



The City of Toronto
John Sewell, Mayor

NOTES FOR REMARKS BY MAYOR JOHN SEWELL TO A MEETING OF THE CANADIAN CLUB, IN THE BALLROOM, ROYAL YORK HOTEL, JANUARY 29, 1979.

I am here today to ask you, as members of Toronto's business and professional community to reconsider your support of STOL service at the Island Airport. While the business community is not unanimously in favour of STOL service, I sense that the support is great -- so, in fact, does the Federal Government, since the Minister of Transport chose a meeting of the Toronto Board of Trade to announce his desire to proceed.

I'll be asking your reconsideration simply for economic and developmental reasons, reasons that are very useful in reviewing any governmental decisions. I will argue that STOL service doesn't make sense economically, and that it encourages development options that are not in our interest.

Short take-off and landing aircraft are a relatively new phenomenon in the commercial world. Toronto City Council just considered STOL planes for the Island Airport in late 1976

- and decided it was not in favour of any change to the present aviation uses. Since then, Council has confirmed its opposition to STOL twice: in 1978, and then earlier this month. The decision most recently taken was to intervene at the Canadian Transportation Commission in opposition to Canavia Transit's application - and on that occasion there was such a strong consensus of opposition to STOL among Council members that there was virtually no debate.

In the first instance, Council's opposition was based on environmental and planning concerns. The concern was not only what commercial operations of a DASH-7 fleet would do to the waterfront, but what would follow the DASH-7 - namely jet STOL and its rather frightening noise levels for the downtown and the east end.

It is unfortunate that concern over environmental issues, a concern that Council is finally recognizing as important, has obscured the broader issues that Council and its staff have unearthed. Those issues are the economic costs and benefits of STOL service, and the potential impact of a STOL network on planning and development in Southern Ontario.

Let's just look at the economics of STOL. Many people assume that STOL produces economic benefits - and that those

economics outweigh planning and environmental concerns. Estimating the costs and benefits of such a large undertaking as STOL service for Southern Ontario isn't an easy matter - we all know the difficulties with cost benefit studies. Fortunately, a cost benefit study of STOL is available. It considers infrastructure costs, opportunity costs, increased transportation costs, and so on, under the cost side. On the benefit side, it considers Travel Time Savings, benefits to conventional airports (including reduced congestion and need for a new Pickering airport) and industrial benefits.

The study concentrates on the period 1980 to 1990. For a full downtown STOL service, economic costs in 1976 dollars are estimated to be a low of \$160 million, and a high of \$201 million dollars. Benefits are estimated to be a low of \$106 million, and a high of \$151 million dollars. The economic disbenefit for the decade is somewhere between \$50 and \$54 million dollars.

For a more limited downtown STOL service, the economic disbenefits are between \$32 and \$44 million dollars.

Thus the study concludes that STOL is not an economic plus: in fact it would represent a net loss to society rather than any benefit. Apparently if one is to argue in favour

of STOL, one will have to find arguments that outweigh the environmental concerns as well as the substantial economic liabilities.

What's even more interesting about the cost benefit study is who did it. Some radical environmental group? A group of city politicians and planners who take delight in standing in the path of progress? No.

The study was conducted by the Federal Ministry of Transport. The frontpiece contains a photograph of the Minister of Transport, Otto Lang, as well as his signature. As Mr. Lang says in his foreword:

"This report describes the potential for wider application of the STOL concept in Canada, and outlines the factors that should be considered in deciding how this potential can best be realized."

Indeed. The chart on page 53 - summarizing the costs and benefits - is pretty strong stuff. It seems to settle the question. This study was done by the very agency which is promoting STOL service. If we can't believe their evidence, then who can we believe? Transport Canada itself is telling us that STOL doesn't make economic sense.

City planners, of course, looked at the study in a critical way - as they are wont to do - and generally praised

the report. But the planners thought that the cost/benefit study was optimistic on the benefit side.

One point they noted was that the value of time savings came out to about \$5 per passenger. The total travel times, not just flight times, with STOL are shorter than conventional airport times by eight minutes on the Toronto-Ottawa trip, and longer on the Toronto-Montreal trip by two minutes. That \$5 benefit per passenger can quite easily disappear if there is the slightest hitch in traffic lights - or office elevators.

But to return to the study itself. The study assigned benefits in the 10-million dollar range to the ability of STOL to delay for three months the opening of the Pickering Airport. That's a very interesting assumption. Given the rather strange saga of Mirabel and its white elephant in flight; and given the intractability of Pickering residents; and given all the money problems governments keep talking about - are we really likely to see a Pickering airport? In any case, STOL service reduces Malton's congestion insignificantly. This 10-million dollar benefit seems to be on the high side.

As well, the study estimates that the industrial benefits - by spurring on the sales of the DASH-7 - amount to some 43 million dollars. As noted in the study, arriving at this

figure involves a number of subjective decisions. What's interesting is that a STOL system is no longer needed as a demonstration project for the DASH-7. The United States Federal Aviation Administration has now deregulated short haul air service, and a ready market for the DASH-7 is now available. I understand that already there are orders for several dozen of the planes, and industry sources say that more orders can be expected.

Thus the 42 million dollar benefit, the largest single benefit, has been virtually wiped out. STOL service on the Island airport isn't required to sell DASH-7.

There are a number of other minor points regarding various cost items, none of which change the picture substantially. The STOL system at least in a decade for which financial analysis is available, produces economic liabilities to society. For those who worry about how governments spend public monies, it would seem prudent not to proceed with STOL. I, like many others, firmly believe that governments must spend public monies wisely. Expense decisions which cost society money in the short and the long run without producing any social benefit should not proceed. A decision to proceed with STOL service represents a very bad way to spend the public's money.

There is one other matter to consider - the impact of a STOL network on Ontario's regional development objectives. An air service network centered on Toronto, Ottawa and Montreal, would tend to concentrate development - particularly in the business services area - in those three centres. The network would very clearly weaken the position of regional sub-centres by improving access to major centres where the degree of specialization and the range of choice are much greater. Even when the network was fully in place within Ontario, Toronto - and not smaller centres - would become more dominant.

I suggest that few would desire such a scenario. Both the City of Toronto and the Province - albeit for different reasons - have been trying to encourage a deconcentration of economic activity. Those efforts are weak at the best of times. A STOL service would jettison whatever headway is being made in this area.

No one has ever argued that STOL on the Island Airport improves the environment. No one has ever suggested that from a local planning perspective STOL is helpful.

On the basis of Transport Canada's study, I think that few could ever argue that a STOL service on the Island produces economic benefits - in fact the opposite is the case. Nor would one hear a serious argument that STOL encourages deconcentration of economic activity.

All of which takes us back to the City Council position. Any reasonable analysis suggests that concerned residents and businessmen should be doing all they can to ensure that STOL service is not introduced to Toronto. It is a waste of scarce tax dollars, and would only add to our economic troubles.

I hope that by concentrating on the economics and broader planning aspects of STOL service, I have been helpful in ensuring that a reasonable decision is made on this important issue.