

8400-01 LH

Meghan Wylie

From: Anja Nurvo
Sent: August-31-17 08:37
To: Meghan Wylie
Subject: FW: Airport Privatization

Categories: MAIL PRINTED

For mail log please.

Anja Nurvo, BA, LLB
Director of Corporate Services
Tel: 1-250-414-7135

CORPORATION OF THE TOWNSHIP OF ESQUIMALT		
For Information:		
<input type="checkbox"/> CAO	<input type="checkbox"/> Mayor/Council	
<input type="checkbox"/>		
RECEIVED: AUG 31 2017		
Referred: <u>Anja</u>		
<input type="checkbox"/> For Action	<input type="checkbox"/> For Response	<input type="checkbox"/> COTW
<input type="checkbox"/> For Report	<input checked="" type="checkbox"/> Council Agenda	<input type="checkbox"/> IC

From: Barb Desjardins
Sent: August-31-17 8:31 AM
To: Anja Nurvo
Subject: Fwd: Airport Privatization

For agenda please

Sent from my iPhone

Barbara Desjardins
Mayor
Tel: 1-250-414-7100

Begin forwarded message:

From: Massimo Bergamini <admin@airlinecouncil.ca>
Date: August 31, 2017 at 8:29:36 AM PDT
To: Barbara Desjardins <barb.desjardins@esquimalt.ca>
Subject: Airport Privatization
Reply-To: Massimo Bergamini <admin@airlinecouncil.ca>

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CNLA
Conseil national des lignes
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To: Mayor and Council

Re: AIRPORT PRIVATIZATION

I'm writing to bring to your attention an issue that potentially affects the health and prosperity of all of Canada's cities and communities: airport privatization.

As you may know, the federal government is currently considering the for-profit-privatization of Canada's airports.

Other countries that have privatized airports have found that it often leads to higher fees and reduced services for travellers and airlines. This can damage tourism, business travel, and the local economy. Most of all, it makes it more difficult and expensive to maintain essential connections with the rest of the country and the world.

We hope that, with your support and that of your council, we can mobilize municipal and community leaders across Canada to oppose this plan.

To be clear, our current airport governance model is not without problems, and these must be addressed to make our passenger aviation system more competitive and improve the traveller experience. But as long as for-profit airport privatization remains on the table, it will delay effective action needed to solve these problems.

A number of municipal councils across the country have already adopted resolutions opposing for-profit airport privatization, among them Montreal, Toronto, Vancouver and the Capital Regional District of Victoria.

We urge you and your council to join them in adopting a resolution opposing the for-profit privatization of airports and calling on the federal government to focus on modernizing the current system to lower costs for travelers and

enhance the competitiveness of Canada's air transport industry.

I have attached for your information a template resolution that your council may want to adapt, a template letter to your local Member of Parliament, as well as a backgrounder on airport privatization and one on Canada's airline industry.

We believe that successfully stopping this misguided initiative will require a groundswell of opposition. We hope that you will join us in urging the Government of Canada to abandon this plan and focus on the real issues that damage the competitiveness of passenger air transportation in Canada.

If you have any questions, or would like to discuss this further, please do not hesitate to contact me directly at: mbergamini@airlinecouncil.ca.

Yours truly,

Massimo Bergamini

President and CEO

National Airlines Council of Canada

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Template Resolution on Airport Privatization

Whereas in a country as vast and sparsely populated as Canada, safe and efficient air transportation is essential to connecting families and communities and to continued economic prosperity;

Whereas Canada's airports are vital assets that contribute to the quality of life and economic growth in the cities, communities and regions they serve;

Whereas media reports indicate that the Government of Canada is actively considering selling Canada's airports to for-profit entities to achieve a one-time financial windfall;

Whereas the international experience in airport privatization has often resulted in higher fees and reduced services for travellers and airlines as a result of efforts to maximize return on investment;

Whereas such outcomes would negatively affect communities of all sizes across Canada by making air travel more expensive and reducing service;

Whereas the last decade has seen a massive increase in the number of Canadians using air travel to connect with loved ones, enjoy well deserved vacations and explore the country, or help create jobs;

Whereas any increase in fees on air travel resulting from the privatization of airports would constitute an unfair tax on Canada's middle class;

Whereas divestiture of airports to local not-for-profit authorities in 1994, led to massive user-financed investments in airport infrastructure which have given Canada an enviable network of world class airports;

Whereas the physical infrastructure of airports has been modernized, the governance system under which they operate has not kept up with the times and is now in urgent need of repair;

Whereas that situation would only be exacerbated in a privatized for-profit system;

Be it resolved that the *municipality of Anytown* calls on the Government of Canada to renounce its push for the for-profit privatization of Canada's airports and clear the way for needed improvements to the current airport governance and financing system; and

Be it further resolved that the *municipality of Anytown* urge the Federation of Canadian Municipalities (FCM) bring this matter forward for emergency debate at the next meeting of its National Board of Directors.

Template letter to Member of Parliament

Dear _____:

Re: NO AIRPORT PRIVATIZATION

I am writing to express our concern about the federal government's continued pursuit of the for-profit privatization of Canada's airports.

Airports and the airlines that serve them and their communities are essential elements of the social and economic infrastructure of our community and region, as they are across the country. Air transportation provides a vital link that connects families and communities and promotes economic growth. It is not a luxury to be treated as a cash cow by governments.

Keeping this plan in play delays much-needed effective action on other issues, such as the burden federal rents and fees place on airlines and air travellers. These are what stand in the way of a more competitive and economical air transportation system for Canada.

We urge you to raise this issue in the House and in your caucus to make it clear to the Government of Canada that our community opposes for-profit airport privatization. The attached motion, recently passed by our council, calls on the federal government to abandon its consideration of for-profit airport privatization and clear the way for the modernization of airport governance.

We will work with the Federation of Canadian Municipalities (FCM) to alert other municipal governments to the damage that for-profit airport privatization can do to their communities, regions and local economies.

We hope that we can count on your support on this issue. Canadian municipalities have a big stake in the success of their airports and of Canada's airlines. There are many things the federal government can do to make our air transportation system more competitive, but selling off these valuable public assets for a quick cash infusion isn't one of them.

Yours truly,



AIRPORT FOR-PROFIT PRIVATIZATION: A CHECKERED TRACK RECORD

Airport privatization is not a new idea. Public-private partnerships, and private, for-profit ownership have been introduced for the construction, financing, management and operation of many airports around the world. However, the overall track record of airport for-profit privatization is checkered at best. There are justified grounds for caution, even skepticism, before launching such an initiative in Canada.

Experience shows dangers

A major fault-line is that for-profit airports shift their focus away from service to communities and travelers, to concentrate instead on maximizing profits, cutting costs and delivering earnings to shareholders. Global experience has shown this often has negative consequences, such as higher prices and reduced service levels.

Underinvesting in infrastructure and services

Some private entities taking over airports have failed to invest sufficiently in maintaining and upgrading airport infrastructure. In Sydney, Australia, for example, the country's competition watchdog found that the privatized airport increased profits by running down the quality of its services, and showed low responsiveness when public concerns were raised.

Overinvesting in the wrong areas

Other privatization experience shows over-investment or "gold-plating" investments in areas that prove costly or unnecessary. In Mumbai, India, the privatized airport undertook construction of a second terminal, for which cost over-runs were passed on to users, without previous consultation.

Dual or hybrid revenue streams that undermine some airport services

Some profit-driven airports have sought to maximize revenues and cut costs by separating out their revenues into different streams, known as "dual or hybrid till" systems. These allow them to identify and cut costs and services in activities that produce lower revenues, such as



aeronautical services, while building up those, such as commercial airport concessions, that produce more.

Australian airports now collect far more aeronautical revenue per passenger than a decade ago: Brisbane Airport collects 66 percent more in real terms since 2006-07; Perth, 43 percent; and Melbourne, 31 per cent. Sydney's is up just 16 percent, but its revenue-per-passenger is the country's highest at \$17.27.

Price increases by these airports over the decade have resulted in an additional \$1.6 billion assessed to airlines and travellers. In cases such as these, where revenue-per-passenger rises markedly, travelers wind up paying higher prices for flight tickets, parking, airport hotel bills, and pre-flight meals, among others.

Higher borrowing costs

Analysis shows that lenders are likely to price the financial risk of for-profit airports at higher levels than that of public ones, resulting in interest rate hikes for them. Private ownership of airports means that some cash flows will be diverted from airport operations and reinvestment, to instead pay dividends to shareholders and, possibly, income tax. These pressures, as well as regulations imposed on private owners, results in their showing a weaker credit profile than do public airports which are unconstrained by the need to deliver earnings.

The bottom line: risky and not needed in Canada

Governments have most often sought a private-sector role in running airports where the state lacks either financial resources or the required technical or management expertise to run airports. This is not the case in Canada, where following divestiture to not-for-profit local airport authorities in 1994, massive user-funded investments have resulted in airport infrastructure that has been ranked among the best in the world.

Our airport governance model, however, does need updating. This should include third-party regulatory oversight of airport spending and fees, and a reduction or elimination of the rents airports pay to the federal government, which takes millions of dollars out of the air transportation system with no benefit to passengers or the system. Keeping for-profit privatization on the table will delay these need changes.



Airlines that lift Canada's economy burdened by taxes and fees

A powerful economic engine and job creator, Canada's air transportation sector faces increasingly stiff headwinds in the form of security surcharges, fuel taxes, and airport rent. Air travel is not a luxury or a privilege. If government truly wants to make air travel more affordable, efficient and competitive, it can stop adding costs and siphoning money out of the system.

Canada's air transportation sector employs some 141,000 Canadians and contributes about \$35 billion to our country's GDP. Our four major airlines—Air Canada, WestJet, Air Transat and Jazz—fly more than 71 million passengers a year and employ more than 50,000 people.

These member airlines of the National Airlines Council of Canada (NACC) purchase goods and services in Canada worth \$18 billion, creating another 268,000 jobs. They are a vital connector and driver for our tourism industry, which generates more than \$65 billion a year. Airlines also move imports and exports worth more than \$110 billion, making them essential players in our trade-dependent economy.

But this economic engine is laboring under the growing burden of taxation and fees. As recommended in the review of the *Canadian Transportation Act*, fixing air transportation's broken cost structure—including distortions caused by airport rent and related charges, security surcharges and fuel taxes—is the best way to reduce costs for travellers and improve the industry's international competitiveness.

Canada was ranked 124th out of 141 countries when it came to ticket taxes and airport charges in the World Economic Forum's 2015 Tourism Competitiveness Report. Statistics Canada reports that Canadian airfares are at their lowest level in six years, but taxes and fees continue to rise without being reinvested in the air transportation system.

Just in airport rent, the federal government has taken more than \$5 billion out of the air transportation sector since 1994. It's expected to collect an additional \$12 billion in the next 40 years. These charges contribute nothing to the safety and efficiency of the air transportation system. Canadian airlines also pay jet-fuel excise taxes that are more than triple those in the United States. These revenues are not re-invested in air transportation but are rolled into the federal government's general revenue.



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Air travel is not a luxury and shouldn't be taxed as one. Air travel in Canada has increased by more than 38 percent since 2006. In a country as vast and sparsely populated as ours, this should come as no surprise. What is surprising is that governments continue to view air transportation as source of revenue instead of an economic engine and an essential link connecting people and communities.

Canadian airlines have managed to bring base fares to their lowest level in six years. Adjusted for inflation, domestic base fares dropped almost 20 percent between 2008 and 2015. By contrast, airport fees, government taxes and third-party charges are at historic highs.

It's time our governments stopped treating air transportation as a cash cow and started viewing it as the essential economic driver it is.