

Pre-Budget Submission

From: Halifax International Airport Authority (HIAA)

To: House of Commons Standing Committee on Finance

August 2011

Preamble

Canada's airports are essential components of the economic and transportation infrastructure of this country. Airports link Canadian communities to key national and international markets, create hundreds of thousands of jobs and generate billions in tax revenue for all levels of government every year.

Halifax International Airport Authority operates, maintains and develops Halifax Robert L. Stanfield International Airport under a ground lease with Transport Canada. Halifax Stanfield is Atlantic Canada's principal full-service airport providing passengers and cargo clients with access to markets across Canada, the United States and Europe. It's the only airport in Atlantic Canada to offer Canada Customs services on a 24 hour, seven day a week basis, and U.S. preclearance.

The Airport, a major economic generator valued at over \$1.25 billion to the provincial economy, welcomes over 3.5 million passengers annually; gives back through its Community Outreach Program and its Signature Partnership with Habitat for Humanity; and is an internationally recognized leader in customer service, having been rated the Best Airport in the World in its class for seven of the past eight years and certified as Airport Service Quality Assured – an industry benchmark of service excellence.

Halifax Stanfield works through the Canadian Airports Council (CAC) to promote the need for the Canadian government to address competitiveness challenges of the Canadian aviation industry.

There is increasing concern within Canada's aviation sector about the growing phenomenon of Canadians travelling across the land border with the U.S. to access cheaper tickets available out of U.S. airports.

While ticket prices can be comparable on both sides of the border, Canada's fiscal policies toward the aviation sector have resulted in a cost competitive disadvantage for the Canadian sector.

Airport Rent

Halifax International Airport Authority feels that airport rent should be rationalized, as this is an integral part of making the Canadian aviation industry more competitive and productive. The rationalization of airport rent can take a progressive, staged approach that might include several different approaches that the Airport Authority requests the Government of Canada to consider.

HIAA recommends that the rationalization of airport rent include such steps as:

- An immediate cap on the rent payable by an airport to a magnitude not to exceed the government estimate of rent to paid by each airport that was published when the rent formula was changed in 2006.
- Elimination of Airport Improvement Fee revenue from the formula that establishes rent payable.
- The credit or reduction of the gross revenue determination to reflect other costs of capital investment programs, such as debt servicing costs.
- A staged reduction of the applicable rent percentage scale to ultimately result in a no rent situation for all airports.

Foreign Trade Zones

Halifax International Airport Authority is a member of the Foreign Trade Zone Coalition comprising major Canadian airports and transport providers.

Based on the Government of Canada's commitment in Budget 2011 to "an examination of Canada's current foreign trade zone-like policies and programs", HIAA encourages the Standing Committee on Finance to endorse the following recommendations established by the FTZ Coalition:

1. Amendments to Canada's Foreign Trade Zone-like programs to:
 - Restructure and integrate the current federal programs to simplify access to them, and provide a single federal point of contact for potential users;
 - Reduce or remove the restrictions on added value;
 - Allow companies that sell a significant proportion of their production within Canada to participate; and
 - Allow the deferral of GST/HST until the product departs the FTZ to the Canadian market.
2. The opportunity for private sector agencies and regional entities to define local marketing zones linked to major gateways or corridors to promote and market these areas and Canada's FTZ-like programs effectively in domestic and foreign markets.
3. The establishment of a federal umbrella program to provide modest financial support for locally based zones and marketing, subject to matching provincial and local financial support, and provide direct liaison between related federal agencies and local marketing zones.

Airport Policing/Security Fees

The Government of Canada announced in its 2009 budget that it was unilaterally eliminating its subsidy for airport policing and security fees in 2010. This costs Halifax International Airport Authority almost \$1 million per year.

As this amount comes directly off the Airport Authority's bottom line, this has a significant effect on the Authority's financial position.

In recognition of the role that Canadian airports can play in Canada's economic development, it's requested that this financial support be reinstated so the Government of Canada can assist its airports in playing an even more important role in the economic future of our country.

END