



STAFF REPORT ACTION REQUIRED

Issues and Opportunities: Greater Toronto Airports Authority/ Toronto Pearson International Airport

Date:	February 6, 2008
To:	Economic Development Committee
From:	Director, Economic Research and Business Information
Wards:	All
Reference Number:	P:\2008\Cluster A\EDCT\ECON DEV\ed0802-011 (AFS# 6623)

SUMMARY

Toronto Pearson International Airport (Toronto Pearson) is Canada's busiest airport serving over 30 million passengers annually, accounting for about 33 percent of total national air traffic, with 75 airlines operating non-stop or direct flights to 76 international cities, 47 U.S. cities, and 29 Canadian cities. It is the 29th largest airport in the world based on passenger volume and 17th largest in North America, however, Toronto Pearson ranks number 3 in North America in terms of the number of international passengers behind only New York (JFK) and Los Angeles, and is number 1 in terms of the percent (56%) of international traffic.

As Canada's busiest airport and an international hub, Toronto Pearson affords Toronto an opportunity to showcase itself to the world. For example, when the 2010 Olympics are held in Vancouver, a significant number of international travellers will connect to British Columbia through Toronto Pearson.

Toronto Pearson is also a major economic generator for the City and the region with approximately 185,000 people employed at the airport and in associated activities. It is important to the continued success of the City's key industry clusters, retaining and attracting head office functions and revitalizing tourism. Many Toronto businesses, including financial services, business and professional services, biotechnology, information technology, film and television, and other high value added activities rely on Toronto Pearson to connect with clients and colleagues to produce and market goods and

services around the world. The efficient and effective movement of business and leisure travellers and cargo to and from destinations around the world is a critical competitive advantage in today's global economy. This includes air transportation to and from destinations around the world, and ground transportation to and from the airport.

City, TTC, GO Transit and GTAA staff are working collaboratively to advance the elements of the Agenda for Prosperity, enhance airline services, and improve public transit service to Toronto Pearson International Airport.

RECOMMENDATIONS

The Director, Economic Research and Business Information recommends that City Council:

1. Request the Greater Toronto Airports Authority (GTAA), Metrolinx, GO Transit, and TTC to develop an integrated strategy to increase transit ridership to Toronto Pearson International Airport (Toronto Pearson) including the possibility of bringing one or more of the Transit City light rail lines to the airport, and a coordinated plan for the development of the Eglinton/Renforth Gateway.
2. Request the Minister of the Environment (Ontario) to approve the Terms of Reference for the environmental assessment for the proposed transit link between Toronto Pearson International Airport and the downtown.
3. Request the Federal Government to remove the 'anywhere but Toronto' language from federal air policy and to eliminate or substantially reduce the Crown rents levied on Toronto Pearson International Airport.
4. Request the GTAA to consult and work collaboratively with City staff to:
 - a. identify strategic markets for enhanced or new air connections to/from Toronto;
 - b. Identify and develop opportunities to promote Toronto's business advantage, tourism and local events; and
 - c. Attract MRO and aerospace businesses.
5. Direct the General Manager, Economic Development, Culture and Tourism to continue to collaborate with the GTAA to promote arts programming at Toronto Pearson International Airport into the implementation of the City's Culture Plan.
6. Authorize the appropriate officials to take the necessary action to give effect thereto.

Financial Impact

There are no direct financial implications resulting from the adoption of this report.

DECISION HISTORY

At its meeting on October 11, 2007, the Economic Development Committee received a presentation by representatives of the Greater Toronto Airports Authority and requested Economic Development, Culture and Tourism Division staff to report back on a number of major issues related to public transit, aviation/air policy, and economic development. An update report, indicating that City, GO Transit and GTAA staff were meeting to discuss these issues was submitted to the Economic Development Committee at its November 29, 2007 meeting. A copy of the initial GTAA presentation was forwarded to the Toronto Transit Commission, GO Transit and the Greater Toronto Transportation Authority for consideration.

ISSUE BACKGROUND

In their presentation to Economic Development Committee on October 11, 2007, GTAA staff identified a number of issues and opportunities related to public transit, aviation and air policy, and economic development that would benefit from enhanced collaboration with the City, TTC and other partners.

City, TTC, GO Transit and GTAA staff have met to discuss these matters and agreed to continue to work together to develop and implement collaborative recommendations for action.

COMMENTS

The issues and opportunities raised by the GTAA in their presentation to Economic Development Committee include:

1. Accommodate expanded TTC service to the airport:

Recent data compiled for the GTAA indicates that less than one percent of the approximately 65,000 daily trips to the Toronto Pearson International Airport (Toronto Pearson) made by employees and passengers combined are by public transit. Traffic congestion is a serious issue now and will become increasingly important as passenger volumes increases from the current 32 million passengers annually toward the forecast volume of 54 million passengers annually by 2017-2023. Increased transit accessibility and ridership will be essential to the long-term success of the airport and is a key plank of its new Master Plan which was released in early February 2008. Toward this end, the new Terminal 1 includes curb space for public transit vehicles. This space is currently underutilized. Additionally, the Toronto Transit Commission has committed to investigate the feasibility of terminating the proposed Eglinton-Crosstown and/or Etobicoke-Finch West light rail lines – both

parts of the broader Toronto Transit City Light Rail Plan – at the airport, and these inter-regional concepts are supported by Metrolinx.

The TTC currently provides transit service to Toronto Pearson 24 hours/day via four bus routes; between 5 a.m. and 2 a.m. the 58A Malton route from Lawrence West Station and a non-stop express service 192 Airport Rocket from Kipling Station (both ~ 8 – 20 minute headways based on demand); and overnight, between 2 a.m. and 5 a.m., the 307 Eglinton West route from Eglinton West Station (30 minute headways) and the 300 Bloor-Danforth route from the Bloor-Danforth corridor (30 minute headways).

As TTC service is determined in large part by ridership demand, GTAA, TTC, GO Transit and City staff are all exploring ways to achieve an immediate increase in transit ridership to and from the airport. Examples of possible actions are: increased promotion of transit access on the web sites of all organizations, signage improvements within the airport, increased promotion of public transit to airport employees (~106,000) using the airport in-house newsletter, and exploring opportunities to provide enhanced transit ticketing and information within the airport. In 2007, EDCT offered the TTC a sponsorship opportunity on the Toronto tourist information map distributed to visitors by hotel concierges and information desks (1 million copies produced annually). The TTC took advantage of this opportunity to promote its service to Toronto Pearson and its Day Pass.

GO Transit will begin operating Bus Rapid Transit (BRT) service to Toronto Pearson connecting to Richmond Hill Centre VIVA terminal in Richmond Hill and Square One transit hub in Mississauga starting April 2008. Bilateral meetings between transit agencies and the GTAA have already begun and some issues are now being advanced.

2. Develop Eglinton and Renforth as a key transit hub:

The Eglinton/Renforth gateway located just south of Toronto Pearson at the Toronto/Mississauga boundary is jurisdictionally complex but offers a significant opportunity to establish an interregional transit hub and improve service to Toronto Pearson. The recent Metrolinx's Quick Win, Phase 2 recommended \$791.3 million funding includes \$39.0 million for the Mississauga Transitway Hub, Airport-Renforth Gateway. Within the City of Toronto, the proposed Eglinton Cross-town line and Finch West line, both part of the Transit City Plan, could have a terminus at the airport and connection to the Eglinton/Renforth gateway. Environmental Assessments for both proposed projects are about to commence. The GO Transit BRT service could also connect to the Eglinton / Renforth Gateway. The GTAA Master Plan for Toronto Pearson identifies a transit corridor linking the Eglinton/Renforth Gateway and the airport. The Cities of Toronto, Mississauga and Brampton, transit agencies, the Province and the GTAA are working together to advance development.

3. Support a rail link connecting Toronto Pearson to downtown:

Proposals to establish a transit link connecting Toronto Pearson to the downtown have been discussed since at least the early 1990s. Providing a link from the downtown core to Toronto Pearson that will also improve regional transit service is included in the Priority Actions identified by the Mayor's Economic Competitiveness Advisory Committee in the Agenda for Prosperity and has been highlighted in the tourism sector's Premier Ranked Tourist Destination project which will be coming forward to Economic Development Committee later this year. This link could connect Toronto Pearson to Union Station via the existing GO Transit Georgetown rail line. GO Transit and Union Pearson Airlink Group, as co-proponents, prepared and submitted terms of reference for an environmental assessment to examine this proposal and GO Transit rail services operating in this corridor in more detail in 2006, but is still awaiting provincial approval.

**4. Remove the 'anywhere but Toronto' regulations from federal air policy, and
5. Advocate for further open skies and new bilateral agreements:**

The Agenda for Prosperity endorsed unanimously by City Council at its January 29-30, 2008 meeting, identifies Internationalization as one of the four key pillars to enhance economic competitiveness and growth. Building on Toronto's motto, Diversity Our Strength" and our greatest assets, the people of Toronto, the Agenda for Prosperity emphasizes that "New economic growth depends on our ability to strengthen and expand our international presence" and the need to "diversify our international portfolio by substantially increasing economic activity with cities beyond North America".

The Agenda for Prosperity and related research by the Conference Board of Canada, C.D. Howe Institute and many others also confirms the importance of Toronto and Canada's major cities to the economy of their home provinces and prosperity of Canada as a nation. Businesses and residents within the city of Toronto account for about 10% of Canada's total GDP, roughly equivalent in percentage terms to the combined contribution of New York City, Chicago, Boston and San Francisco to the U.S. economy.

Notwithstanding the importance of international connections to the economy of Toronto and the Toronto region, and of the economy Toronto and its region to the prosperity of Ontario and Canada, current federal international air transportation policy includes the following 'anywhere but Toronto' regulation:

"Foreign Carrier Access to Canada, when Canadian Carriers Have no Service Interest

- Effective immediately, if no air agreement exists and no Canadian carrier is interested in the market, a foreign country may apply for one of its carriers to commence a total of twice-weekly service from the foreign country to one of more points in Canada of its choice, **with the exception of Toronto**". (*bold and underline added*)

As referenced above, international connections are critically important to economic competitiveness and growth. A number of countries have expressed interest in increasing or establishing flights to Toronto, and the GTAA is developing a list of countries/cities that offer opportunities to develop business and tourist markets. The federal, provincial, and City governments and GTAA should work collaboratively to enhance and expand international air connections.

6. Reduce government imposed airport costs:

When the federal government transferred responsibility for the operation and maintenance of airports to Local Airport Authorities (LAAs) such as the GTAA, it required each to pay an annual ground or land rent to the federal government on the basis that Canadian airports are federal assets that were developed and paid for by the general taxpayer and subsequently leased to non-governmental entities. The stated objective at the time was that the federal government should be 'no worse off' after transferring responsibility for operation of these assets. Transport Canada's website acknowledges that there is at least a perception among LAAs and airlines that the government's objective has shifted from 'no worse off' to one of 'better off', i.e. that some airports, TPIA in particular, have become profit centres for the federal government.

Since that time, the airline industry has been negatively impacted by a number of events including 9/11, increased security concerns and increasing fuel costs. In addition, the GTAA has essentially completely rebuilt the facilities at Toronto Pearson replacing most of the pre-existing federal assets.

In 2005, City Council requested the federal government, through the Minister of Transport and Minister of Finance, to substantially reduce or eliminate the Crown rent for Toronto Pearson. The federal government responded with a revised policy that reduced the rate of future rent increases but severely discriminated against Toronto. The new rent formula reduced rents at Toronto Pearson by about 6 percent, while rents at the next 5 largest airports fell by an average of 52 percent. Crown Rents at Vancouver International Airport declined by 70 percent. Toronto Pearson now accounts for about one-third of total Canadian air traffic, but is required to pay about two-thirds of the total airport Crown rents collected by the federal government.

In 2006, the GTAA paid over \$150 million in rent to the federal government representing about 20% of total operating costs at Toronto Pearson. These costs reduce the competitiveness of the Canadian airline industry and the attractiveness of Toronto as a destination for international airlines. Eliminating or substantially reducing Crown Rents would encourage airlines to increase and improve service.

7. Work in concert to promote tourism, local events, and the City of Toronto:

The City and GTAA have worked collaboratively and effectively to promote the FIFA Under 20 World Cup, Caribana, Grey Cup, and other events. City and GTAA staff agreed to establish an ongoing work groups to identify and develop additional

opportunities to promote tourism and events and to enhance visitor services for passengers arriving in Toronto at Toronto Pearson.

8. Continue to work with the GTAA to attract Maintenance Repair Overhaul (MRO) and Aerospace business:

City staff will continue to work collaboratively with the GTAA, Ontario Aerospace Council, Industry Canada and Ministry of Economic Development and Trade (Ontario), Greater Toronto Marketing Alliance, Cities of Brampton, Mississauga, Ajax and others to develop and deliver consistent and compelling messages to attract MRO and aerospace businesses.

MRO is a multi-billion dollar business that could serve to supplement the Toronto region's aerospace manufacturing cluster and offset any future downturn in the manufacturing cycle. As part of the Greater Toronto Marketing Alliance's -Advanced Manufacturing Partnership, which includes the GTAA, City of Toronto, and other municipalities in the region, work is currently underway to survey airlines and MRO companies to determine their level of interest in establishing or expanding MRO operations in the Toronto market and gather market intelligence in terms of what infrastructure and human resources are required. The first phase of this initiative will help flesh out the development of a value proposition to be rolled out to MRO companies and their customers to demonstrate the feasibility of Toronto as a host for this activity with a view to ultimately securing investment. This MRO initiative further demonstrates the potential for leverage brought about by collaboration and partnerships with other key stakeholders.

9. Establish partnerships between GTAA Arts and Exhibitions Program and the City's Culture Plan for the Creative City:

The facilities at Toronto Pearson International Airport are often the first and last impression visitors have of Toronto and can be a significant experience, positive or negative, for both frequent business flyers and occasional leisure travellers. To enhance the travel experience and contribute to branding Toronto as a centre of culture, creativity, and innovation, the GTAA is using the airport to showcase art (there are six exhibit spaces within the airport terminal building) and green technology (GTAA is the lead title sponsor for the TRCA – Partners in Project Green).

10. Advocate for arrivals duty free at Toronto Pearson:

The GTAA is part of a coalition of major Canadian international airports and airport duty free operators that is lobbying the Government of Canada to help to enhance the competitive potential of airports by including provisions for Arrivals Duty Free (ADF) in the upcoming federal budget.

Many airports around the world offer duty free shops to passengers who are arriving in their country. These stores are in addition to the traditional duty free shops located in departure areas. Arrival shops encourage passengers to purchase duty free items when they arrive in the country and therefore encourage sales at “home”, rather than

abroad. Toronto is losing out as more than 50 countries have introduced ADF as a measure to bring their sales back home, while Toronto residents and international visitors to Toronto are forced to purchase at foreign airports before they depart to Canada.

ADF is a prudent initiative that will repatriate millions in sales currently lost to departures duty free at foreign airports, will permit Toronto residents to buy in Toronto, and will encourage the growth of a sustainable and lucrative ADF economy, creating jobs and other economic benefits. ADF also will assist Toronto-based duty free retailers that have been adversely affected by the ongoing restrictions in the transport and carrying of liquids, aerosols and gels. ADF could help mitigate the damage caused by these restrictions, put Canada in line with its global partners, and enhance the competitiveness of Canada's privately run airports.

Conclusion

The collaborative, multifaceted and integrated approach recommended by the Economic Development Committee to the issues and opportunities identified by the GTAA is entirely consistent with the Agenda for Prosperity. City, TTC, GO Transit and GTAA staff all benefited from the open discussion of these issues and opportunities and look forward to an ongoing dialogue.

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