



TORONTO
REGION
BOARD OF TRADE

May 31, 2023

The Honourable Omar Alghabra
Minister of Transport
330 Sparks Street
Ottawa, ON
K1A 0N5

Subject: legislating fees & charges; federal appointment of Chair

Dear Minister Alghabra,

We are writing to you today regarding the recent work that your government has undertaken in Canada's national air transportation system.

As you know, the Greater Toronto Airports Authority (GTAA) is a vital generator of economic activity for the Greater Toronto Area (GTA). The Pearson Economic Zone is home to 400,000 jobs, Canada's second largest employment zone after downtown Toronto.

The GTAA is one of the largest employers in the GTA. Our residents and businesses benefit overwhelmingly from both direct association with the airport as well as the effects of tourist spending, foreign direct investment and economic development.

Recent years have been very challenging for the aviation sector; in that context, we appreciate your government's commitment to drive positive change in the air transportation ecosystem, including for Toronto Pearson. Canadians and visitors to Toronto expect and deserve a seamless travel experience; we know that you are working alongside our local partners to drive improvements.

While there are many areas in which we applaud your government's swift actions in this regard, there are two points of concern that we would like to highlight for you today given the potential for serious unintended consequences:

1. regulation of airport fees by the federal government; and
2. federal ministerial appointment of the Chair of the GTAA Board of Directors.

We believe that the government's pursuit of these two actions will negatively impact the GTAA during this vital rebuild period following the COVID-19 pandemic and in the years to come as the airport looks to invest to meet future demand for air travel; in turn, it will have a negative impact on our local economy. We further outline our concerns below.

Importance of airport fee setting independence

Lenders and rating agencies place a strong premium on the GTAA's independence in setting fees, as this allows access to favourable market rates when borrowing. We understand that rating experts have indicated that there would be an immediate credit watch and downgrading of



the GTAA should the government pursue these changes. This action would cost up to \$3 million per \$1 billion of debt - funds that should instead be invested to benefit the economy in and around Toronto Pearson.

The GTAA has prudently managed the setting of fees. For the decade following the 2009 recession, airline fees and charges were reduced or kept flat for 10 years, which aligned with years of significant passenger growth and airline record-breaking profitability.

Understandably, fees were increased 3-4% in the period from 2021 to 2023 because of the impacts of COVID-19; however, the increases were still kept below the rate of inflation.

Impact of proposed governance changes

Toronto Pearson's Board of Directors is drawn from our five local municipal regions, Boards of Trade and professional organizations, as well as provincial and federal appointees. We believe that local control and input has been critical to the success of Canada's airport model. As a self-financing organization, the optics of the federal government designating the Chair would be costly and a fundamental change to their governance.

Toronto Pearson is not a Crown Corporation and does not act as an agent of the Crown. Appointing the Chair risks the perception of political interference and would create uncertainty in the market, loss of local control and decision-making, and could result in higher costs for Canadians.

In short, any perceived or real interference by government that calls into question the airport's independence in the market has the potential to increase the cost of borrowing (i.e. \$3 million for every \$1 billion borrowed) and slow investments in critical airport infrastructure to support the Greater Toronto Area. Any interference will have a detrimental effect on Ontario's economy, jobs and tourism.

Coming out of the COVID-19 pandemic and looking to future infrastructure needs, we need to drive improvements and work together to make Toronto Pearson, once again, one of the best airports in the world.

I trust you and your government will continue to find avenues to support the airport while ensuring that the economic benefits to the Greater Toronto Area and the Province of Ontario are not jeopardized.

Sincerely,

Mississauga Board of Trade
Brampton Board of Trade
Toronto Region Board of Trade