



Considering their regional economic importance The reporting and accountability of the boards of major Canadian airports must be strengthened

Montreal, February 3, 2014 - According to a study made public today by the Institute for Governance of Public and Private Organizations (IGOPP) Canadian airports, which are public assets with a quasi-monopolistic position in their respective markets should be subjected to an independent review process of their decisions concerning major investments and tariff increases.

Ever since Ottawa's decision to transfer the management of airport facilities to regional organizations, it is not clear to whom Canadian airports' boards of directors are accountable. Canadian airports are important drivers of local and regional economies, but are losing market share to American airports operating close to the Canadian border. The study suggests that in order to strengthen the integration of airports into regional economies it might be advisable for the Canadian government to complete the process of "devolution" of airport management by offering the provinces and municipalities the possibility of acquiring the airport facilities. Of course, Ottawa would retain its strategic responsibilities for customs, immigration and air transportation safety.

This study was conducted by Professor Jacques Roy of HEC Montréal and Michel Nadeau, Executive Director of the IGOPP.

Dr. Yvan Allaire, the Executive Chair of the IGPPPO's board of directors, emphasizes that "This research is not meant to be a criticism of the management of Canadian airports but an assessment of their governance systems, their accountability and alternative forms of ownership."

Under the current system, various public and private organizations select most members of the boards of directors of the airport authorities. But it is not clear to whom these directors are accountable. As the owner of the facilities, Transport Canada requires some reporting but its main concern seems to be ensuring that the rent for the facilities is duly paid. The boards of directors of airports have a significant decision-making authority in many areas, such as setting airport improvement fees to be paid by passengers, aircraft landing and take-off fees, infrastructure investments, and so on.

Despite considerable investments of several billion dollars over the last 10 years, the Canadian airports have not always risen to expectations with respect to regional economic development and have not succeeded in stopping the flow of Canadian travellers toward the cross-border airports where ticket prices are lower.



If ownership of the facilities were transferred to the provinces or municipalities, the airports would no longer have to pay rents to the federal government but instead would have to pay for the public capital invested.

A recent report of *the Standing Senate Committee on Transport and Communications* raised the same issues concerning the governance of Canadian airports.

The IGOPP's Report is available at www.igopp.org

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Created in September 2005, the Institute for Governance of Private and Public Organizations (IGOPP) is a joint initiative of HEC Montréal and Concordia University (The John Molson School of Business). The Institute is committed to promoting strong, practical, state-of-the-art governance practices for all types of organizations. IGOPP pursues this objective through four distinct sets of initiatives:

1. Taking public policy positions on key issues of governance,
2. Carrying out or subsidizing relevant research,
3. Offering well targeted training and education programs,
4. Diffusing broadly widely information and knowledge about governance matters.

Source:

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