

CANADA'S ECONOMIC RUNWAY

The Pearson Economic Zone is a
pillar of prosperity and growth.

It needs protection, not housing.

The future of Canada's busiest airport is intertwined with the prime industrial and commercial land surrounding it. To maximize its value, governments must choose wisely and work co-operatively.

Report by

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There are two ways to highlight the vital importance of Toronto Pearson to the Canadian economy

You can look at the airport in isolation: 19 square kilometres of terminals, runways, taxiways, hangars and parking lots. More than 52,000 people working within its boundaries, helping to move 45 million travellers a year and pumping nearly \$20-billion into the economy.

But it has another role, equally important but less appreciated: It sits at the epicentre of a powerful economic engine that largely would not exist without Canada's busiest and most internationally connected airport, and whose benefits radiate across the country, according to data compiled for Toronto Pearson.



This lesser-known Pearson Economic Zone (PEZ) covers 200 square kilometres of some of the most valuable industrial and commercial land in Canada. Half a million Canadians work there. It is home to the heaviest concentration of manufacturers found anywhere in North America and it provides a gateway for billions of dollars worth of annual international trade.

The zone generates an impressive \$70.6-billion of economic activity per year, equal to 7 per cent of Ontario's gross domestic product.

As Toronto Pearson embarks on a multi-year expansion project, the scarcity of these vital employment lands is suddenly in sharp focus. Pearson is operating at full capacity, so a larger airport means the potential for more passengers, more cargo and more traffic.

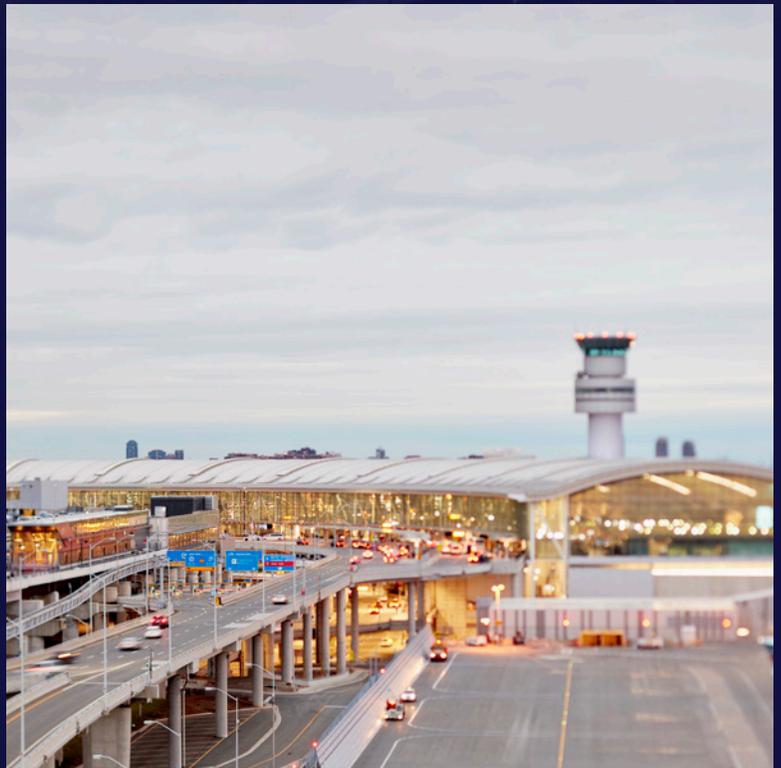
The jobs and economic benefits that flow from these projects are critical at a time when Canada's future growth path is shrouded in uncertainty and the industrial base risks moving elsewhere. As Canadians consider their place in this changing world, the best insurance policy is connectivity – of people, trade and supply chains.



A delicate balance between economic land and housing

A growing airport is expected to trigger a parallel expansion of all the supporting infrastructure throughout the broader PEZ, including factories, warehouses, offices and logistics facilities. But this economic impact goes both ways – a chronic shortage of available industrial and commercial land near the airport has put at risk the PEZ's ability to continue generating wealth for Ontarians and Canadians.

Competing for this valuable land are developers, many of which are eyeing the area to build more homes and condos. For example, there is pressure to build over 27,000 housing units beside Woodbine Racetrack, directly within the final approach for aircraft landing at the airport and adjacent to heavy industry and manufacturing facilities. "The Pearson Economic Zone is vital to our prosperity," argues Brendan Sweeney, managing director of the Trillium Network for Advanced Manufacturing, a non-profit research organization based at Western University.



Prosperity doesn't come from housing development, he says. Prosperity comes from industry and economic activity – two things Canada can't take for granted in a global economic landscape that's rapidly changing around us.

"If we jeopardize what makes the zone prosperous, we jeopardize our own prosperity," Sweeney says.



Part of the challenge is that planes, trucks, warehouses and factories generally don't mix well with housing, points out Paul Blais, managing director of economic advisory at Deloitte Canada, which did an extensive analysis of land use in the PEZ for Toronto Pearson. More people living in and near the zone can increase pressure to impose nighttime flight and noise restrictions on the airport and on industry. Taller buildings can also interfere with aircraft landing patterns. And once converted to residential use, land rarely reverts back.



"We know that employment lands are difficult to create in Ontario," Blais says. "Cherish them, because they are difficult to get back once they are lost."

The airport urgently needs to grow. Toronto Pearson will begin work this year on a multi-year investment program called Pearson LIFT (Long-Term Investment in Facilities and Terminals) to prepare the airport for a sharp projected rise in passenger traffic in the decade ahead. The airport expects to handle 65 million passengers a year by the early 2030s, up from roughly 45 million in 2023. That will require upgraded terminals, expanded baggage and cargo handling, as well more taxiways and parking spots for aircraft.

Like Pearson, businesses located near the airport are also in expansion mode, driven in part by surging demand for e-commerce warehouse and logistics space. These facilities typically need larger and taller buildings, and a lot of truck parking. They also depend on close proximity to the airport as well as two nearby intermodal rail hubs and the various 400-series highways that run through the zone. MDA Space, Roche and Stellantis are just a few of the recent company expansion announcements in the PEZ.



“To unlock the full regional potential through Pearson LIFT, steps are needed to protect the land, especially the economically important employment land around the airport, to allow for this growth,” Deloitte’s report says.

Demand for land near the airport remains intense. Deloitte’s analysis shows that commercial and industrial real-estate markets in the PEZ have outperformed nearby markets in Toronto and other North American industrial markets since the pandemic. Vacancy rates are generally lower, industrial land prices are higher and rents continue to rise more rapidly in the PEZ compared to other parts of the region. For example, industrial land

prices have doubled in North Etobicoke in the past five years and tripled in Brampton East, outstripping the Greater Toronto area as a whole. In the fourth quarter of 2024, industrial vacancy rates were at a miniscule 1 per cent or less in many of the key areas around Pearson. In Mississauga, large contiguous tracts of undeveloped industrial land are increasingly hard to find.

“We want to accommodate as much of that activity near the airport,” says Christina Kakaflikas, director of economic development for the city of Mississauga. “The pain point is really when you look at larger asks for 60, 80 or 100 acres of land.”

Mississauga has responded to the tight market for industrial land by adding 6.5 million square feet of space since 2020. The municipal government is also encouraging higher-density land use through the construction of highly automated multiple-storey distribution centres. It offers incentives for developers to add non-residential space by gradually phasing-in property taxes. And it has tried to steer condominium developers away from “higher-value employment lands” near the airport, according to Kakaflikas.

The bottom line, Kakaflikas explains, is that every day more people commute into Mississauga to work than leave for jobs elsewhere. “Mississauga is a net importer of jobs. We recognize that it’s part of our success to have that good balance.”



Airport tenants grapple with **land scarcity**

UPS Canada feels the impact of the land crunch in and around the airport every day. Toronto Pearson is the parcel delivery giant's key Canadian import and export gateway, but the freight handling space it leases at the airport is roughly an eighth the size of what it needs.

"Toronto Pearson plays a vital role in unlocking economic growth and jobs in the region," says Gordon Reed, director of asset management at UPS Canada. "It's critical that governments and key actors, like the Canada Border Services Agency and Toronto Pearson, have a long-term plan to meet growing demand for goods movement."

Jet-fuel suppliers are also eyeing more storage capacity at the airport to handle the projected increase in flights at Pearson. Within the next decade, they will also likely need blending facilities at or near the airport to satisfy airline demand for sustainable aviation fuel (SAF), which gets made from non-petroleum feedstocks like canola and is mixed with conventional aviation fuel to cut aircraft carbon emissions.

"We would like to be able to blend ... at the airport," says Ferio Pugliese, senior vice-president of corporate services at Parkland Corp., a jet fuel supplier to Air Canada and other airlines. "It would give us a lot more flexibility to deliver fuel and produce SAF."



Economic lands = jobs, GDP and prosperity

The PEZ is home to more than 18,000 businesses – one out of every 10 businesses in Ontario. The single largest industry in terms of employment is manufacturing, with 92,500 jobs. That represents more than 12 per cent of all factory jobs in Ontario. Second is transportation and warehousing, with 70,000 jobs in the zone, representing nearly 18 per cent of the industry's employment province-wide. Third is wholesale trade with 66,786 jobs, followed by construction companies, with 45,396 jobs.



Interestingly, aviation industries contributed a relatively small share of the total \$70.6-billion in GDP generated by the Pearson zone in 2023. The aviation industry made up less than 7 per cent of the area's GDP. Manufacturing is far more prominent in the PEZ, at nearly 20 per cent of GDP. Construction is at 17.1 per cent, wholesale trade at 15.1 per cent and transportation at 10.5 per cent.

Warehousing activity is particularly intense around the airport. Indeed, more than half of GDP generated by the warehousing and storage activity in Ontario happens in the PEZ.



Pearson's factory neighbours power economic growth



Manufacturers are drawn to the PEZ because it sits at the nexus of vital air, rail and highway links in the heart of densely southern Ontario. Indeed, it forms the largest concentration of manufacturing firepower found anywhere in North America, according to research by the Trillium Network for Advanced Manufacturing.

The PEZ is home to more than 2,000 factories that help keep the world fed, healthy and mobile. In 2023, these companies directly employed 92,500 people, pumped \$13.6-billion worth of GDP per year into the Canadian economy and exported goods worth \$25.5-billion. They also generated \$5.4-billion in federal and provincial tax revenue.

But all this wealth-generating factory capacity is at risk – from overseas competition, U.S. protectionism and competing land-use priorities, explains the Trillium Network's Sweeney.

“In this era of competing priorities, we need to set aside the most appropriate land for big commercial and industrial uses or we won’t have wealth and prosperity, for jobs and for companies to grow into,” he says.

This cluster of factories packs a heavy economic punch. The PEZ accounts for nearly 12 per cent of Ontario’s manufacturing output, 5 per cent Canada’s manufacturing output and roughly the same relative shares of factory exports, according to Trillium.

The area around Toronto Pearson is one of only two urban areas in North America where companies do full-scale assembly of both vehicles (Stellantis) and aircraft (Bombardier). The PEZ also has the highest concentration of drug manufacturers in Ontario, producing half of the province’s output of pharmaceuticals. The PEZ’s largest cluster of factories is made up of food and beverage manufacturers, who are important customers for the province’s farmers.

“The diversity in the activity is what really stands out,” Sweeney points out. “Some U.S. cities have a lot of manufacturing, but not as much diversity.”





Seven key sectors account for 70 per cent of factory jobs and the bulk of manufacturing output in the PEZ

Ranked from No. 1 to No. 7, these are: food and beverage, automotive, construction and infrastructure, aerospace, life sciences, packaging, and machinery and tooling.

1. **Food and beverage** – 18,000 jobs and \$2.7-billion in GDP. Major companies: Maple Lodge Farms (poultry processing), Mondelez (snack foods), FGF Brands (baked goods), Molson-Coors (beer), Coca-Cola Canada and PepsiCo Beverages.
2. **Automotive** – 12,500 jobs and \$1.7-billion in GDP. Major companies: Stellantis (vehicle assembly), Magna International (auto parts), Martinrea (auto parts) and ABC Technologies (auto parts).
3. **Construction and Infrastructure** – 12,300 jobs and \$1.7-billion in GDP. Major companies: Atkins-Realis and VISION Extrusion.
4. **Aerospace** – 6,600 jobs and \$1-billion in GDP. Major companies: Bombardier (business jets), Pratt & Whitney (Aircraft Engines), Mitsubishi Heavy Industries (wing and fuselage assemblies) and MDA Space (space robotics).

5. **Life sciences** – 5,500 jobs and \$1.5-billion in GDP. Major companies: Apotex (generic drug maker), Bora Pharmaceuticals (contract drug maker), Sun Pharmaceutical Industries (generic drugs), Thermo-Fisher Scientific (contract drug maker), Boston Scientific (medical devices) and Baylis Medical (medical devices).
6. **Packaging** – 5,500 jobs and \$670-million in GDP. Major companies: Novalex (foodservice packaging), Axiom (plastic bottle packaging), Cascades (containerboard packaging), Kruger (linerboard and containerboard packaging), Menasha (graphic packaging and displays) and WestRock (paperboard and kraft paper packaging).
7. **Machinery and tooling** – 4,600 jobs and \$730-million in GDP. Major companies: Husky Injection Molding Systems (injection and molding equipment).

The impact of these factory jobs extends well beyond Toronto. The zone's ecosystem of manufacturers directly and indirectly supports another 252,000 jobs in the rest of the country.





As an **economic catalyst**,
Pearson is without peers
in Canada

Pearson isn't just Toronto's airport. In many ways, it's Canada's airport. "The size of Pearson versus every other Canadian airport is mind-boggling," says Hamilton Galloway, head of consultancy for the Americas at Oxford Economics.

Toronto Pearson handles nearly half of all outgoing and inbound Canadian air travel. It's also the largest international cargo hub in the country. Airports are vital economic assets. The activity they generate is enormous, and quantifiable. Toronto Pearson, for example, contributes nearly \$20-billion a year to Canada's gross domestic product, according to Oxford, which conducted analysis of the airport for the GTAA.

And that's why policymakers need to be mindful of not putting up too many unnecessary roadblocks as Pearson embarks on a major expansion. A larger Toronto Pearson would be a catalyst for trade and economic activity across the country, Oxford's Galloway explains.

Even now, foreign airlines and shippers would add more flights and move more freight through Toronto if they could. But capacity is limited.

"Airports are conduits for economic activity. They facilitate trade, and the movement of goods and people," Galloway says. "Any time you limit the growth of trade and transportation opportunities, you are going to limit economic activity."

A large hub airport is like a city. Toronto Pearson is home to 52,000 workers and hundreds of employers, who earn incomes, buy goods and services and fill government coffers with billions of dollars in taxes every year. Together, these workers and their employers move more than 47 million passengers and billions of dollars worth of freight.

The economic impact of the airport's activities radiates across the city, the province and the rest of the country. Directly and indirectly, Pearson pumped \$19.6-billion into Canada's GDP in 2023. The airport also supported 130,000 jobs across the country, including 110,000 in Ontario, equal to 1.4 per cent of all jobs in the province.

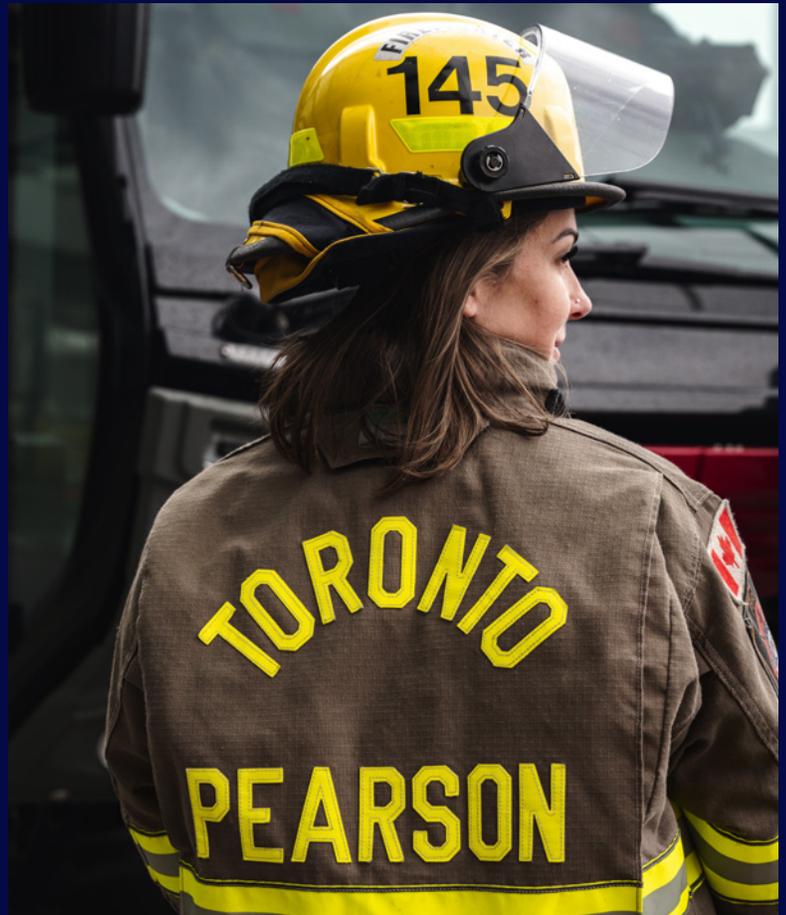
"You can't throw a rock and not hit someone who is tied to the airport in some way," Galloway says.

All that economic activity also generated \$7.5-billion in annual taxes for local, provincial and federal governments. That's enough to pay the salaries of 134,000 public school teachers.



The economic effects are most pronounced in the Greater Toronto Area, where more than 80 per cent of 10 airport workers live. These workers earned \$3.5-billion and contributed \$8.1-billion to Canadian GDP in 2023.

More than half of airport workers – 26,900 – are employed by airlines. Most of the rest work in administration and support, ground operations, food and accommodation, government agencies, the GTAA and retail. Employment opportunities at the airport range from lower-skilled entry level jobs to highly skilled engineers, aircraft maintenance specialists and air traffic controllers. The second bucket of economic activity stems from what Toronto Pearson's various tenant organizations, such as airlines and restaurants, spend on goods and services. In 2023, they spent \$6.7-billion, roughly 70 per cent of that in the Greater Toronto Area.



A third wave of economic output is generated by the millions of tourists and other visitors who use Toronto Pearson as a gateway to the city, the region and the rest of Canada. The billions they spend added \$2.6-billion of GDP in Ontario and a further \$1.8-billion in the rest of the country. The money spent by visitors arriving at Pearson in 2023 supported more than 38,000 jobs in Ontario.

Finally, Toronto Pearson creates another less tangible economic benefit: connectivity. When people fly, they meet business partners, attend conferences, gain academic credentials, invest and forge lifelong bonds. These connections help make Canadians more productive.

Based on econometric modelling, Oxford Economics estimates that the connections enabled by travel through Toronto Pearson will boost Canada's long-term labour productivity by 0.6 per cent of GDP.

Recognizing the value of employment lands

As Canadians, we cherish our parks and wild spaces. We love our homes and neighbourhoods.

Rarely do we think about protecting the lands that provide our jobs, our wealth and our prosperity.

The future of Canada's busiest airport is intertwined with the fate of the 200 square kilometres of prime industrial and commercial land that surrounds Pearson.

The airport is poised to launch a major expansion over the next decade to accommodate a projected 50 per cent jump in travelers.

The businesses that are strategically located around the airport – manufacturers, wholesalers, warehouses and construction companies – are also growing. Pearson and its wealth-generating neighbours will need to save every square inch, while intensifying and maximizing the use of existing employment lands. To make that happen, the province and municipalities must work co-operatively to meet the growth demands of the region and airport.

