



RESEARCH PAPER 12

Southern Ontario's Main Airports Are at Capacity: Fact or Fiction?

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The claim: Pickering airport is required before 2036.

Friends of Pickering Airport in a presentation to Council, June 7, 2021:

“As you can see, we’re gonna need passenger capacity, new passenger capacity, a lot faster than you might expect, given what we’ve been through, but that’s because aviation’s expected to bounce back quickly and continue a rapid growth. [...] The KPMG ASA report also clearly identifies the need for an airport although it states that passenger capacity could be delayed if out-of-plan development activity took place at other airports in the region. So far there’s no plan to do those out-of-plan developments so Pickering airport is very much needed and passenger capacity will be needed sooner than you might think. Possibly as early as 2029, 2031.”

Friends of Pickering Airport in a presentation to Council, February 27, 2023:

[KPMG’s report was laid out so that] “...politicians could make a choice, gave them options if they wanted to give money to Waterloo or Hamilton. That’s not going to happen. Marc Garneau has decided and the new Minister of Transport although they explored that, I’m sure they tried it, they said no, they were told no.”

Mayor Kevin Ashe at Council meeting, March 8, 2023:

“Toronto Pearson is cancelling flights this weekend because of capacity issues. Cancelling flights. They’re at capacity this weekend. March break. I understand it’s an unusual situation but they’re cancelling flights because they’re at capacity this weekend. ... People say that there’s tons of capacity at Pearson. That’s not the case.”

Pickering Mayor Kevin Ashe in an Official Statement on Transport Canada’s New Aviation Study, March 28, 2023 [since deleted]:

“Based on data compiled between 2016 and 2017, the KPMG Aviation Sector Analysis had initially concluded that existing airports in the GTA could be enough to handle projected growth to 2036 as long as additional expansions were realized.

However, here we are six years later, and no substantial expansions were done to existing aviation infrastructure. As such, one might argue that the 2036 date is no longer accurate, and that we may have already reached our aviation capacity limit, considering that Canada has been leading the G7 in population growth during this span.”

A. Summary

This report responds directly to the comments on the previous page, and documents the facts.

Planning

Toronto Pearson, Waterloo, Billy Bishop, and Hamilton airports **are all following long-term plans for financing and constructing necessary expansions of their facilities**. Hamilton's long-range planning is being refreshed this year. Waterloo Airport has partially completed facilities that will remove air terminal bottlenecks identified in KPMG's Supply and Demand report of 2016. Toronto Pearson, Billy Bishop, and Hamilton airports, because of the pandemic's extreme impact on their businesses, still have no need to expand the terminal apron capacities specified by KPMG.

Financing

Other than grants for the construction of safety-related projects, Ministers of Transport have, by policy, no money in their budgets for the expansion of existing airport facilities or the construction of a new airport. A policy change allowing the government to provide money for expansions at Waterloo or Hamilton would cause federal fiscal problems: all other Canadian airports would inevitably line up and demand the same treatment.

Forecasts

It is true that KPMG's 2036 supply-and-demand forecasts are out of date for Toronto Pearson, Billy Bishop, and Hamilton airports, but not for the reason(s) implied on the previous page. Because of the pandemic, these airports will remain *well below* their projected growth for several years and may therefore fall short of KPMG's projected 2036 demand levels. If this occurs, the potential need for another airport would be *after* 2036, not before.

Capacity Limits

Southern Ontario airports are nowhere near their capacity limits for runways, nor are they close to the potential air terminal apron bottlenecks cited by KPMG. Widespread media reporting has shown that recent intermittent non-weather-related congestion problems at airports have to do with staffing shortages of all kinds: airline pilots and crews, baggage handling, security, customs, gate agents.

B. The National Airports Policy

The National Airports Policy of 1994^[1] is why Transport Canada no longer provides large sums of capital to operate or expand existing airports or construct new airports.

The National Airports Policy of 1994 fundamentally changed how Canadian airports are funded and managed. Transport Canada's role in operating airports was greatly diminished and its budget

1. <https://publications.gc.ca/Collection-R/LoPBdP/BP/prb0241-e.htm#thenationaltxt>

for airport construction or expansion was largely defunded. In southern Ontario, airports were divested to not-for-profit, community-based entities.

Nationally, the Policy created three primary categories of airport:

- 26 most important airports. These constitute the National Airports System, and were leased and not sold. One example: Toronto Pearson, which remains owned by Transport Canada and was leased to the Greater Toronto Airports Authority (GTAA) for 60 years, with a 20-year renewal option.
- 71 regional and local airports. These were divested outright to provincial and local governments, not-for-profit airport commissions, private businesses, and other interests. Three examples: Toronto Billy Bishop (owned by PortsToronto), Hamilton (owned by the City of Hamilton), and Waterloo (owned by Waterloo Region).
- 31 small airports without regularly scheduled passenger service. These were also sold or otherwise transferred to local parties, public or private. One example: Oshawa (owned by the City of Oshawa).

C. How airport tenants/owners fund operations and infrastructure expansion costs

In principle, “Canada’s approach is based on the notion that direct users, not taxpayers, should shoulder as much of the costs of air transport as possible. Under this model, Canada’s airports are responsible for both operational and capital costs associated with operating, maintaining and growing airports to improve the experience for travellers and accommodate growth.”^[2]

However, Canada still provides limited capital funding:

- Transport Canada, through its **Airports Capital Assistance Program (ACAP)** has been funding safety and airport asset protection projects for airports since 1995. For example, in a **2021 ACAP** grant, “the Government of Canada provided **\$3,931,274 to the Region of Waterloo International Airport** for rehabilitation of taxiways and four aircraft stands.”^[3]
- Infrastructure Canada, through its **Canada Community-Building Fund (CCBF)**, provides permanent, stable funding for municipal infrastructure across the country. For example, CCBF partly funded **Waterloo Airport’s new domestic arrivals building**, opened in **2022**: “The Government of Canada invested **\$8.1 million towards this project** through the “Canada Community-Building Fund (CCBF).”^[4]

2. <https://canadasairports.ca/advocacy/industry-priorities/canadian-airport-model/>

3. <https://www.canada.ca/en/transport-canada/news/2021/07/government-of-canada-investing-in-safety-at-the-region-of-waterloo-international-airport.html>

4. <https://www.buildingcommunities.ca/updates/official-opening-new-domestic-arrivals-building-region-waterloo-international-airport-ykf>

Otherwise, airport tenants/owners must find their own funding for operations and infrastructure. For example:

- Airport Improvement Fees (AIF) charged on airline tickets make up the difference required to support the kind of large infrastructure projects typically associated with an airport.
- Fees obtained from airport concessions, parking, etc.
- For municipally owned airports (e.g., Hamilton, Waterloo), any funding shortfalls are covered by municipal taxes.

D. The airport bottlenecks identified by KPMG

“Terminal apron [aircraft parking area] capacity is expected to be the limiting factor for accommodating additional demand at Toronto Pearson Airport, Billy Bishop Airport, and Hamilton Airport, while air terminal [passenger/cargo handling facilities to/from aircraft] capacity is expected to be the limiting capacity factor at Waterloo Airport in 2036.

It is important to note that terminal apron and air terminal capacities can be further increased beyond the values stated herein for 2036 within the existing airport boundaries, with minimal constraints.

This suggests that capacity expansions in air terminal, terminal apron, and groundside parking facilities can be undertaken to increase overall system capacity, long before until [sic] additional runway passenger capacity will be required.”

KMPG Supply and Demand Report, 2016: Summary, p. 143 (emphasis added)

If all airports reach their maximum runway capacity, then a new airport must, of course, be built. **But note that KPMG did not find any airport’s runway capacity to be a constraint before 2036.**

Expansion

“Waterloo International Airport's existing capacity is currently most limited by the air terminal with an ability to support only 250,000 PPA [passengers per annum]. The Airport’s future capacity is expected to remain constrained by the terminal building. Based on the studies supplied by the Region of Waterloo, the availability of land does not present a significant constraint to the continued expansion of the terminal facility and therefore would not limit the ability for the airport to continue to meet demand.”

KMPG Supply and Demand Report, 2016, p. 128 (emphasis added)

Despite claims to the contrary, Waterloo’s Air Terminal expansion is well under way. The goal of the airport’s 2016–2035 Master Plan (Fig. 1) is to provide for future **“just-in-time” development of Waterloo airport in a practical, fiscally-responsible, and environmentally-sustainable manner.** The Plan identifies a series of 5 expansion triggers and corresponding actions **to allow for long-term planning and budgeting.**^[5]

Fig. 1

Region of Waterloo INTERNATIONAL AIRPORT

Airport Master Plan

The Goal of this Master Plan is to prepare the Region of Waterloo International Airport (YKF) for future growth and development over the next 20 years (2016 - 2035).

- This is an action-oriented, working document that identifies future development of the Airport in a practical, fiscally-responsible, and environmentally-sustainable manner.
- The plan is flexible. It allows for rapid changes in the aviation industry and additional commercial carrier service that could be available within the next 10-20 years.
- The plan has been developed to allow for a ‘just-in-time’ approach to potential development. It identifies a series of **triggers** and corresponding actions to allow for budgeting and long-term planning.
- **Triggers** are outlined and will be implemented to allow YKF to grow if-and-when the current and future demands dictate.
- **Triggers** are based on passenger volume at YKF; however, **triggers** may also be influenced by Toronto Pearson International Airport reaching or exceeding its capacity limits.
- Phases of development will only be implemented when measured criteria are met and growth at the Airport is required.
- As each pre-determined **trigger** point is reached, the Airport will seek approval from Regional Council before proceeding with the next phase of development.

This approach will allow YKF to plan ahead and the advantage of having development plans in hand when predetermined levels of service have been achieved.

5. <https://www.waterlooairport.ca/en/business/resources/Master-Plan-2017/YKF-2017---20-Year-Master-Plan--2017-2036-Appendices.pdf>, p. 35

A pre-set passenger volume is required for each of the 5 development triggers. This approach makes the most of existing infrastructure while managing financial risk “without compromising customer service.”^[6]

Capital costs to Waterloo Region taxpayers are shared, with 50% of the required funds provided by other sources, such as ACAP, CCBF, AIF and other airport fees.

- *Trigger 1:* Complete existing building and future planning projects. Capital cost to Waterloo Region taxpayers is \$1,462,000. **(STATUS: ongoing)**
- *Trigger 2:* As soon as Air Terminal Building reaches its current capacity of 250,000 passengers annually, the Airport constructs new Air Terminal Building and apron to accommodate 500,000 passengers annually. Capital cost to Waterloo Region ratepayers is \$28,464,000. **(STATUS: construction during 2022–2023)**
- *Trigger 3:* As soon as Air Terminal Building reaches current capacity of 500,000 passengers annually, the Airport expands Air Terminal Building and apron to accommodate 1,000,000 passengers annually. Capital cost to Waterloo Region taxpayers is \$66,094,000. **(STATUS: construction activity dependent on 2023 air passenger totals)**
- *Trigger 4:* As soon as Air Terminal Building reaches current capacity of 1,000,000 passengers annually, the Airport expands Air Terminal Building, apron, parking and roads to accommodate 1,500,000 passengers annually. Capital cost to Waterloo Region taxpayers is \$41,413,000.
- *Trigger 5:* As soon as Air Terminal Building reaches current capacity of 1,500,000 passengers annually, the Airport expands Air Terminal Building and apron to accommodate 2,500,000 passengers annually. Capital cost to Waterloo Region taxpayers is \$99,832,000.

In summary, during the course of KPMG’s Supply and Demand study, Waterloo airport developed a detailed 20-year master plan **to grow its air terminal capacity to 2.5 million passengers per year at a total 2017 estimated cost to regional taxpayers of \$237,265,000. In April 2017, Waterloo Regional Council approved an expenditure of \$375 million for all airport facilities for the 2017–2037 period.**^[7]

6. <https://www.waterlooairport.ca/en/business/master-plan.aspx#2016-Public-Consultation-Materials-and-Reports>

7. <https://www.waterlooairport.ca/en/business/master-plan.aspx#2017-Master-Plan-Reports>

Demand

Historically

Most airlines abandon Waterloo airport. Over the past two decades, Waterloo has attracted, then lost, several airline services, including:

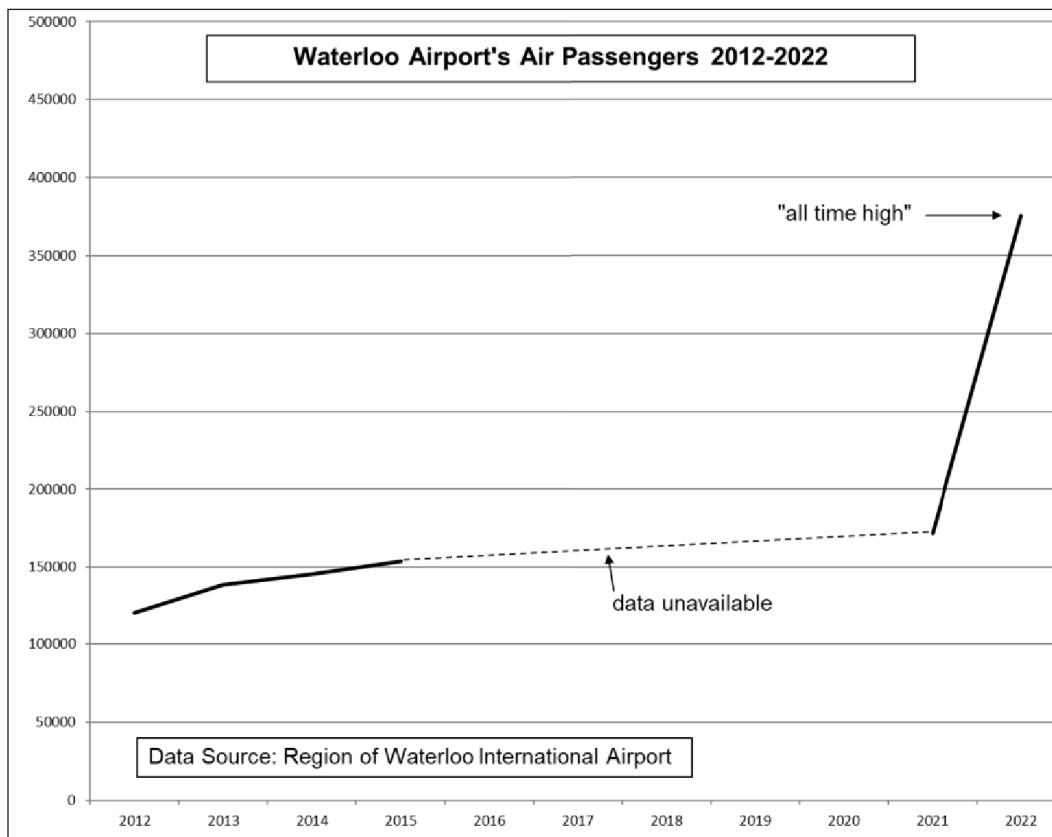
- Delta Connector
- Bearskin
- Nolinor
- American

Otherwise, Waterloo's only air passenger service was one WestJet daily flight to/from Calgary.

In the past 2 years

Air passenger demand has surged at the airport (Fig. 2). In 2022, Waterloo experienced an all-time high in the number of air passengers the airport processed. One possible cause is "revenge travel": people prevented from visiting distant family and friends or favourite vacation spots by years of pandemic lockdowns and travel restrictions are finally catching up.^[8]

Fig. 2



8. <https://www.cnn.com/travel/article/revenge-travel-explainer/index.html>

Why this surge in demand at Waterloo when other airports were still in the doldrums?
Put it down to the rise of Flair Airlines.

Flair introduced discount pricing and an aggressive passenger flight schedule at Waterloo two years ago. With 375,000 air passengers in 2022, the airport exceeded expansion Trigger 2, requiring Regional expenditure to double its air terminal facilities. In 2023: “It’s estimated 600,000 passengers may use the airport ... **Regional government has in turn spent \$44 million** [up from a 2017 estimate of \$28.5 million] **to expand the airport for more passengers.**”^[9]

If Waterloo Airport actually reaches 600,000 air passengers in 2023, it will exceed expansion Trigger 3, necessitating a further Regional expenditure of at least \$66 million to expand its Air Terminal to handle 1 million passengers per year.

However, Waterloo’s 2023 air passenger forecast may not be reached. There has been recent widespread media coverage of severe financial turbulence at Flair Airlines.^[10] This year’s weak ticket sales at Waterloo have recently caused Flair to:

- Eliminate all Montréal flights.
- Eliminate all Edmonton flights.
- Eliminate one-third of its flights to Vancouver.
- Eliminate half of its flights to Halifax.
- Add three flights a week to Abbotsford.^[11,12]

Flair’s 2021–2022 exuberance may have started to fizzle. Its survival at Waterloo is far from assured.

Airline Loyalty

Since deregulation, airlines’ loyalty is not to an airport and its customer base, but to its ability to maximize profits for its shareholders.

Waterloo is a prime example; airlines keep leaving. The most recent loss is American Airlines. American started twice-daily Waterloo – O’Hare passenger service in 2012. In 2016, the airline announced that it was cancelling this air service because flying the same plane with the same crew on a U.S. route was more profitable. Said Waterloo Regional Councillor Tom Galloway: “While our route was profitable and they had no complaints about our fees and charges, they redeployed this plane to Akron, and go into Chicago and make more money.”^[13]

9. <https://www.therecord.com/news/waterloo-region/2023/03/07/flair-airlines-adds-new-flights-but-trims-others-at-region-of-waterloo-international-airport.html>

10. <https://www.theglobeandmail.com/business/article-flair-airlines-boeing-planes-market-lease/>

11. <https://www.thestar.com/tr/news/waterloo-region/2023/03/07/flair-airlines-adds-new-flights-but-trims-others-at-region-of-waterloo-international-airport.html>

12. <https://globalnews.ca/news/9594032/flair-airlines-cancels-waterloo-edmonton-service/>

13. <https://kitchener.ctvnews.ca/final-american-airlines-flight-takes-off-from-region-of-waterloo-international-airport-1.3103413>

4

Focus on Toronto Pearson, Billy Bishop, and Hamilton Airports

Drop in Demand

All three of these airports are still recovering from a catastrophic loss of air passenger business due to the pandemic.

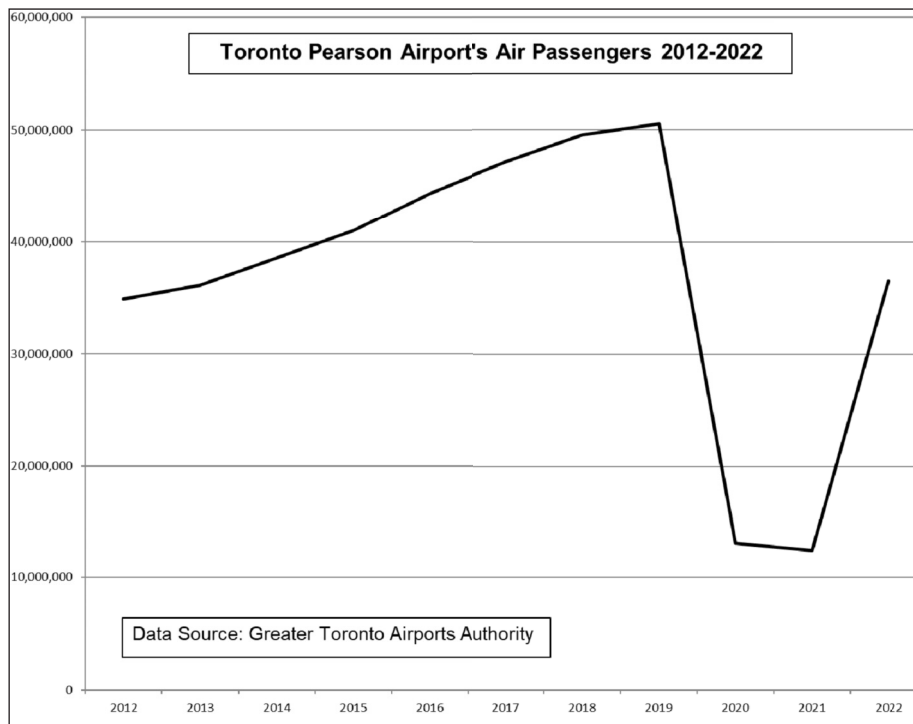
Within weeks of the release of KPMG's Supply and Demand Report, on March 5, 2020, the pandemic cratered air passenger demand at Toronto Pearson, Billy Bishop, and Hamilton airports (Figs. 3–5). By the end of 2022, the numbers remained significantly lower than they had been before 2020.

No Billy Bishop or Hamilton air passenger numbers are yet publicly available for 2022. However, they are expected to be 70–80% of pre-pandemic levels.^[14] Thirteen of Canada's busiest airports, including Toronto Pearson, reported for 2022 that their air passenger demand was, on average, 73.7% of 2019 numbers. At Toronto Pearson, demand was down to 72.3% of 2019 numbers.

Since all airports add facilities in a practical, fiscally responsible, “just in time” manner (as shown in Fig. 1) – that is, when current facilities reach maximum utilization – **Toronto Pearson, Billy Bishop, and Hamilton cannot yet justify further air terminal apron expansion.**

- Toronto Pearson Airport: 36.5 million air passengers in 2022, down from 2019 peak of 50.5 million.

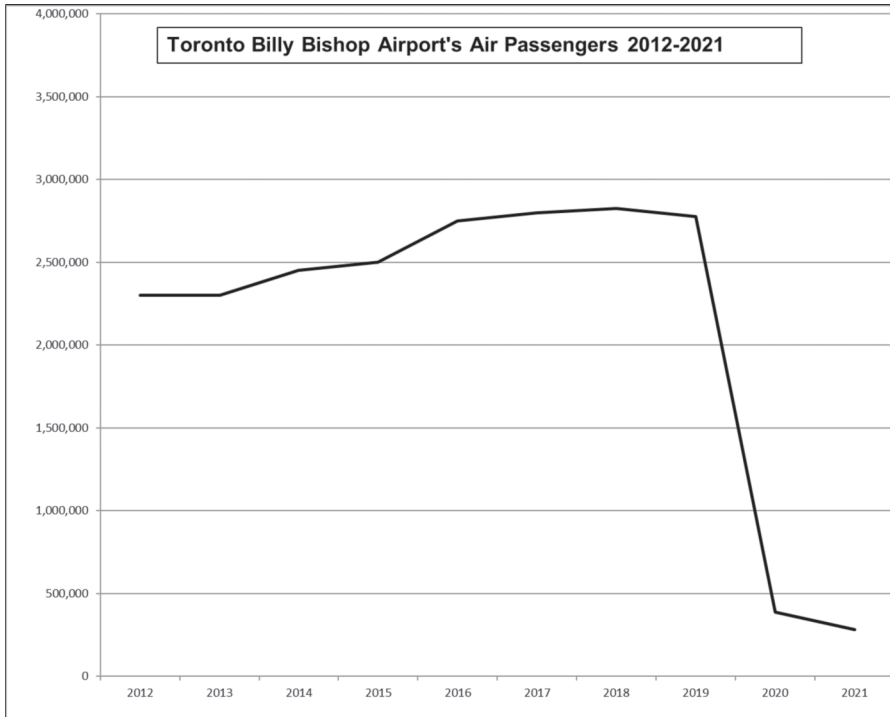
Fig. 3



14. https://en.wikipedia.org/wiki/List_of_the_busiest_airports_in_Canada

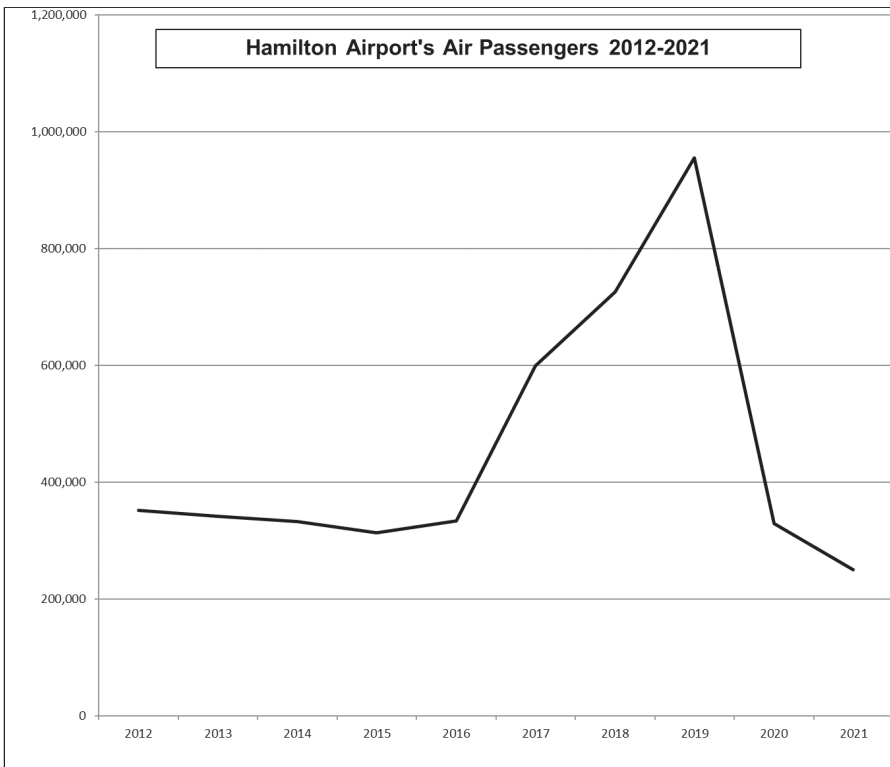
- Billy Bishop Airport: 282 thousand air passengers in 2021, down from 2019 peak of 2.8 million.

Fig. 4



- Hamilton Airport: 250 thousand air passengers in 2021, down from 2003 peak of 1.05 million.

Fig. 5



Planned Expansions

Despite claims to the contrary, all three of these airports have plans. They would be grossly negligent if they did not. Below are KPMG's supply-and-demand comments on each airport, followed by the airports' respective plans.

Toronto Pearson Terminal Apron Expansion Plans

KPMG's observations, 2016

"In the next 20 years the GTAA plans to increase the number of aircraft stands as aviation growth warrants and depending on the changes in aircraft fleet mix of the airlines serving Toronto Pearson Airport."

Supply and Demand Report, p. 117 (emphasis added)

"GTAA is expected to continue to meet the growing demand for air travel through making optimum use of existing facilities prior to investing in new capital infrastructure [...] GTAA's current development plans contemplate expansion of Terminal 1 to the east. Phasing and timing of future air terminal expansion projects will depend on the forecast aviation growth. The expansion plans are currently in the conceptual stage and are subject to change. The current projections estimate an increase of 15 to 25% in the total terminal floor area in the next 20 years."

Supply and Demand Report, p. 118 (emphasis added)

Toronto Pearson's Master Plan for 2017–2037

"**Aircraft Gates.** To meet the growing demand, Terminal 1 is currently being expanded: we're building a new apron for additional 5 contact stands and one remote narrow body stand on the east side of the Gate 193 Extension, along with the associated gate hold-rooms, arrival corridor and improved vertical circulation. We plan a more substantial gate expansion program in the next few years..."

Master Plan, p. 60 (emphasis added)

"**Terminal 3 Capacity Aircraft Gates.** Increasing the capacity and accessibility of Pier A, a satellite facility of Terminal 3 (see Figure 7-4), is an important part of Toronto Pearson's efforts to meet growing demand. As a first step, we plan to demolish the Hangar 8 maintenance facility. We expect demolition to be completed in 2018, and the area should be converted to apron space by 2019. We then plan to develop a link between the north end of Pier A and the west end of Terminal 3, with five gates along its span serving narrow body aircraft by 2021."

Master Plan, p. 61 (emphasis added)

Short-to-medium-term development plans: "In the area east of Terminal 1, we plan to expand the Gate 193 Extension, expand the terminal processor and construct a new Concourse H, as well as extending the apron areas to the east and northeast."

Master Plan, p. 63 (emphasis added)

“These additions to the groundside capacity at T-New [planned new terminal] would support the conversion of Terminal 3 into a dedicated passenger concourse with additional aircraft gates and apron space.”

Master Plan, p. 72 (emphasis added)

“Post-2027 Development. Our long-term infrastructure plan identifies several options for future terminal and apron expansion. All of these are intended to help Toronto Pearson meet growing demand for air travel beyond 2027.”

Master Plan, p. 89 (emphasis added)

Billy Bishop Terminal Apron Expansion Plans

KPMG’s observations, 2016

“Future plans for the passenger terminal building calls for up to 2 additional gates, which would increase capacity by approximately 500,000 PPA [passengers per annum] resulting in a total terminal apron passenger capacity of 3.0 million PPA.”

Supply and Demand Report, p. 124 (emphasis added)

Billy Bishop’s Master Plan, 2018

“The Airport Development Plan proposes a new apron area be provided between the existing control tower and a new combined services building.”

Master Plan, p. 13 (emphasis added)

“The air terminal building recently underwent a significant upgrade [...] providing one additional gate [see note below] for a total of eleven gates. No further expansion of the terminal building is contemplated as part of this Airport Master Plan.”

Master Plan, p. 134 (emphasis added)

Note: Between 2016 and 2018, Billy Bishop decided it only needed one extra gate, not the two it had indicated to KPMG during the study.

The Billy Bishop Master Plan, 2018, never states the planning timeframe. Forecasts are until 2033, however, implying that this is 15-year plan.

Hamilton Terminal Apron Expansion Plans

KPMG’s observations, 2016

“... existing terminal apron capacity is estimated to be approximately 1.8 million PPA. Future plans for the passenger terminal building call for up to 12 gates in total, which would increase capacity to approximately 3.0 million PPA.”

Supply and Demand Report, p. 129 (emphasis added)

Hamilton's Master Plan 2023-2043 (expected to be completed June 2023)

“Airport Master Plan [...] analyzes existing airport facilities and infrastructure to document their states; provides the results of demand forecasts and capacity analyses conducted; details anticipated needs for the Airport over the 20-year planning horizon for the plan; presents a recommended Airport Development Plan and Land Use Plan; speaks to environmental considerations; and provides a Capital and Phasing Plan to prioritize and estimate anticipated costs for all recommendations.”^[15]

5 The Facts Discredit the Fiction

Every one of these airports has a highly detailed business plan and/or master plan. The plans include how and when each airport will react to industry changes.

No fiscally responsible airport would undertake an expansion until a solid (not transient) need arises.

Not one of the airports covered here is at or near its runway capacity limits. Where air terminal or terminal apron expansions were deemed necessary, *they have been undertaken*.

There has been some targeted (and not inconsequential) funding from Transport Canada and Infrastructure Canada. There has also been funding at the regional level, in addition to funding from the airports' own revenue streams.

The pandemic's impacts continue to be felt by all airports. Among those impacts: staffing shortages of many kinds, whose knock-on effects can result in airport-terminal congestion at peak holiday periods as well as delayed or cancelled flights. These problems, aggravating though they are, have nothing to do with an airport's physical capacity limits.

So. Is it true that Pickering airport is required before 2036?

The facts speak for themselves, and they say: **NO, not even close.**

15. <https://yhmairportmasterplan2023.com/home#sect-intro>