CANADA'S AIRPORTS:
GROWING, EVOLVING WITH CANADA

ECONOMIC IMPACT OF CANADA'S AIR TRANSPORT INDUSTRY

133 Million
Passengers in 2015

$34.5 Billion
Contributed to Canada's GDP

$7 Billion
Accrued Taxes

141,000
Direct Jobs Supported

Did you know that most of Canada's major airports haven't been operated by any form of government since the 1990s? Were you aware that virtually all of the $22 billion that has been invested into airport infrastructure in Canada since then has come from the private corporations that operate Canada's airports on a not-for-profit basis using funds generated by airport authority operations?

Twenty-six of the airports formerly operated by government — those located in a Canadian capital city or handling more than 200,000 passengers a year — have been designated National Airports System (NAS) airports. Twenty-one of these airports are leased to local, non-governmental airport authorities.

These airports, which are responsible for about 90% of the traffic in the country, pour all profits back into the airport and pay rent to the federal government. They paid $323 million in rent in 2015 and nearly $5 billion since 1992.

AIRPORT GOVERNANCE

Canada's NAS airport authorities are managed by local independent boards of directors selected on the basis of the skills each director brings to the board table, and with governance practices consistent with those of large publicly traded corporations. Appointment and nomination procedures aim to strike balances on the need for community involvement, preserving the independence and impartiality of directors, and reflecting directors' fiduciary responsibilities.

AIRPORT AUTHORITY BOARD COMPOSITION

Each airport authority board has directors nominated or appointed by the federal government, provincial and/or municipal governments, local business communities and other stakeholder groups. Except for those airport authorities that have their CEO as a director, all directors are independent from management as they are either appointed directly by the the appointing authority or chosen from a pool of candidates put forward by the nominating entities.

HOW AIRPORTS ARE FUNDED

Under Canada's National Airports Policy, airports are responsible for covering the costs associated with operations and maintenance. Airports have three main sources of revenue available to them.

- Landing fees and other charges to air carriers, known as aeronautical revenue
- Non-aeronautical revenue from retailers, services, real estate development and other businesses
- Airport improvement Fees (AIF) and Passenger Facility Fees (PFF) charged to passengers and dedicated to capital improvement projects and operations

LOCAL AIRPORT AUTHORITIES ARE:

- **Independent from any branch of government**
- **Non-share capital corporations; any profits are invested back into the airport**
- **Governed by independent boards of directors**
- **Responsible for covering their own operations and infrastructure costs**
- **Required to pay rent to the federal government**

AIRPORT RENT

$323 Million
in rent in 2015

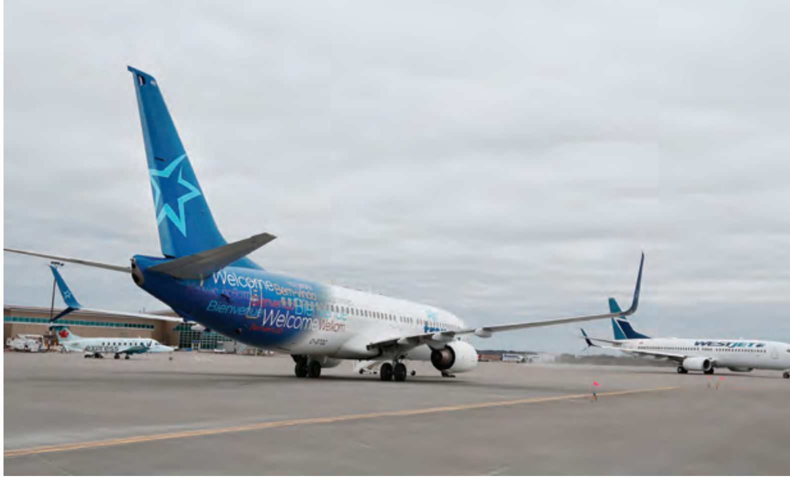
$5 Billion
in rent since 1992

RESPONSIBILITIES AT AN AIRPORT

Airport Authority	Overall management, strategic direction and operation of the airport, including building and air field operations and maintenance, and commercial development
Airline	Check-in, boarding, baggage handling
Private Vendors	Retail shops, restaurants, car rental agents, hotels and other airport services when not operated directly by the airport
Nav Canada	Air traffic control
Canadian Air Transport Security Authority	Security screening of passengers and their bags, screening of airport workers (Federal Government Crown Corporation)
Canada Border Services Agency	Customs and Border Services (Federal Government Agency)
U.S. Customs and Border Protection	U.S. Pre-Clearance Customs and Border Services (U.S. Government Agency)
Police Services	Policing and security response

IMPORTANCE OF SMALL AIRPORTS TO THE COMMUNITY AND LOCAL ECONOMY

As the world's second-largest country by area, aviation has been at the heart of Canada's transportation strategy since the early days of air mail. Today, 133 million passengers a year pass through Canada's airports – more than 25 million through medium and small airports – with scheduled commercial passenger service that connects Canada from coast to coast to coast.



Regional airports play an essential role in Canada's air transportation sector. However, those with traffic volumes below 600,000 passengers a year can find it difficult to raise enough revenue to support the maintenance and upkeep of their safety and security infrastructure.

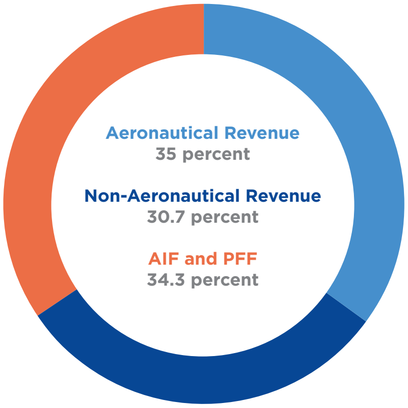
CAPITAL FOR CANADA'S SMALLER AIRPORTS

The transfer of airports in Canada to local airport authorities and communities has been largely a success story. Canada's airports are fulfilling their mandates to build and maintain their infrastructure in a manner that is financially self-sustaining. Larger airports have been able to fund capital projects through AIF, however, smaller airports with low traffic volumes find it more challenging. Airports generally have high fixed costs and revenue that is directly related to the nature and volume of air traffic. In fact, airport capital expenditures can be viewed as occurring in four sets.

Cost of operating mobile equipment	Cost of restoration projects to maintain buildings and airside surfaces
Cost of large capital expansion projects to meet growing demand	Cost of large capital expansion projects to facilitate growth in air service

Airports with sufficient traffic levels are able to cover all four of these categories through their own revenue streams. Many smaller and remote airports cannot cover many of these expenditures. As such, it is clear that small and medium-sized airports require some level of capital assistance that is primarily dependent on the scale or the traffic handled at that facility.

AVERAGE REVENUE STREAM OF A SMALL AIRPORT



Airports are also required to comply with increasingly complex and expensive federal regulations to improve safety and security, however, this often involves capital projects without government funding.

Six of Canada's NAS airports handle passenger volumes of fewer than 600,000 and face similar challenges raising money as other airports their size. As NAS airports on federal land, however, they also have to pay rent – essentially a tax on gross revenue at the airport. The airports in Charlottetown, Gander, Fredericton and Saint John started to pay rent in 2016.

In addition to rent, by virtue of being situated on federal land, NAS airports are explicitly excluded from participation in two important federal infrastructure programs: Building Canada Fund and the Airports Capital Assistance Program (ACAP). The CAC is seeking to change this.

Canadian Airports Council
600-116 Lisgar Street
Ottawa, Ontario
K2P 0C2
General Line: (613) 560 9302
Fax: (613) 560-6599
www.cacairports.ca