

Intelligence MEMOS



From: Benjamin Dachis
To: Marc Garneau, Minister of Transport and Bill Morneau, Minister of Finance
Date: July 21, 2017
Re: **AIRPORT OVERHAUL READYING FOR TAKEOFF**

Congratulations. The revelation this week that you are proceeding with the study of selling equity stakes in airports is good news indeed.

It took an access-to-information request, but [CBC has winkled](#) out the fact that you have kept PriceWaterhouseCoopers working on a plan to sell off some or all of Canada's largest airports.

The benefits are self-evident. Private airports, becoming commonplace around the world, tend to be [less costly](#) for [passengers](#) and are more innovative, often looking like shopping malls. The federal government would be right to follow this international practice.

Many Canadians know first-hand that air travel in Canada is expensive. According to the [World Economic Forum](#), Canada in 2013 had the ninth-highest ticket taxes and airport charges in the world. We ranked between the tourism hotspots of Sri Lanka and Ghana.

The federal government still owns Canada's major airports. It signed decades-long operating leases with not-for-profit airport authorities who pay the federal government an annual rent. Twenty years ago, Canada was a global leader in moving airports from government to private operation. No longer. There are two main problems with the current arrangement that selling the airports can resolve.

First, the federal government's rent formula discourages airports from pursuing new revenues that could reduce the amount they need to collect through passenger charges. Canadian airports earn less money from creative sources like in-airport shopping than do privately operated airports around the world.

Second, the governance of airports under authorities that are non-profit and have no shareholders makes ultimate responsibility and accountability unclear. Corporate accountability is best served when shareholders who bear the financial consequences of corporate decisions have the power to elect the board of directors.

For-profit airports are not unusual elsewhere. All major airports in Australia and the U.K. are private. Indeed, many of Canada's pension plans own stakes in airports there. All three airports in Paris and airports in Copenhagen, Zurich, and Vienna are jointly owned by government and private investors.

Ottawa should start with a voluntary program in which airport authorities that wish to open up ownership can do so, and the airport authority in Montreal has [already asked](#) for such a sale. Toronto's airport [has shown](#) willingness too. Later sales could draw on the lessons of the first sale. The federal government could then take the [revenues from such sales](#) and re-invest them in critical infrastructure elsewhere.

It should also think about what regulations will ensure sales are a success for passengers and airlines too. It should look to the Australian model. There, airports are free to set prices as they like. However, they must provide financial information to a regulator, which can intervene if it finds that an airport is abusing its market power.

If the federal government sells its ownership stake in major airports, it can make the travelling public better off and find new ways to fund needed infrastructure. Let's clear this idea for takeoff.

Benjamin Dachis is associate director of research at the C.D. Howe Institute and author of the report "Full Throttle: Reforming Canada's Aviation Policy."