexus members, relieving some of the congestion found at security checkpoints in airports.

At the air border, the Nexus program has been enhanced by new automated border kiosks at Vancouver and Montréal-Trudeau airports. With this new technology in place, and plans for expansion currently in the works, Canadian residents arriving internationally can use these automated kiosks instead of joining the lineup at one of the customs booths. This will significantly cut down wait times, helping travellers arrive home sooner rather than later.

Many other efforts are underway, behind the scenes, to improve traffic flow to, from and through Canada's airports for all air travellers. Being able to better serve the growing number of domestic and international air travellers will enable Canada to remain an attractive travel destination.

STRENGTH IN NUMBERS

TORONTO PEARSON INTERNATIONAL AIRPORT

40,000
jobs

\$26 billion
Annual economic impact including revenues related to direct, indirect and induced activities

33.4 million
passengers in 2011

428,000
take-offs and landings in 2011

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31,600
direct jobs in aeronautics, industrial, retail, governmental and administrative businesses operating at Montréal-Trudeau and Montréal-Mirabel airports

\$5.5 billion
Revenues attributable to direct, indirect and induced activity

13.7 million
passengers in 2011

253,298
take offs and landings in 2011 at Montréal-Trudeau and Montréal-Mirabel airports

VANCOUVER INTERNATIONAL AIRPORT

23,614
direct jobs in Metro Vancouver

\$5.3 billion
Total gross domestic product supported by YVR operations

17 million
passengers in 2011

FROM CA1

Policy: Federal air transport strategy needed

ADM's success in capturing this business is due in part to infrastructure investments.

Montréal-Trudeau's new international terminal includes 10 permanent contact bridges.

“When we built them, we expected that by 2016 we would have to add international capacity. We are already looking at adding another six permanent gates capable of handling larger aircraft like A380s and 777s, plus more capacity for charter aircraft.”

Other improvements such as moving walkways have helped ADM reduce connecting times to just 45 minutes, but Mr. Cherry

says, “we want to make the process even smoother for transborder and international passengers.”

For example, ADM invested more than \$4 million to bring Automated Border Control and Nexus services to Montréal-Trudeau. Mr. Cherry says he encourages further improvements to the customs process and envisions a day when “if you are going to the U.S. or international, you won't even have to speak to a Canadian customs agent.”

With 85,000 passengers travelling via 70 airlines to 180 destinations daily, Toronto Pearson handles about 30 per cent of

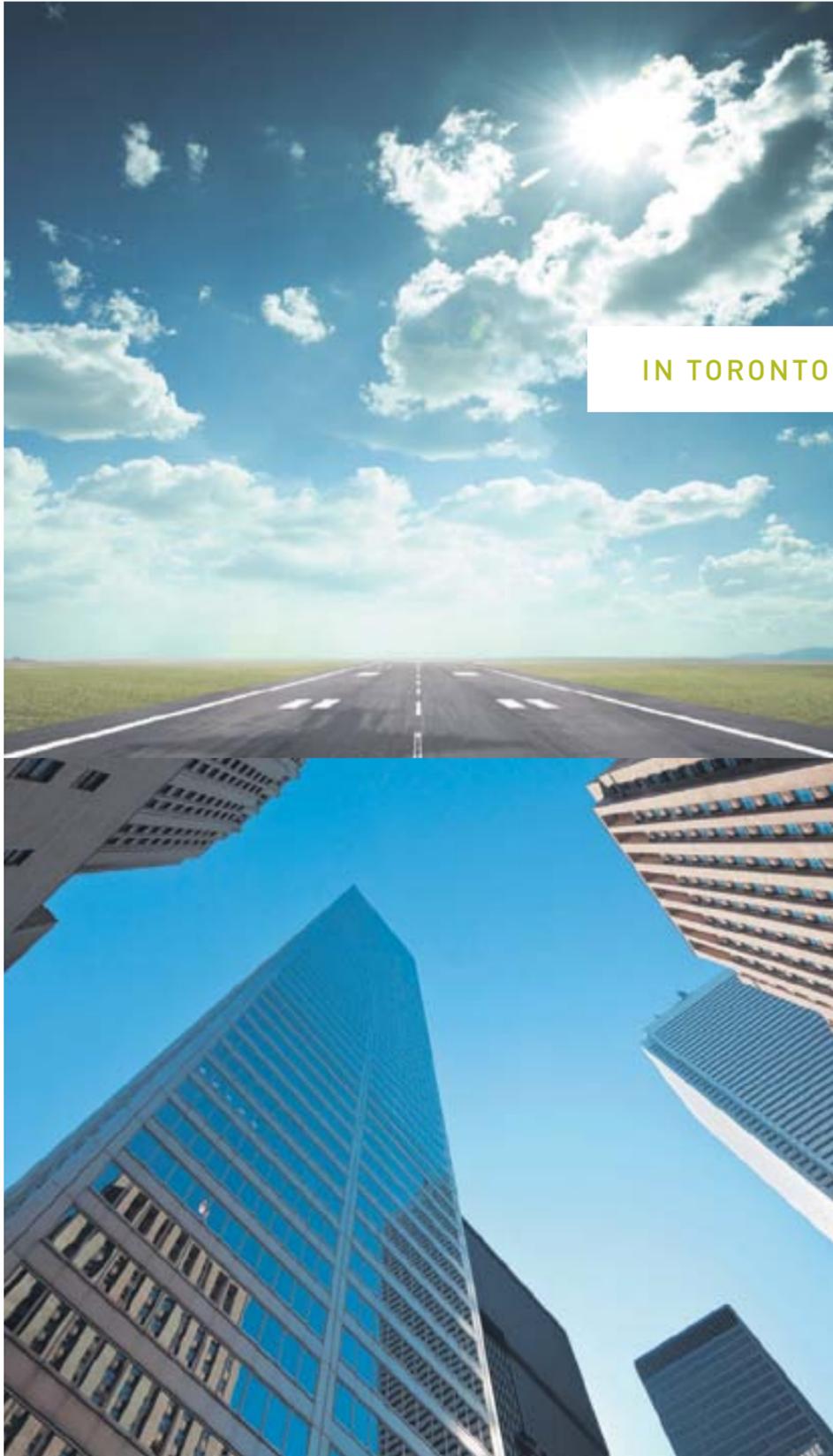
Canada's passenger traffic, making it the largest entry point into North America after JFK, LAX and Miami.

Airports do more than facilitate travel and tourism. Mr. Gooch says the most recent data suggests that Canada's major airports alone are responsible for over 200,000 jobs, a comprehensive economic impact study will be undertaken soon “to better quantify the jobs and GDP impacts, and also to determine the catalytic benefits – connecting people and cultures, facilitating tourism to Canada and enabling Canadian business to participate

in the global economy.”

Mr. Lennox believes that with the right policy support, Pearson International's present direct employment of 40,000 people could readily turn into 50,000 or 60,000 jobs.

Mr. Gooch says that a recent Senate Transport Committee study led to recommendations including Canada's need to articulate a federal air transport strategy and create a forum to increase air travel in Canada. “We've seen indications that the government is interested in proceeding. We look forward to continuing discussions.”



IN TORONTO, WE MEAN BUSINESS

In 2012, Billy Bishop Toronto City Airport will contribute \$1.9 billion in economic output to the City and the Canadian economy. We are proud to be Toronto's unique island gateway, welcoming over 2 million business and leisure travelers to our City, and making us Canada's ninth largest airport.

More importantly, we are proud to be part of the public private collaboration on our unique pedestrian tunnel project. This has helped us stay synergistically in step with the needs of our City and its citizens, while contributing to its success and future development. Focused on managed growth and a continued commitment to exceptional customer service, we are working with our two award-winning world-class airlines, the 5,700 direct and indirect employees dependent on the airport, and our business stakeholders throughout the GTA, to help make Toronto the city that means business.

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