Federal government postpones study of airport privatization

BILL CURRY **PARLIAMENTARY REPORTER OTTAWA | GLOBE AND MAIL | APRIL 21, 2018**

The federal government is shelving its in-depth study of airport privatization after nearly two years of examining the multibillion-dollar potential of selling off the key federal assets.

During a private meeting with airport executives in Ottawa this week, Transport Minister Marc Garneau confirmed that the Liberal government is not moving ahead with privatization at this time.

The assurance provided some welcome certainty for Canada's airports, said Marc Laroche, president and chief executive of the Ottawa Macdonald-Cartier International Airport Authority.

"It was like a cloud hanging over the airport model and this brings clarity," he said in an interview Friday. "It's the first time that the minister has stated it so forcefully. We kind of felt that the discussions had diminished quite a bit, but the minister confirmed that it's not under active consideration by the government. I was glad."

The airport authorities in Calgary, Ottawa and Vancouver have expressed strong opposition to privatization, while Toronto's Pearson has expressed openness to considering some form of privatization as a way of paying for the Greater Toronto Airports Authority's plan to position the airport as a transportation hub that would include new commuter rail service.

Delphine Denis, a spokeswoman for Mr. Garneau, confirmed that the minister made the comments to airport CEOs.

"For the time being, the government's review of privatization will not be under active consideration," she said in an e-mail.

Canada's largest airports are currently managed by not-for-profit, non-share capital corporations called airport authorities that pay rent to the federal government, which maintains ownership of the land and assets.

The federal government commissioned a study in 2016 by Credit Suisse AG to review options for airport privatization, however Ottawa refused to release the results or confirm how much was spent.

The government also hired Morgan Stanley to produce a similar review of options for privatizing federally owned seaports. Mr. Garneau's office said privatization of seaports is also not under active consideration.

Finance Minister Bill Morneau’s advisory council on economic growth released a report in 2016 that recommended the sale or partial sale of some federally owned assets, such as airports, as a way of raising money to spend on new infrastructure. The council called this an infrastructure “flywheel.”

The economic council had said this role could be performed by a new infrastructure bank, which would work with large institutional investors such as pension funds to increase the volume of infrastructure construction in Canada. The federal government agreed to create the bank, but did not adopt the council’s recommendation to have the bank run an infrastructure “flywheel” program.

Airport privatization is a common model internationally and some of Canada’s large pension funds own and operate airports in other countries.

The Ontario Teachers’ Pension Plan, the Ontario Municipal Employees Retirement System, the Public Sector Pension Investment Board, the Alberta Investment Management Corp. and the Caisse de dépôt et placement du Québec all hold airport assets in their international portfolios of infrastructure investments.

The Liberal government has said it wants to encourage large private investors – like pension funds – to spend more of their infrastructure budgets on new Canadian projects. That is the primary motivation for the creation of the $35-billion Canada Infrastructure Bank, which does not yet have a CEO and has not invested in any projects.

However institutional investors have repeatedly stated that their preference is to invest in existing, revenue-generating infrastructure assets through privatization arrangements.