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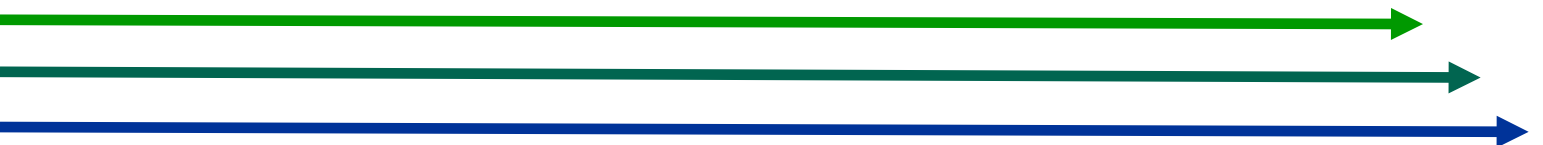
**CANADIAN
AIRPORTS
COUNCIL**

**CONSEIL DES
AÉROPORTS
DU CANADA**

**2026 Pre-Budget Submission
to the House of Commons Finance Committee**

**By the
National Airlines Council of Canada
and Canadian Airports Council**

May 2026



Introduction – Air travel bolsters Canada’s export diversification goals

The National Airlines Council of Canada (NACC) represents Canada’s largest passenger airlines – Air Canada, Air Transat, Jazz Aviation LP and WestJet. The mandate of NACC is to promote safe, sustainable, accessible, and competitive air travel by advocating for the development of policies, regulations, and legislation to foster a world-class transportation system.

The Canadian Airports Council (CAC), a division of Airports Council International-North America, is the voice for Canada’s airports. The CAC represents over 100 airports, including all of the National Airports System (NAS) airports and most passenger service airports in every province and territory. CAC members handle virtually all of the nation’s air cargo and international passenger traffic and 90% of domestic passenger traffic.

At a time when Canada is looking to diversify its global markets and presence, and when Canada is looking to strengthen its domestic productivity and competitiveness, now is the time to put in place policies that will enable Canada’s aviation system to become more competitive, productive, efficient and affordable.

The aviation ecosystem plays a pivotal role in reaching Canada’s trade diversification goal to unlock \$300 billion in new opportunities by doubling overseas exports. Air travel provides the global linkages necessary to enable this goal to be reached. For instance, air travel will help achieve 10% of this stated export goal through increased tourism volumes. Another key example is cargo, with tonnage shipped by Canadian airlines through airports increasing more than 44% between 2016 and 2023. This is facilitating big business as high value and perishable exports are shipped by air, and 50% of that is in the belly of passenger aircraft rather than by air freighter. Air cargo exports are critical in Canada’s trade diversification strategy. The more these linkages grow, the more Canadian high value exports can be shipped by air.

Aviation is not just a transportation node – it is an essential enabler of a globally connected Canadian economy and supply chain. Canada’s major airlines and airports are providing the following joint recommendations as concrete measures the federal government could take to achieve that vision.

#1: Continue to reduce regulatory burden

The Canadian aviation system is overburdened by a complex, duplicative, and costly regulatory framework. Although Canada’s airlines and airports will never compromise on safety or security, there are many examples of regulations that are redundant and serve as a barrier from enabling aviation to grow, prosper, and be more competitive. Examples of such regulations include:

- ***Flight Duty Time Regulations:*** Canada’s current flight duty time regulations are costly for major airlines because they significantly reduce maximum duty periods and annual flight time limits, requiring airlines to hire more pilots to maintain the same schedule capacity. They also mandate longer rest periods and tighter scheduling constraints, which increase crew-related operating costs and reduce operational flexibility.
- ***Air Passenger Protection Regulations and a Costly “Cost Recovery” Fee Proposal:*** Canada’s airlines and airports have repeatedly raised concerns with changes to the Air Passenger Protection Regulation (APPR) changes proposed in December 2024. These proposals will increase costs, harm regional connectivity, and do nothing to improve performance. Although we are encouraged by the

commitment in the 2026 Spring Economic Statement to simplify the APPR regime, it is too soon to determine if it will translate into a more efficient and less costly regime.

NACC and CAC welcome the 'Red Tape Reduction Review' launched by the federal government in 2025. NACC and CAC strongly recommend that this process not only continue, but be accelerated, particularly as it relates to aviation. Furthermore, we would encourage the continuation of regular progress reports on this process, so that Canada's airports and airlines can provide information and/or data that could assist in the acceleration of a reduction in burdensome regulations.

Recommendation #1: NACC and CAC recommend that the Red Tape Reduction Review process be accelerated, and that regular progress reports be issued identifying which aviation-related regulations have been addressed.

#2: Accelerating the Adoption of Traveller Modernization in Air Travel

Compared to many other jurisdictions, the federal government has been slow to fully adopt new technologies and travel tools that would modernize the traveller experience in aviation. Greater use of biometrics, digitalization, communications, and the policy levers that would support their use, would not only make air travel more efficient and less costly, but would improve the safety and security of the overall system.

Our research shows, exit and entry processing in other countries where biometrics is adopted, was found to be 70% faster and used 50% less space. As Canadian airports and airlines embark on major capital and investment plans, they are seeking to configure customs infrastructure for the future to maximize asset utilization, optimize facility lifecycles, improve the passenger experience, and deliver long-term investment value — as these all have downstream implications for the economics and efficiency of air travel. To do this efficiently, government support for the adoption of technology is required.

In 2025, Air Canada and Vancouver International Airport ran a pilot project for biometric boarding, which was found to save 9 minutes and \$1,350 per turn contributing to more efficient On Time Performance for the ecosystem. In late 2025, a new Working Group was formed with the objective of identifying policies, procedures and programs that needed to change in order adopt digitalization. This industry working group, managed by Canada Border Services Agency (CBSA), intends to launch pilot projects and will identify the policy interpretations and budgetary actions that would need to be taken to accelerate adoption. The federal government needs to empower this Working Group across multiple departments to recommend and implement the necessary changes in a timely manner so that Canada can benefit from a modernized traveller experience.

Recommendation #2: NACC and CAC recommend that the federal government prioritize and accelerate the implementation of Air Traveller Modernization.

#3: Unlock growth by supporting airport infrastructure – The Missing Middle

The federal government has prioritized infrastructure that will enable greater trade diversification globally. While airports are eligible for the Trade Diversification Corridors Fund announced in Budget 2025, criteria is targeted and designed to support other modes of transportation. Stream 3 of the Fund has a regional lens,

but Canada's regional airports and airlines request greater flexibility in meeting criteria in order to qualify projects that are essential to support trade and travel in all corners of this vast country.

There are major gaps in access to infrastructure funding for small and medium sized airports, despite the critical role they play in connecting Canadians.

Small Airports: Over the last 30 years, the Airports Capital Assistance Program (ACAP) has been funded at \$38 million annually. To put this into perspective compared with another mode of transport, Via Rail's single year funding allocation exceeds 30 years of combined ACAP funding for small airports. This program supports airports with less than 525,000 passengers per year with safety related projects. The funding required is \$150 million annually to meet the need of the country's smallest airports.

Medium Airports: Many airports in Canada are stuck in the proverbial middle. They are too small to qualify for federal trade infrastructure programs, and they are too large to qualify for safety funding through ACAP. These medium-sized airports play a vital role as regional hubs, connecting people and trade to the rest of Canada and internationally. These airports need access to infrastructure funding to support economic growth, travel and trade. Costs of construction have increased, market forces have shifted and many airports need to expand terminal and hold space to service larger aircraft and meet evolving federal regulations for safety and security. There is a need of \$200 million annually in funding over the next decade to meet economic development growth needs for regional airports across the country.

A new program is required to support small and medium sized airport infrastructure so they can adequately and affordably deliver on the important role they play in our countries trade and transportation system.

Recommendation #3: NACC and CAC recommend the government raise ACAP to \$150 million annually to support safety projects, and that the government consider new funding mechanisms to address an estimated \$200 million gap in annual economic development and infrastructure project support at small and medium-sized airports across Canada who are ineligible for other funds.

#4: Adjust federal rent formula charged to airports

The federal rent that is charged to airports is effectively a tax on an airport's gross revenues. Since being transferred from the federal government, airports have already paid \$8.4 billion in rent to the Crown, including \$557 million in 2025. The rent paid to the government represents 8-12% of an airport's revenues, which would be better invested in critical services, technology, and infrastructure.

The federal government agreed in Budget 2025 to review the existing ground lease rent formula. In October 2025, the House of Commons Transport Committee issued a report recommending, "That the Government of Canada plan to reinvest all rent amounts collected from airports into airport infrastructure projects, as recommended by the Standing Committee on Transport, Infrastructure and Communities in its report, Enhancing the Efficient, Affordable Operation of Canada's Airports, published in February 2023." We recommend 4 components for this adjustment:

1. **As recommended by the House Transport Committee, ensure that all airport rents collected by the federal government are reinvested back into the airport system.** All airports should have the option to reinvest its rent and its own infrastructure projects, instead of paying these amounts to the federal government.

2. **Capping the Crown rent** that the federal government charges to airports at 2024 levels would allow government to collect revenue at current levels, but would ensure that this payment does not continue to compound. This would enable additional funds from the growth in aviation to be reinvested back into airport infrastructure development further offsetting taxes and fees paid by passengers, airlines, and other users.
3. **Removing Non-Aeronautical Revenue (NAR) from the rent formula** – this would allow \$170 million in revenues to be reinvested in airport infrastructure, supporting growth while helping keep passenger fees lower.
4. **Eliminate rent for airports with less than 4 million passengers** - smaller NAS airports face different fiscal realities than larger airports. This would amount to \$19 million, a small amount for the federal treasury, but impactful for 14 small and medium sized airports throughout Canada.

Airports will need to invest over \$28 billion in airport infrastructure over the next decade to meet growing demand -, giving them the option to invest the rent money, or alternatively capping rent and adjusting the rent formula as noted above would be a positive step forward in helping them make these critical national investments.

Recommendation #4: NACC and CAC recommend that the federal government cap airport rent at 2024 levels, make adjustments to the formula to reduce cost burden, and ensure all rent payments are reinvested into airports for infrastructure projects.

#5: Promote greater regional and global connectivity

In a country as vast and geographically diverse as Canada, it is essential that the foundations for a regionally and globally connected aviation system are in place. However, this is not the case – due to a range of federal policies, combined with a number of recent geopolitical shocks that have affected aviation globally, services and connectivity in smaller regions have been impacted. There are a number of reasons for this, some that have already been identified in this brief. Among the obstacles in providing greater levels of connectivity:

- Punitive passenger rights obligations which add disproportionate costs to regional routes..
- Lack of funding for growing infrastructure at small and medium sized airports.
- Historically high aviation fuel costs and international supply constraints.
- Onerous federal fees and regulatory costs, which compounded by the smaller market shares in regional centers, have a more important impact on affordability on regional routes .
- Regulatory requirements such as Flight Duty time regulations which have a disproportionate negative impact on regional centres, given the lack of available replacement flight crews as well as international flights.
- Workforce shortages for critical roles in air transportation and agencies.

Connectivity, particularly regional service, must be prioritized. Canada’s airports and airlines would welcome a structured process and consultation with the federal government to explore what could be implemented in order to strengthen overall connectivity.

Recommendation #5: NACC and CAC recommend that the federal government prioritize the enhancement of regional and global service by launching a multistakeholder process to explore what could be implemented at the government and industry level, and to act on the previous recommendations identified in this brief to support greater regional and global air connectivity.