



4 August 2016

The Honourable Wayne Easter, MP  
Chair, House of Commons Standing Committee on Finance  
House of Commons  
Ottawa, ON K1A 0A6

*Via e-mail: [finapbc-cpb@parl.gc.ca](mailto:finapbc-cpb@parl.gc.ca)*

Dear Mr. Easter:

**RE: Vancouver Airport Authority Pre-Budget Submission to the House of Commons  
Standing Committee on Finance**

### Introduction / Executive Summary

Vancouver Airport Authority (the Authority) is pleased to contribute to the House of Commons Standing Committee on Finance's pre-budget consultation process via this written submission as the Committee prepares its recommendations for the 2017 federal budget. We also support the Canadian Airports Council's pre-budget submission comments related to: pre-board security screening; Arrivals Duty Free; and capital funding for small airport infrastructure.

Vancouver Airport Authority is a community-based, not-for-profit organization that manages Vancouver International Airport (YVR). Canada's second busiest airport, YVR welcomed 20.3 million passengers in 2015, facilitated 278,000 takeoffs and landings and handled 271,500 tonnes of cargo. Fifty-six airlines serve YVR, connecting people and businesses to more than 118 destinations worldwide. YVR is home to more than 23,000 jobs. For the past seven years, YVR has been voted best airport in North America by Skytrax, based on input from 13 million passengers from 108 countries.

Airports play a key role in expanding our economy; by connecting people, communities and products to markets across the country and globally, we generate jobs, facilitate business, trade and tourism, and enhance Canada's competitiveness.

In order to allow for YVR to maximize its economic contribution, we recommend that the federal government take the following actions to enhance the competitiveness and economic contributions of Canada's airports:

1. Ensure the delivery of a competitive level of security screening services by establishing and funding the service level standard of 95 percent of originating

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passengers screened in 10 minutes, connecting passengers screened in six minutes and no passenger waiting more than 20 minutes;

2. Recognize the vital role that the current airport ownership/governance model plays in attaining airports that are commercially viable, competitive and focused on economic development, and;
3. Drive increased economic activity by modernizing Canada's duty free regime and permitting Arrivals Duty Free.

Action by the federal government in these areas will improve the travel experience at YVR, keep YVR competitive with non-Canadian gateways, support increased connectivity for Canadian businesses, communities and travelers and facilitate the creation of new jobs.

### Effective and Efficient Security Screening: CATSA Service Levels

The Vancouver Airport Authority has made it a strategic priority to ensure that passengers are able to move through the airport efficiently and are satisfied with their experience. We have made significant investments in technology and processes with the goal of allowing passengers not only to move expeditiously through our facility but to also enjoy a friendly experience. Airports that move passengers and cargo quickly and efficiently attract more passengers and more flights.

With passenger growth of over one million passengers a year in 2014, 2015 and expected in 2016, this is a major challenge. Together, Canada's airports have seen a 24 per cent increase in passenger traffic over the past five years and YVR alone has seen more than 19 per cent growth in this period.

Funding for the Canadian Air Transport Security Authority (CATSA) has not kept pace with passenger growth, despite being funded via a dedicated Air Travelers Security Charge (ATSC) levied directly on passengers. YVR views CATSA's inability to keep up with recent and future passenger growth as a serious and significant impediment to the competitiveness and growth of Canada's airports.

It is an issue that was specifically contemplated by the recent *Canada Transportation Act Review* and Report (CTA Review) overseen by David Emerson and tabled by the government earlier this year. The Review Panel noted that it heard near-universal condemnation of the existing state of security screening services at Canadian airports."

Pre-board security line-ups, particularly at peak times, have been steadily growing. Departing passengers, for example, can experience wait times of up to 75 minutes before entering the process. This results in more missed flights and frustrated passengers. YVR's

customer complaints are running ahead of 2015 in the first six months of 2016 with an increasing number being lodged via Twitter and other social media.

An improved and consistent level of service is necessary to ensure passenger satisfaction for Canadian and international travelers. A bad experience at the airport for a departing tourist can negate efforts to attract visitors and a reputation for inconsistent service impacts our ability to attract valuable transit passengers, who have a choice as to gateway airport. As noted above, the increased reach of social media makes it easier for such bad experiences to have a negative impact on airports' reputation and competitiveness.

Airlines too have choices of where to deploy their aircraft, and they consider operating efficiency in the equation – can their flights depart on time, will operating costs be higher due to flight delays, what will the experience be for their passengers. Canadian airports face a real threat that air carriers will choose to curtail service or not add new services. The critical factor is improvement in service levels that benefit passengers, airlines and the competitive capabilities of Canada's airports.

*Accordingly, YVR —along with the Canadian Airports Council, the National Airlines Council of Canada and the Air Transport Association of Canada—recommends that the federal government establish the service standard for class 1 airports reached following discussion at the Air Industry Standing Ministerial Advisory Committee of 95 per cent of originating passengers screened in 10 minutes, connecting passengers screened in six minutes, and no passengers waiting more than 20 minutes. Further, we ask that the government ensure that CATSA is funded and accountable to achieve this standard.*

Funding to the above level of service is necessary to ensure that Canada's airports do not fall behind in their competitiveness.

### Driving Cost-Competitiveness and Innovation

The world of international air travel is extremely competitive. Airports and international air service are vital for facilitating economic development in their communities. The Authority makes every effort to be cost competitive and strives to keep costs to airlines and passengers as low as possible. We have increased the share of our revenues coming from non-aeronautical sources to allow us to do this.

The current unique Canadian model of airport governance plays a role in YVR's success. The not-for-profit, non-shareholder model allows the airport to take a longer term, strategic view that is not tied to the shorter term interests of shareholders. Not being driven by the bottom line in terms of returns for investors allows us to increase economic, social and environmental returns for our customers, stakeholders and community.



Since assuming operational control of YVR in 1992, the Authority has invested \$2.9 billion in the airport. We are recognized for our prudent financial management as we have consistently maintained a AA credit rating, even during the financial downturn of 2008-2009. Vancouver also has the lowest debt per passenger of Canada's major airports and the lowest airport improvement fee of Canada's major airports.

Our governance model is one that affords us the ability to be nimble and innovative so we can pursue innovative solutions to improve the passenger experience, achieve our sustainability goals, continue to facilitate economic development, and continue to generate added value for our communities.

*YVR encourages the federal government to recognize the critical role that the current airport ownership/governance model plays in attaining airports that are commercially viable, competitive and focused on economic development.*

### Modernizing Canada's Arrivals Duty Free Regime

The airport community, including duty free operators, has long advocated for the federal government to take steps towards modernizing airport duty free operations in Canada to keep pace with other jurisdictions and to help airports maximize alternative revenues in order to keep charges to airlines and passengers as low as possible.

Arrivals duty free is a service already available in nearly 60 jurisdictions. It is a concept popular with both the travelling public, who find it improves choice and convenience, and with governments who are able to repatriate economic activity that might otherwise have been lost. The experience in jurisdictions with arrivals duty free has been that it both generates new sales and repatriates sales and economic activity from abroad that might otherwise have been lost, without affecting domestic sales.

The introduction of arrivals duty free can be put in place at essentially no cost to government. In fact, a previous study by YVR suggested that the implementation of arrivals duty free would supply \$9 million in new revenue for the federal government. In addition, it would repatriate \$95 to \$105 million in foreign sales back to Canada and generate over 560 direct and indirect jobs across Canada.

The House of Commons Standing Committee on Finance has previously recommended that the federal government work with the provinces and territories to explore ways to allow interested airports and provinces to participate in an arrivals duty free pilot project. The CTA Review also recommended putting an Arrivals Duty Free program in place.

YVR has estimated that if arrivals duty free were made a permanent fixture at the airport, it would generate \$21 million in annual sales by year five and create the equivalent of 120 new full time jobs.

*YVR recommends that the federal government continue the dialogue on modernizing Canada's duty free regime, including by permitting arrivals duty free.*

## Conclusion

Vancouver Airport Authority's goal remains clear: to connect British Columbians proudly to the world while establishing YVR as a world-class sustainable gateway between Asia and the Americas. We are committed to creating new jobs and being an economic generator, increasing access to global destinations and opening new markets for BC goods through innovative strategies that continue to drive growth.

We appreciate the opportunity to make this submission; should you have any questions you are most welcome to call me at 604-276-6501 or e-mail me at [craig\\_richmond@yvr.ca](mailto:craig_richmond@yvr.ca).

Yours truly



Craig Richmond  
President & Chief Executive Officer