HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on International Trade

CIIT • NUMBER 044 • 2nd SESSION • 41st PARLIAMENT

EVIDENCE

Wednesday, February 4, 2015

Chair

Mr. Randy Hoback

Standing Committee on International Trade

Wednesday, February 4, 2015

● (1530)

[*English*]

The Chair (Mr. Randy Hoback (Prince Albert, CPC)): Good afternoon, ladies and gentlemen. It's great to have you all here today on this nice, snowy day in Ottawa.

I welcome our witnesses. Mr. Ian Smith is with the Air Canada Pilots Association. We also have John McKenna, Les Aalders, and Wayne Gouveia.

Unfortunately, it looks as though we're going into votes. From talking to the parliamentary secretary and the critic from the NDP, I sense that I have the cooperation of the committee, so we are going to entertain you, witnesses. Unfortunately, we will not have time to go through questions, so you're going to get off the hook on that.

Then, committee members, as we leave for votes, let's get our votes done and then be back here as soon as possible, and we'll go to our second round so that we can hear the witnesses who have come in from the tourism association and the Vancouver Airport Authority. Hopefully, then we'll have some time left to actually quiz those witnesses.

Without wasting any more time, I will turn the floor over to Mr. Ian Smith.

You'll have 10 minutes to do your presentation.

Mr. Ian Smith (President, Air Canada Pilots Association): Thank you, ladies and gentlemen. It's a pleasure to be here this afternoon.

Mr. Chair, honourable members of the committee, thank you for the invitation to appear before you to discuss matters relating to the transportation sector. My comments today address the aviation industry and its role within Canada.

First I would like to introduce myself to you and provide you with a brief background on the Air Canada Pilots Association as well. I've been a pilot with Air Canada for 20 years. I am currently a captain on the Boeing 767, based in Toronto, having also flown the Canadair Regional Jet and the Airbus 319, 320, and 321 family during my career with Air Canada. I had the pleasure of starting my term as president of ACPA as of January 1, 2015, so I'm the new kid on the block.

The Air Canada Pilots Association is the largest professional pilot group within Canada, representing over 3,000 pilots who fly Air Canada's mainline fleet and its subsidiary, Rouge. Our association aims not only to represent our members but also to be a true champion for all our Canadian aviation colleagues. In that spirit, we offer our thoughts on the larger issues your committee and the government must address.

As we all know, aviation is a highly competitive global business, subject to national and global cyclic economic swings. Canada itself has not been exempt from this volatility. As we are experiencing at the present time, the oil producing sector has suffered recently from the glut of oil in the global marketplace. Air Canada and its competitors rely on business generated by the oil sector to provide a source of revenue. With the reduction in a revenue source such as the oil sector, the economic hardship is felt by all. When such a sector suffers, there is a very real possibility that the trickle-down economic effect will almost feel as if the country has just caught a mild economic flu.

Air Canada is not immune from such cyclic economic events. On one hand, we do benefit from the reduction in the immediate price of the barrel of oil. Fuel is our single largest expense. Air Canada purchases fuel in U.S. dollars, which has had an unfavourable impact on our financial base due to the recent decline of the Canadian dollar.

The Air Canada pilots have played a significant role in ensuring the vitality and viability of our company. We recently signed a precedent-setting 10-year labour agreement with Air Canada. We recognized that this agreement would bring stability and security for Air Canada to ensure that our company would have a stronger presence in the domestic and international Canadian aviation sector.

We believe that a strong company such as ours is of benefit to our country and to our economy. We felt that an association such as ours showed that, as a vital part of our company, we take a more definitive, supportive, and engaging position. We are a professional workforce that is able to meet the challenges of a fair and equitable global competitive market force. We are also one of the safest and most highly respected airline operations in the world. The thousands of jobs created and supported by Air Canada, as well as the taxes paid through employee and company revenues, contribute to the viability of our country as a whole. A strong Air Canada and a strong aviation sector just makes plain, good economic sense for our great country.

I mention this to address two fronts that are concerning our association at this time. One is the continued attempt by Emirates Airline to expand its foothold into Canada. The Air Canada Pilots Association believes that if the federal government is concerned about its fiscal situation at present, it must also be concerned with its national interests at large. One of those interests is the sustainability of the Canadian aviation sector. With a population base close to 36 million, the domestic aviation market at present appears to be at its upper saturation limit.

● (1535)

In fact, during meetings with our company executives last year, it became quite clear to all that for Air Canada to grow as a company, we now have to look outside our country for growth opportunities.

This brings me to the government's blue sky policy. We applaud the government for taking such an initiative back in 2006. When applying the blue sky policy, it is essential to understand that Emirates Airline operates under a completely different business model and completely different rules.

Unlike Air Canada, Emirates Airline is an extension of Dubai's government, whose economic development strategy is to expand its airline market share at other countries' expense. Emirates Airline is a subsidiary of the Emirates Group of companies, which integrates the airline into its airport operations in Dubai. With near limitless state capital funding, a tax-free environment, foreign low-cost labour to build infrastructure, and a state-owned airline, Dubai has been transformed into a major collection point, commonly called a hub.

The Canadian government does not extend to Canadian airlines the same support and benefits as the Dubai government does to Emirates Airline. Canadian airlines have to fund their own capital expenditures at market rates, and our airports are operated by independent, local authorities.

We are not asking the Canadian government to provide us with these same advantages. We simply don't think our government should reward foreign airlines, operated by their governments, that do business that way. We need to make sure that our bilateral agreements support a safe, secure, efficient, economically healthy, and viable Canadian air transportation industry.

The government resisted intense pressure to greatly increase access to the Canadian market five years ago. It was decided that Gulf carriers should have landing rights commensurate with their market size. ACPA worked closely with Air Canada to bolster this position. We believe that current access levels remain appropriate.

Another point of concern we consider to be emerging on the horizon is another business model, the stateless "flag of convenience" airlines such as Norwegian Air International. The parent company, Norwegian Air Shuttle, is based in Norway and has set up a holding company in Ireland. It has received an Irish air operating certificate. It appears that Norwegian Air International will not be operating any transportation services out of Ireland, so who will provide the regulatory oversight of NAI's operations if they do not operate out of Ireland?

Here in Canada, all regulatory oversight is provided by Transport Canada, which ensures that all Canadian air carriers adhere to the Canadian air regulations. If we are to comply with the full intent of the blue sky policy, then this is an issue that must be fully addressed. If the regulatory oversight issue is not addressed, how can the blue sky policy live up to its terms, which state, "Air liberalization initiatives will continue to be guided by safety and security considerations"?

NAI does not use Norwegian or Irish flight crews but rather Thailand-based crews who are hired through a Singapore employment agency and who work under Singapore labour law. If NAI recruits their employees through third-party employment agencies based in Thailand and Singapore, and then hires them through offshore holding companies established strictly to circumnavigate Irish and Norwegian labour and tax laws, would that be considered allowing the market forces to determine the price and quality of air service options? The question that needs to be asked here is: under what labour laws and rules will these employees have to work?

Here in Canada all Canadian aviation operators abide by the rules established by Canadian labour laws. If companies circumnavigate the Irish and Norwegian domestic labour laws to avoid having to abide by them, how can Canadian carriers compete on a level playing field?

Any company afforded the rights to fly to Canada under our negotiated bilateral blue sky policy should be required to adhere to the same principles. If the company is based in Norway or Ireland, it should abide by that jurisdiction's labour laws.

● (1540)

In closing I would like to remark on one more item of interest. Transport Canada, with the support—

The Chair: Be very brief, please.

Mr. Ian Smith: —of the Canadian government, and specifically the transport minister, Lisa Raitt, has concluded a process to upgrade the Canadian aviation regulations. I would like to compliment the government. I think they've done an excellent job going forward. I would like to compliment Transport Canada as well.

Some hon. members: Oh, oh!

The Chair: You see what I'm dealing with, Mr. Smith?

Thank you so much.

Mr. Ian Smith: I think it's a great initiative. It's a step up for the country. Our regulations have not been updated since 1996.

The Chair: I'm going to have to move on, Mr. Smith. I'm very sorry.

Mr. Ian Smith: Thank you very much.

The Chair: I'll turn it over to the Air Transport Association of Canada.

Mr. John McKenna (President and Chief Executive Officer, Air Transport Association of Canada): Good afternoon, ladies and gentlemen, and members of the committee.

My name is John McKenna. I'm the president and chief executive officer of the Air Transport Association of Canada. I'm accompanied today by Mr. Les Aalders, who is executive vice-president, and by Mr. Wayne Gouveia, vice-president of general commercial aviation.

The Air Transport Association of Canada has represented Canada's commercial air transport industry for over 80 years. ATAC has 185 members engaged in commercial aviation, operating in every region of Canada, and providing service to a large majority of the more than 600 airports in the country.

Our members include large airlines, regional airlines, commuter operators, air taxis, aviation education organizations, and flight schools. Our membership also includes the air industry support sector involved in all activities of the aviation support industry. We refer to them as industry partners.

[*Translation*]

ATAC's vision is to promote safe and reliable air transportation of people and goods to the benefit of Canadian society with the mission statement “to support our members in their commitment to a safe, world-leading and sustainable Canadian air transport industry.”

We appreciate the opportunity to appear before you today to address the important aspects of our industry that you are looking into. The Department of Foreign Affairs, Trade and Development's global opportunities for associations program in its current and previous formats has supported ATAC international business development strategy outreach to the international aviation community for more than 10 years.

The goal of the ATAC GOA project is to benefit the Canadian economy by developing pathways for small and medium-sized aviation companies to connect to foreign markets. More specifically, we seek to export Canadian flight training, and maintenance, repair and overhaul—or MRO—services to growing markets worldwide.

● (1545)

[*English*]

Through GOA, ATAC is able to identify key world market opportunities, help our member companies identify the demand, and respond with partnerships to foreign supply chains seeking Canadian goods and services. With the help of the Government of Canada we identify and implement solutions that help smaller Canadian pilot training companies and MROs to respond to the many opportunities in the global marketplace.

ATAC, through the GOA program, supports the memorandum of understanding on further collaboration in civil aviation signed between Canada and the People's Republic of China on November 8, 2014 in the following aviation sectors: aviation training services and equipment; MRO technical support; supply chain infrastructure and management, technical and personnel training, aviation and the environment; and civil aviation policies.

Flight training is an important component of commercial aviation in Canada. ATAC member flying schools represent approximately 80% of the commercial flight training done in Canada and are present all across the country. Canadian flying schools have a full range of capabilities to train pilots from *ab initio* to multi-crew pilot training. Our safety record is one of the best in the world, and our piloting and decision-making skills are second to none.

Canadian flight training companies have the ability to deliver airline cadet training and address the new requirements for general aviation training demanded by China for future regional airlines, on-demand charter companies, and business aviation.

Canada has a robust regulatory framework with oversight from Transport Canada as well as compliance with ICAO world standards and recommended practices and is highly regarded as one of the best in the world for pilot training by international airlines.

[*Translation*]

In addition, student pilots are exposed to the number one air navigation system in the world and are able to fly instrument approaches in real-world scenarios.

ATAC's international business development efforts are focused on promoting and building bridges between Canadian professional pilot training organizations and foreign air operators, civil aviation authorities and foreign students in Asia, India, Latin America and Europe.

In the next 20 years, half of the world's air traffic growth will be driven by travel to, from or within the Asia Pacific region, with a growth rate of 7.1% per year.

[*English*]

The current capital upgrades in simulators and aircraft in Canadian flight schools are largely attributed to the importance of training international student pilots, who now represent close to 39% of all commercial licences issued in Canada. On our last mission to China in the fall of 2014, we signed an MOU with the Shenzhen Aviation Transportation Association, which is already yielding results for our members. However, we need to better market and promote our exemplary reputation in safety and flight training to the international community.

The Airbus global market forecast for the next 20 years says that China's aircraft demand, valued at $820 billion, will represent 17% of the worldwide demand for new aircraft. There are currently 35,500 pilot licences in China, and this number is growing at an annual rate of 13.5%. According to Boeing, Asia-Pacific airlines will need 33,000 new airplanes in the next 20 years. This will amount to nearly triple the current number of airplanes. The pilot outlook demand will be as dramatic, with 216,000 new pilots needed for the Asia-Pacific region. This represents 40% of the 533,000 new pilots needed globally over the next 20 years. More than half the pilots in China obtained professional pilot training internationally.

The United Kingdom is another promising market for Canadian pilot training companies as low-cost carriers continue to grow in the U.K., adding more capacity to the system. The Canadian advantage in pilot training is based on very competitive costs for delivering competency-based training that is recognized as being in the top three worldwide.

As for the maintenance, repair and overhaul sector, in 2014 this market represented an estimated $6 billion of business in Canada and supported over 25,000 jobs covering both the civil and defence sectors. The ATAC international outreach plan involves developing primarily civil MRO business opportunities for Canadian companies within the U.S., South America, Central America, Europe, and the Asia-Pacific regions by actively participating in MRO international conferences and trade shows.

● (1550)

[*Translation*]

Key advantages of the Canadian MROs are highly trained and competent personnel, a world-recognized aircraft maintenance engineer licence system, state-of-the-art facilities, capacity for all sizes and types of aircraft, and both specialized and full-service MRO firms capable of meeting the full range of customers' MRO needs.

In the global aviation industry, harmonized regulations are an enabler for Canadian MRO companies to efficiently service foreign registered aircraft and their components.

[*English*]

The largest market for Canadian MRO companies in the western hemisphere has had until recently a primary focus on the U.S. However, many new opportunities now exist in Central and South America in supporting the explosive forecasted growth by aviation in Latin America. Beyond the western hemisphere, the two areas of most interest and important growth accessible to Canadian MROs are the European and Asia-Pacific aviation communities. These markets have been identified by ATAC as the target markets for the 2015-16 GOA resources.

ATAC considers the international development programs offered by the Department of Foreign Affairs, Trade and Development key to our success in international markets.

Thank you. We'd be happy to answer any of your questions.

The Chair: That's excellent.

In light of the fact that we will not get a complete round of questions in for all members, I think we'll still continue with our original plan, but I will stress to members that we will suspend at this point in time and come back. Once I have quorum, I will start hearing the testimony of our witnesses, so please rush back so you can hear all the testimony of the witnesses who will come forward in the second half of our meeting.

Having said that, I would like to thank our witnesses today. I do apologize. This is one thing that is out of our control. It's the gods above us who work in the House who decide when to vote. We're being pulled away for that.

I'm being told that the bell will happen momentarily.

Ms. Freeland.

Ms. Chrystia Freeland (Toronto Centre, Lib.): Do you have a rough sense, Mr. Chairman, of what time we will reconvene? I know that we'll all run back after voting, but do you have a rough estimate?

The Chair: Roughly, with 4:25 for the vote, which takes about 15 to 20 minutes, that's 4:45, so let's say five o'clock.

Ms. Chrystia Freeland: Okay, and then will we go longer?

The Chair: No, we will not, because people have other items scheduled at 5:30. We will go right to our 5:30 time and hopefully have enough time to do at least one round of questions with those witnesses.

I will suspend now. We'll meet back here as soon as possible after votes.

● (1550)

(Pause)

● (1650)

The Chair: Okay, colleagues, we're going to get started here right away. We do have quorum, so I think it's important that we take advantage of the time that we do have.

Thanks for being speedy in getting back after votes. I sure appreciate it, and I know our witnesses appreciate it too, because they put a lot of time and effort into their presentations and we want to give them as much time as we can as a committee.

In the second half we have Mr. Taylor, president and chief executive officer of the Tourism Industry Association of Canada; and then joining us by video conference from Vancouver, British Columbia, which I assume is warmer than Ottawa, we have Gerry Bruno, vice-president, federal government affairs, with the Vancouver Airport Authority.

Welcome, both of you.

I have Mr. Taylor first, so I will start off with you. Mr. Taylor, you have 10 minutes.

Mr. Rob Taylor (President and Chief Executive Officer (Interim), Tourism Industry Association of Canada): Thank you very much, Mr. Chair.

Good afternoon and thank you for the invitation to present here today. This is the first time in recent memory that TIAC has been called as a witness before the international trade committee and to us it serves as a bit of a victory of sorts. We’re finally being recognized as an export sector.

We are often compartmentalized as a domestic industry based on the fact that our services are delivered and the spending occurs within Canada. Most export businesses develop products and services and seek out foreign markets and distribution channels to get their products to market. Travel and tourism businesses must bring the market to their products. The distribution model is challenging, mired with public policy obstacles like visitor visas and national security polices, aviation cost structure, currency exchange, as well as other commodity issues.

In my remarks this afternoon I'll provide an overview of the travel and tourism industry and the challenges and opportunities we are facing, and discuss the impacts of the global markets action plan and air transport agreements to date.

Established in 1930, TIAC represents the full breadth of the travel industry's four major segments: transportation, accommodations, destinations, and attractions. As an umbrella organization TIAC focuses on the issues that ultimately influence consumer decisions: pricing and convenience. These are the factors that determine Canada's competitiveness in the global marketplace.

As Canada's largest service export sector, travel generates annual revenues of $84 billion, of which $20 billion is export revenue. We employ over 600,000 Canadians in every riding of the country and are the largest employer of young Canadians. We've provided a sheet for you that gives a breakdown of your local ridings in terms of our industry.

The global competition to attract international travellers is fierce, where price point, quality of experience, ease of access, and reputation dictate value. Globally, in 2013, there were over a billion international travellers generating over a trillion dollars in receipts and recording 5% growth for the second straight year. However, Canada's growth in international arrivals was only 1.5% in 2013, while the U.S., our biggest competitor, achieved 4.6% growth. Don't get me wrong, Canada is doing well, and the numbers for 2014 so far look encouraging, but under the right conditions we could be doing much better. In 2002 Canada was the seventh most popular travel destination in the world, welcoming over 20 million foreign visitors.

In 2013, we ranked seventeenth, with 16.3 million visitors, a drop of nearly 20%. Canada is one of the only countries in the top 20 to lose both rank and volume. Currently, 81% of travel revenue is derived from Canadians travelling within Canada, up from 65% just a decade ago. So while domestic tourism is healthy, we are losing ground with high-yield international visitors. In simple terms we are far from realizing our full potential and far from getting our fair share of the global opportunity just beyond our reach. Our industry has set a goal of matching the global growth rate of 5%. It's not world domination. We're not seeking to own the podium. Right now we just want to get on the podium.

What does 5% growth look like for Canada? It's just shy of a million new foreign visitors, creating 4,600 new jobs—2,500 of which are for young people—and generating an additional $81 million in federal revenues. By maintaining 5% growth we can recoup the losses of the last decade in less than five years. And things are looking up. Back in October, Minister Bernier announced strong performance and growth from CTC's foreign market investments. Unfortunately, the numbers from the United States, a market larger than all others combined, remained flat and dragged down the overall performance.

The U.S. is our industry's top priority and key growth market. Unfortunately, Canada has not had a national leisure marketing campaign in the U.S. for four years. The entire industry is waiting anxiously for the April budget to see if we will be successful with our co-investment campaign with the government under the connecting America program.

While we are excited about the success of China, it's important to remember that it would take a 40% increase out of China to match just a 1% uptick of the United States market. Most of the factors contributing to the decline in U.S. visitation to Canada are beyond the control of industry or government, but the solutions are not. Over the past decade Canada's tourism industry has endured every challenge and scourge short of locusts. SARS, 9/11, WHTI, border wait times, the recession, dollar parity, the entrance of new exotic destinations, and the emergence of social media disruption have all contributed to Canada's slide.

This is where we get to the importance of government initiatives such as the global markets action plan, the federal tourism strategy, the blue sky policy, and other programs that facilitate trade. The key to these programs is to break down silos, find efficiencies, and focus on interdepartmental outcomes to benefit Canadians.

● (1655)

Tourism's inclusion among priority sectors in the GMAP program is a welcome show of support and will reap benefits beyond the money spent on restaurants and hotels. The preconceived notions associated with tourism undervalue its importance to the economy. Facilitation of leisure travel, vacations, excursions, and relaxation do not parlay well into a government's ambitious economic and industrial agendas. That is why, despite our name, we prefer to speak of it as the travel industry.

In fact, travel is a key element of business, investment, and trade. TIAC uses the term "mobility economy" to describe the overarching benefits derived by facilitating the movement of people for the purposes of business or leisure travel, and the expanded economic opportunities that come from these new connections. Intuitively, people do business with people in countries that they know. This is shown in a recent study by Deloitte, which found that every 1% increase in international arrivals to Canada will stimulate over $800 million in broader exports with our trading partners.

Canada's trade policies seek to enhance the movement of goods, capital, and people across the borders. While much has been accomplished, many obstacles remain that limit the movement of people. At TIAC we've categorized these issues into three buckets: marketing, access, and product-people. That is our map, so to speak, to growth.

Canada's low dollar alone is not enough to attract increased visitors, including Americans. Canada needs larger and better aligned national marketing funding in light of recent cuts to the CTC. National brand marketing is about more than generating tourism demand. It's a hearts and minds statement about a country's landscape, people, quality of life, culture, and ingenuity. It's a country's value proposition to the world and Canada's brand is strong but under attack.

Since 2011 Canada has not had a national marketing presence in the U.S. In many parts of the U.S., the only Canadian images seen in various media are 1990s images of tailing ponds and smoke stacks in northern Alberta, all part of political action around the Keystone project. Regardless of your position on the project or the resource, the lack of Canadian marketing in the U.S. is undermining our competitiveness.

A recent survey of 6,000 U.S. travellers commissioned by numerous Canadian tourism leaders identified very good levels of latent demand for Canadian vacations, but it also identified the top two reasons why Americans would not travel to Canada. First was the cold climate—enough said—but the second was the perception of Canada being a polluted nation.

A major area of concern for the travel and tourism industry in Canada is air access. While the World Economic Forum has ranked Canada as number one for infrastructure and number 12 for openness of air transport agreements, it has placed Canada as 136 out of 140 in terms of taxes, fees, and levies.

The Senate Standing Committee on Transport found the difference between Canadian and American round-trip flights averaged $428 per passenger. It also found that 43% of the price, including airport rent, in Canada was taxes, fees, and levies, while a similar flight from a U.S. border airport consisted of only 14% taxes and fees.

TIAC has been engaged in the whole-of-government approach laid out in the federal tourism strategy and believes that in order to encourage visitation by air, air transport agreements should be considered in tandem with facilitation, visitor visas, and perhaps more importantly, the cost of flying to Canada. In fact, cumbersome visa policies and expensive air travel essentially act as export tariffs dissuading leisure and business travellers from doing business and spending money in Canada.

It's TIAC's opinion that liberalized agreements by themselves do not seem to have as much impact on air capacity as seen by the 0% growth out of Brazil, U.K., and France, after ASA agreements were signed. In fact, it's our opinion that other policies may have more of an impact. Visa policies resulted in a 73% decrease out of Mexico, while the approved destination status agreement with China resulted in a 77% increase of arrivals. This data dictates that there is no clear correlation between the signing of a liberalization agreement and increased seat capacity without other policy considerations taken into consideration.

It's important to pause and recognize what has been accomplished to date and what directly benefits travel and tourism: the introduction of multi-year, multi-entry visas; investments in visa application centres; the CAN+ program in India, Mexico, and Brazil; infrastructure funding for Parks Canada; the inclusion of tourism in the GMAP; numerous air liberalization agreements; and Minister Raitt's recent decision to include the high cost of air travel to and within Canada in the Canada Transportation Act review.

● (1700)

The Chair: Mr. Taylor, you'll have to quickly wrap up.

Mr. Rob Taylor: In closing I want to state unequivocally that the global markets action plan is a net benefit to the travel and tourism industry, and TIAC believes more can be accomplished through further coordination of these efforts along with other federal initiatives such as the tourism strategy and crown agencies' activities such as those of CTC and EDC with a goal to boost Canadian competitiveness.

I look forward to your questions and appreciate the opportunity to be here today.

The Chair: Thank you, Mr. Taylor.

We'll now move on to the Vancouver Airport Authority.

Mr. Bruno.

Mr. Gerry Bruno (Vice President, Federal Government Affairs, Vancouver Airport Authority): Thank you.

Good afternoon, Mr. Chairman and members of the committee. I would like to thank the standing committee for providing the Vancouver Airport Authority the opportunity to make an oral presentation and answer questions.

First of all, our CEO, Craig Richmond, sends his regrets for not being able to participate today as he is out of the country and asked me to appear on his behalf. I would like to begin with some prepared remarks.

The Vancouver airport shares the goal of the global markets action plan to extend Canada's trade network and strengthen Canada's competitive position in global markets. Our mission is to proudly connect British Columbia and Canada to the world, and connectivity as we know is essential to meeting the objectives of the action plan.

I'll tell you a little about Vancouver airport, or as we call it, YVR.

In 2014 we set a new passenger record with 19.35 million passengers. That was a 7.7% growth over 2013, and Asia-Pacific traffic on its own had a 10% growth. In 2015 we expect to exceed 20 million passengers with a growth rate of about 4.2%. Today, almost 50% of the global economy is accessible by daily, non-stop, scheduled service from YVR. Our vision is to be a world-class, sustainable gateway between Asia and the Americas. That's been our focus for the last 20 years.

We have set an ambitious target of growing to 25 million passengers by 2020. Why are we doing that? It would mean over 30,000 direct jobs at the airport generating over $2.7 billion in gross domestic product and over $800 million in tax revenues to local, provincial, and federal governments. This growth also means more tourists to support my friend Mr. Taylor and his industry, more international students, and more business-to-business connections needed to develop markets and facilitate trade.

We want to be a gateway airport because that means more air service to more destinations. The Vancouver market is often not big enough to support a daily international air service to priority markets such as Xiamen or Santiago. But if an airline can combine a service from, say, Hangzhou to a Canadian city with an onward leg to a city in Latin America, then the economics of the flight work, and that's an important consideration.

If we look at connecting traffic, and you may wonder why we care about connecting traffic because these people are not coming to Canada, on an international flight anywhere from 25% to 50% of passengers on board are connecting, and that can result in the flight being profitable, something we would not be able to sustain based on our own small market base. So Canada benefits because the plane lands here bringing tourists and international students, and providing belly space for perishable cargo for our export markets.

I just want to touch on a few quick stories to highlight the importance of air transport to building Canada's export market.

Direct air service stimulates the tourism market. Prior to having any direct service between Auckland and YVR, British Columbia had about 20,000 New Zealanders visiting each year. When non-stop air service began in 2007 that number jumped to 30,000. When we gained non-stop seasonal service to Munich two summers ago, German tourists to British Columbia jumped by 15%, so direct air service matters.

British Columbia alone has over 35,000 international students spending over $2 billion a year on tuition, food, accommodation, and other necessities. These students and their families develop an affinity for Canada. In the future they often return as tourists, invest in Canada, or do business here. The B.C. Council for International Education says that this market could be much bigger, but that students or their parents choose other destinations because they do not have direct, non-stop services.

Switching to cargo, fresh seafood is a very high-value export that must go by air. In British Columbia we export about $1 billion a year in fresh seafood. Dungeness crab is prized in Asia, but these crabs have 24 hours to make it from Canadian water to that seafood market in China.

● (1705)

Without non-stop service to Beijing, Shanghai, and Hong Kong, these markets would be closed to Canadian exporters, but markets such as Vietnam, Singapore, and Malaysia are not available. I'll touch on that a little later. I'd also like to note that while some cargo moves on dedicated freighters, the vast majority of it moves in the belly of passenger aircraft. Passenger air services are critical to our cargo business.

Just like the supply chain for perishable goods has to work in complete concert, so do policies that support expanded trade and competitiveness. One of the concepts we talk about at YVR is what we call the "policy trinity": first, free and open trade agreements; second, liberal air transport agreements; and third, simple and efficient visa policies and border processes, and for gateway airports particularly, visa initiatives such as transit without visa. Where these three policies are aligned, it's a recipe for growth in trade, travel, and tourism from our markets.

Let me give you another example. Canada has a free trade agreement with Chile. We've had one since 1997. We recently removed the requirement for Chileans to have visas to enter Canada, but the air transport agreement between Chile and Canada, the last piece of the policy trinity, remains very restrictive. Canadian or Chilean airlines can't route services as the market might dictate. There's a piece of the puzzle that's missing today.

We also looked at the impact of a hypothetical flight between Beijing and Vancouver that is carrying on to Chile or another Latin American destination. We estimate that the direct economic impact of such a flight would create 365 person-years of employment directly at the airport, paying $17 million in wages and almost $10 million in taxes, and would add $32.5 million in value to British Columbia's GDP. The additional visitors resulting from such a flight would create another 630 direct person-years of employment in hotels, restaurants, shops, and tourist attractions, paying an estimated $20 million in wages and over $10 million in taxes, with $27 million in value added to the B.C. economy.

There are other benefits that our model can’t even calculate, but we do know that such a new service would create additional jobs by giving businesses involved in international trade and organizations such as universities more options to reach customers, suppliers, and investors in China and Latin America.

While Canada has liberalized a number of air transport agreements in recent years with key trading partners such as the EU, South Korea, and New Zealand, a number of the emerging priority markets identified in the action plan continue to have restrictive air service agreements. Examples are Thailand, Singapore, Malaysia, Indonesia, and Vietnam.

As noted in the action plan, air transport agreements are one of the key tools to help facilitate trade and remove barriers to growth. We encourage the federal government to be proactive in pursuing air service liberalization in countries identified in the action plan, where growth in their local economy means that trade in goods and services, particularly tourism and education, is poised to take off. By “proactive”, we mean creating the opportunity in advance of specific air carrier interest. This way, when the market is ready, people, planes, and products can move immediately rather than having to wait for an extended period while the necessary agreements are negotiated.

Border and visa policies are also key. We've been working with a joint government-industry group on transit without visa and have made considerable progress. As the name suggests, this allows the transiting passengers on those gateway flights I spoke of, the ones who are not staying in Canada, to travel through a Canadian airport without the need to obtain a Canadian visa. This puts Canada on a level competitive playing field with other global hubs, which are capturing an ever-increasing share of this transit market.

Passengers have choices. A passenger starting in Asia can choose to get to Latin America via an airport in North America, via Europe, or through the Middle East. It’s shorter for many to go via Vancouver, but Middle East airports offer a simple and efficient connecting process.

● (1710)

As recently as 2005, 3% of the China-South America connecting traffic went through Canada, and 0% through the Middle East. By 2013, only 1% of China-South America traffic—

The Chair: Mr. Bruno, I'm going to have to get you to wrap up.

Mr. Gerry Bruno: Okay, I'll go right to the end.

The Chair: We're over the 10 minutes now.

Mr. Gerry Bruno: I'm sorry.

The policy changes that I talked about bring benefits in terms of added employment and facilitation of trade and travel. They do so, for the most part, without the need for federal government investment, an important consideration in times of fiscal constraint and economic uncertainty.

I want to close by reiterating the importance of policy alignment for ensuring that Canada remains a vibrant and competitive trading nation. Trade, air, visa and border policies all need to work in concert to ensure that opportunities for Canadian companies in global markets are maximized.

Thank you.

The Chair: Thank you, Mr. Bruno.

Mr. Davies, you have seven minutes.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you, Mr. Chairman.

Thank you, Mr. Bruno, and thank you, Mr. Taylor, for being with us today.

Mr. Taylor, I'm going to start with you. We heard some previous testimony, if I got it right, that projects an increase in Asian tourism. I'm not quite clear if that's Canadian tourists going to Asia or Asians coming this way, but it's pretty much explosive growth. I think it's estimated at 7.1% per year for the next number of years.

Do you have any advice for this committee in terms of how Canada and Canadian companies can tap into that growing Asian market?

Mr. Rob Taylor: Predominantly, it is the Chinese market that we're forecasting the growth from. TIAC serves the role in Canada of being the registrar of the approved destination status program. We've been working across the country in embracing cultural.... It's more of a cultural engagement from a tourism perspective, and being able to provide the creature comforts, so to speak, and ease that cultural gap —the way we conduct business, the foods that we eat, and everything we do in Canada—for those coming from China, particularly. We have a consultant who works with our organization. She goes across the country, working with destinations—she just came back from the Yukon—helping develop that capacity to develop a destination where we're going to be able to provide those services to the travelling public.

● (1715)

Mr. Don Davies: We have to up our IQ when it comes to Asian culture, the Chinese culture specifically?

Mr. Rob Taylor: If you look at Toronto, Vancouver, Montreal, there's a large diaspora there, a large Chinese population. We have the infrastructure there. You just have to look at Ottawa. We have symbols and a welcoming presence in Ottawa for visitors from other countries, particular China. There's quite a bit that can be done, particularly in the outlying and more remote areas.

Mr. Don Davies: Thank you.

Mr. Bruno, I'm going to turn to you. Do I understand you correctly that at present it's the case that visitors coming to YVR who are going to be moving through YVR, not staying in Canada, flying out, need a visa just to be in the airport?

Mr. Gerry Bruno: That's correct. There is a very limited transit-without-visa program that applies only to the Philippines, Taiwan, Indonesia, and Thailand. We have a China transit program, but that's limited to three cities in mainland China. Our objective is to expand that to more cities in China. That will help stimulate more air services from China as well.

We have a number of airlines that have already indicated to us that they would fly to Vancouver and carry on to the United States if they could carry these transit passengers without a visa. Now, these passengers would have a visa to go to the U.S. already.

Mr. Don Davies: Could I ask you, if it's not too much trouble, to provide this committee with a list of the countries or cities that need such a visa? That might assist us in making recommendations.

The Chair: Or would it be easier to go with the cities that have a visa?

Mr. Don Davies: Whichever way is easier, so that we have an idea of where the problem areas are.

Mr. Gerry Bruno: All right, I'm happy to do that.

Mr. Don Davies: Thank you.

Mr. Gerry Bruno: I'll provide a list, yes.

Mr. Don Davies: I also had a question about capacity. You mentioned the importance of the seafood industry to British Columbia. I'm an MP from Vancouver. We're signing some trade agreements. We just signed an agreement with Korea. We have a tentative deal with the European Union. Seafood's a big part of it, as well as other products.

If we plan on expanding Canadian exports to international destinations and a lot of this will have to go by air cargo, do you see any issues with respect to airline cargo capacity?

Mr. Gerry Bruno: Korea is a great example because the policy trinity is at play there. We have free trade, they don't require a visa to come to Canada or to transit through Canada, and we have open skies, so that works.

But there are obviously a lot of other economies where there are restrictions, and the opening up of those markets through air bilaterals would certainly allow more cargo lift to those markets. We have a number of them that we are targeting, the countries I named in Southeast Asia in particular and in South America. We have great trade ties with Chile but no direct services out of Vancouver to South America.

Mr. Don Davies: I'm not sure I expressed my question clearly enough.

I'm interested in capacity. Do we have enough capacity in our aircraft that are flying to these places to take the expanded cargo that we intend to send to those places?

Mr. Gerry Bruno: The two go hand in hand because as you increase passenger services—and as I mentioned a little earlier, most of the cargo actually flies in the belly of passenger aircraft—the larger wide-bodied aircraft today have a lot of cargo capacity.

Mr. Don Davies: I want to switch to maintenance. We heard some testimony earlier today, Mr. Bruno, about the importance of maintenance, repair, and overhaul as part of the whole airline industry. I think the figures we were given were that it's about a $6 billion a year industry and it creates about 25,000 jobs.

I know that at YVR we had the unfortunate experience of losing Aveos, the aircraft maintenance facility, to El Salvador, I think. I just wonder if there is anything you can tell this committee about how we can encourage the maintenance, repair, and overhaul industry at YVR or any other airport.

● (1720)

Mr. Gerry Bruno: It's globally very competitive. In order to be successful, I think this is where government and the airport have to come together because these people are looking for tax breaks and all sorts of other deals like that, which other countries and jurisdictions are offering them. So it is a partnership. It has to be the provincial government, the federal government, and the local airport authority, which are trying to attract these types of operations, working together and putting together a competitive offer.

The Chair: Thank you, Mr. Davies.

We'll go to Mr. Cannan.

Hon. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

Thank you, Mr. Taylor and Mr. Bruno, for being here as part of our study of the positive effects of the global market action plan, otherwise known as GMAP.

Coming from Kelowna—Lake Country in the Okanagan, I appreciate the importance of both sectors. Tourism is one of the economic engines that drive our economy. Definitely with YLW, you're linked to the world. I know that Mr. Bruno and Sam Samaddar, our airport manager, talked briefly offline. He sends his regards. He works closely with YVR. Kelowna is the 10th busiest airport in Canada, and we continue to see the economic benefits.

I've worked with former Richmond MLA Rob Howard, some of the economic development officers across the provinces, and other MLAs on a strategic plan on the Asia-Pacific. Following up on the question of my colleague, Mr. Davies, the earlier witnesses said that 7.1%, or half of the world's air traffic growth, will be driven by travel to, from, or within the Asia-Pacific region.

With the Asia-Pacific gateway and the investments that governments have made over the years, how well is Canada and the Canadian aviation sector positioned to take advantage of this anticipated air traffic growth, both from an air traffic and a tourism perspective? Could you comment on that first question, please?

To both of you, but Mr. Taylor, please go first, thanks.

Mr. Rob Taylor: In terms of the capacity across the country, we're well positioned to take on the additional growth. The main challenges are very much as I outlined in my testimony today. We have a number of public policy challenges in terms of facilitating the people coming into the country.

We have seen some significant changes over the last year or so around the CAN+ program where the processing of visas from the key emerging markets has been expedited for those who have either travelled to Canada or the United States previously or are in possession of a U.S. multiple entry visa.

Where our industry would love to see more collaboration and cooperation in these areas is following examples like the recent announcement between Ireland and the United Kingdom where they have a reciprocal visa process. We would hope that, under the beyond the border program between Canada and the United States, we would start to see much better collaboration between the two countries.

As Mr. Bruno mentioned, the transfer without visa and a number of these initiatives would be augmented if we were able to have either a single window or a North America-type visa where we recognize credentials on both sides.

We do have a policy challenge on the forefront in terms of how well we integrate the electronic travel authorization program into this, which will impact people travelling from non-visa waiver countries.

Hon. Ron Cannan: Mr. Bruno.

Mr. Gerry Bruno: I fully agree with Mr. Taylor's comments.

The visa issue is a big one. We just completed a submission through the Canadian Airports Council to the CTA review and have made very strong recommendations on improving the visa process. Other countries are doing it. We strongly believe we need to do something bigger in North America under the beyond the border action plan. We've recommended that we move maybe to a Schengen type of arrangement with the U.S. so that foreign visitors can freely travel between Canada and the U.S. with just one visa.

These are all improvements that need to be made and that will help to open up the market.

Hon. Ron Cannan: Thank you.

Don Davies also alluded to MRO—maintenance, repair, and overhaul—but when the Air Transport Association of Canada were here, they also alluded to the possibility of flight training, and especially to export opportunities.

Kelowna Flightcraft is my largest private employer in Kelowna. What are the potential opportunities for the aviation industry to export Canadian flight training, from your perspective, at YVR and across Canada?

● (1725)

Mr. Gerry Bruno: I think Canada is a leader in aviation and the export opportunities are there, but private sector firms such as Kelowna Flightcraft have to get out there and market their services. We do it ourselves through our joint venture subsidiary Vantage, through which we manage airports across Canada and around the world. We export our expertise that way.

I think the opportunities are there, and having worked closely with the department of international trade and development, I will say that they have been very helpful in that process as well.

Hon. Ron Cannan: I have time for just one more question.

Right now we have air transport agreements with112 countries. I've been an MP for just over nine years and frequently travel through YVR, which has been a construction zone for about the last decade.

Could you elaborate a little to the committee on how the Vancouver airport has grown, and whether or not this blue sky policy has contributed to that growth?

Mr. Gerry Bruno: Well, it has. I remember the old days. I was with YVR in the early nineties, when we didn't have an open skies agreement with the U.S. Our traffic was very limited; our international traffic was a fraction of what it is today. There has been a lot of progress on air policy, but we believe it still has further to go. We would like to see more open-air bilaterals with China, with Taiwan, and other markets to help accelerate that growth.

We're concerned. There is a window of opportunity, and the longer we delay, the more we see other jurisdictions—the Middle East, Turkey, and other markets—take more and more of that international market share. But we're in the game. We're doing everything we can to be competitive, and we just need a little help on the government policy side.

Hon. Ron Cannan: All right. We'll continue to work together. Thank you very much for all your continued work and great efforts.

The Chair: Ms. Freeland, you have five minutes.

Ms. Chrystia Freeland: Thank you, Mr. Chairman.

I want to start by seconding the line of questioning from Mr. Davies. I thought that pinpointing those countries that need the visa for being in the airport would be some useful work that this committee could do, which we could highlight. If you gentlemen help us out, I think this is something we could do that is really concrete.

I'd like to start with Mr. Taylor. I'm glad you quoted that WEF report, because I wanted to ask you about it. It is striking that we rank number one in air transit infrastructure but rank 136 out of 140 when it comes to ticket taxes and airport charges. What can we do about that?

Mr. Rob Taylor: We've just finalized our submission to the Canada Transportation Act review. Canada is in the unique situation that we are the only country—and this is not my expertise—among, I believe, the G-20 that has a cost recovery model and fully imposes all operational and security costs into the cost of an aviation ticket. In the United States, airports are under a model like our old one, in which there is a subsidy as well as other federal programs that pick up the costs of security and other things.

We've taken an approach with the CTA review of looking at roles and responsibilities in terms of what the responsibilities of the travelling public are and what ones are in the national realm. We believe that national security is not necessarily the sole responsibility of the travelling public and that we possibly should be looking at a shifting of that tax burden to see where we can find some room within those prices to make ourselves more competitive, with the overall objective of bringing new, lower-cost carriers into Canada and letting market forces prevail.

Ms. Chrystia Freeland: Do you have some sort of an estimate, a ballpark, of how much of a shift you'd like to see? What would make us competitive, say, with the U.S.? What would make Mr. Bruno competitive with Seattle?

Mr. Rob Taylor: I can shift some of that to Gerry, who probably has the specifics, but for us it's about a 30% shift in the price of a ticket.

Ms. Chrystia Freeland: Mr. Bruno.

Mr. Gerry Bruno: We've looked at that and I agree with what Mr. Taylor was saying. You look at security and the air transport security charge in Canada, where 100% of aviation security is funded by that charge. In the United States, only one-third of it is funded by a charge to passengers and airlines, and two-thirds is borne by government. They recognize it's a national security issue; it's not just an aviation security issue.

But I think 30% is the gap that we have between Canada and the U.S. Even if we could cut that in half, it would make a huge difference. We've made similar submissions to the CTA review to deal with government fees and taxes.

One simple thing that would help a lot would be if the funds that are collected from aviation were reinvested in aviation. This is what happens in the United States. They have an air transportation tax, for example, but it goes to fund an airport development fund. Airports requiring infrastructure can apply for capital under that fund. That allows them to keep their fees and charges lower, which is one of the reasons that a lot of the airports in the U.S. have lower costs than Canadian airports. Our airports pay rent to the federal government, but we don't get anything in return for that. In the U.S., they don't pay any rent and they have access to capital. It's quite a different model.

● (1730)

Ms. Chrystia Freeland: Do I have time for one more question, Mr. Chairman?

The Chair: Be very quick.

Ms. Chrystia Freeland: It's Wednesday afternoon, but you guys have actually been very radical in talking about the desirability of a Schengen visa arrangement in North America. How realistic do you think that is? Have you been talking to some counterparties about it? What impact would it have on your industry?

Maybe Mr. Taylor first and then Mr. Bruno.

Mr. Rob Taylor: We've spoken to the Departments of Commerce and Homeland Security in the United States about these issues. When it comes right down to it, we are so small that it would be easier for Canada to recognize U.S. visas than going the other way around. About 14% of those Chinese flights that are arrivals into Canada are actually coming via the Unites States already.

The Chair: Mr. Bruno, you have 10 seconds.

Mr. Gerry Bruno: We put it into the beyond the border 2.0 submission. We've put it into the CTA review. Is it something that's doable in the short term? I hope so, but it's going to take a lot of work on both sides to get there. The more people that are behind it, the sooner we can get there.

The Chair: Thank you, colleagues.

I would like to thank the witnesses for being here this afternoon. I do apologize for the votes. We could have had more questions for you, I'm sure. In light of the fact that it's already past 5:30, I'm going to move that this meeting be adjourned.

The meeting is adjourned.