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Chair

Mr. Randy Hoback

Standing Committee on International Trade

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● (1530)

[*English*]

The Chair (Mr. Randy Hoback (Prince Albert, CPC)): Pursuant to Standing Order 108(2), we are continuing our study of the positive effects of the global markets action plan.

Today we have two witnesses, one by teleconference and one here in person.

We'll start off with Daniel-Robert Gooch, president of the Canadian Airports Council.

Daniel, the floor is yours.

Mr. Daniel-Robert Gooch (President, Canadian Airports Council): Ladies and gentlemen of the committee, thank you for the opportunity to address you today on the subject of Canada's international air bilaterals.

I understand you have already heard from Vancouver Airport Authority, which is one of our member airports. My comments will be presented on behalf of our broader membership, which includes 45 members operating more than 100 airports around the country, including all of Canada's major international gateways.

As we detailed in our recent submission to the Honourable David Emerson on the Canada Transportation Act review, which I will table with this committee to review as well, international air travel has been an area of strong growth for Canada's airports particularly over the last decade. Over the past few years it has surpassed U.S. transborder traffic as the second-biggest component of traffic in much of our country.

Airports represent trade-enabling infrastructure, and bilateral air agreements are the rules by which aviation is able to support Canada's free trade agenda in the outside world. Indeed the addition of just one new daily overseas route into a Canadian airport supports hundreds of direct jobs, with an even greater impact on the local economy through improved trade and business links.

Over the past decade we have seen the opening up of air access between Canada and many of our most important partners for trade and tourism. Landmark agreements with the United States and the European Union have punctuated this period, but there have also been new and improved agreements with other important markets like Brazil, South Korea, Turkey, Japan, and China. These agreements open significant opportunities for trade and tourism for Canada and the communities our members serve. This is why in our CTA review submission, the CAC has called for Canada to seek open skies agreements with Canada's free trade partners.

Our members compete with each other as well as with destinations in other countries for the air services of domestic and foreign air carriers that can develop when an agreement is opened up. As a result, specific views on this topic can vary significantly from community to community and on a case-by-case basis depending on the country we are dealing with.

Our members communicate their views directly with the federal government regarding priorities for new negotiations and specific air access issues to be tackled by Canada's negotiating team. Accordingly, it is often inappropriate for the CAC to weigh in on the merits of liberalization with individual markets. However, Canada's airports generally agree broadly on several points. First is that the blue sky policy serves as an effective policy framework for Canada to endorse the principle that liberalization of air regimes is generally very good for Canada. There has been some concern that sometimes the policy is not pursued in a manner consistent with the spirit of its intent, but in general Canada has done well with this policy.

Canada's airports represent the communities they serve. Airports are locally oriented non-share capital corporations with a business development mandate to support their communities and their communities' economies. This is why there is a long-standing request by the CAC that airports with a commercial stake in the outcome of talks be afforded observer status at these talks the same way Canadian carriers are. We were pleased to see this request partially granted last year when the CAC was notified that we would be able to send a single representative to future air bilateral negotiations. We have yet to participate at any talks as none have been scheduled since we were notified of the change in policy, but we are confident that over time this opportunity will be a positive addition to the discussions by providing a vehicle for community-level concerns and by improving transparency and accountability.

Nevertheless, each of our members has its own commercial interests at stake. We see this as an important first step towards individual airports eventually being able to directly observe talks with markets of particular commercial interest just as any Canadian carrier can do today.

Finally, while international air agreements are important to opening up trade and air travel between markets, they are not the only important factor. There remains, for example, significant opportunity for new services in many of the existing air service bilaterals we have today. There are areas of visa policy that are just as important, which is why we have been working with citizenship and immigration Minister Chris Alexander, for example, on expanding and improving the transit without visa program to expand Canada's share of connecting passengers who support new and existing international air routes. Canada has a tremendous opportunity to grow this market and to take advantage of big growth expected in markets like Asia to Latin America.

Other important competitive factors include the growing concern with wait times at security screening throughout the country, particularly at Canada's largest airports, and Canada's cost-competitiveness environment. These are both areas under direct control of the federal government and are equally important to address if Canada is to take full advantage of significant opportunities for trade and tourism that can be afforded by growing international air travel to, from, and through Canada.

Ladies and gentlemen of the committee, being mindful of time, I will end my comments here. I look forward to any questions you may have.

Thank you.

The Chair: Thank you, Mr. Gooch.

We'll move on to our next witness. Stephan Poirier is joining us by teleconference.

Stephan, the floor is yours.

Mr. Stephan Poirier (Vice President and Chief Commercial Officer, Calgary International Airport): Thank you, members of the committee. We're very grateful to be able to address the committee with our feedback and our perspective from Calgary.

The first thing I'd like to say is that I echo Mr. Gooch's comment regarding the blue sky policy framework, which we believe has worked really well for Canada. As you know, airports are economic enablers, but we do not fly. We rely on airlines to come and go as they bring people back and forth between the markets worldwide. We are open for business, and we enjoy having carriers from all over the world in order to inject a fair dose of fair pricing within the system.

Last year Calgary was able to retain its status of third-busiest airport in the country with 15.2 million passengers annually, which is more than Montreal but less than Vancouver and Toronto. For the last 10 years we have had an air access system in this country that has been extremely good for the needs and purposes that we pursue here at Calgary. We are more than fine with the existing system, and I want to emphasize that point. We do not seek to open markets anywhere else in the world at the present time.

Not knowing whether the members of the committee are really familiar with the air access files, I will take the time to say that the CTA, the Canadian Transportation Agency—and forgive me if I'm repeating what you already know—is responsible for charter permits and also for extra bilateral permissions that should be or should not be granted outside of the bilateral framework. We have had recourse to this agency on several occasions to provide air access to carriers that did not have air access.

A prime example of this involves a carrier from the Grand Duchy of Luxembourg, Cargolux, which is very important for the region. We are a strong exporter of oil and gas equipment, which does not fit in the belly of a passenger jet, so we needed some extra lift to be provided by special aircraft called 747 freighters. Since the Grand Duchy of Luxembourg did not have access to Canada, period, because of the non-existence of a bilateral agreement between the Grand Duchy of Luxembourg and Canada, we reached out, at the time, to the CTA to grant them permission. For the last 12 years they have been operating very successfully in and out of Calgary, with three frequencies a week, and it's working extremely well. So, from the point of view of Calgary, we are very happy with the current system and the current level of access by foreign carriers into our market.

We are a bit of an anomaly with a population base of only 1.2 million handling more than 15.2 million passengers annually. Our concern is with more sustainability in the long run. We do not want to go down in terms of traffic. We want to continue to provide great access, by far the best access per capita in the country. Also, we're very focused on sustainability.

Again to echo Mr. Gooch's comments, our current focus is more on facilitations for sixth freedom traffic rights. Very quickly let me explain what that does for us. In 2010, we were able to convince Air Canada to have a non-stop Calgary-to-Tokyo flight. Air Canada currently is trying to expand the reach to bring people from Las Vegas, New York, and all over the United States via Calgary to go to Tokyo. In order for this to be possible, we need to build extremely expensive infrastructure. We are therefore building a new $2-billion terminal, which will be equipped with state-of-the-art passenger connection corridors that will allow the smooth flow of passengers to connect on such a flight.

However, we are suffering from very long lineups at CBSA and Canada Customs, and unacceptable wait times at security carried out by CATSA. These two agencies are under the control of the federal government, and we would like to work with the federal government to facilitate and speed up the process while not changing any levels of security that have been established by the federal government.

● (1535)

Our focus is really to facilitate the growth of existing carriers, especially Canadian carriers, as both WestJet and Air Canada produce a lot more jobs when they put a non-stop flight in place than a foreign carrier would do.

In closing, and mindful of time, I would just say that although the current bilateral agreement with China is extremely liberal and permissive, the big challenge for Calgary and Montreal has been to find landing slot times at Beijing Capital International Airport. Doing so is almost impossible. This appears to have been resolved for the short term; however, that's happened only after five years of extreme lobbying and having to give up on Air Canada getting access to Beijing Capital International simply because it's impossible for them to get good landing slots there, even though the bilateral is very permissive. It looks as though we're going to have to go with Chinese carriers, which was a second choice, in terms of ensuring the sustainability of the air transport system at Calgary.

I will leave those comments with the committee. Facilitation is extremely important to us in terms of speeding up and easing the connection process at any of the major hubs in Canada.

That's the end of my comments.

● (1540)

The Chair: Thank you, Mr. Poirier.

Colleagues and witnesses, for your information, we will probably have bells in the next five minutes. We do have enough time for each party to have one question of a maximum of two minutes. That will at least give everybody a chance to ask witnesses one question.

Mr. Davies, I'll start with you.

Mr. Don Davies (Vancouver Kingsway, NDP): Mr. Chair, may I ask each witness a quick question and stay within the two minutes?

The Chair: Yes, just don't push the two minutes. I'll be firm with the two minutes.

Mr. Don Davies: Okay. Thank you, Mr. Chair.

Thank you, witnesses.

Mr. Gooch, in your remarks you said, if I have it right, that liberalization is generally good, and you pointed out that there are some concerns when it's not done in the spirit of the initiative. I'm wondering if you could elaborate for about one minute on that and tell us what you mean and what your concerns are.

Mr. Daniel-Robert Gooch: I think it's fair to say that most of our members generally believe that liberalization has been a good thing when you look at open skies agreements. For example, the United States has concluded quite a few around the world. Generally, they have opened up air services and benefited carriers from both sides. Certainly, we've seen Canadian carriers benefit quite a bit from the Canada-U.S. liberalization that took place in the nineties and then a couple of years ago.

There are a few markets around the world that are controversial, and there is no consensus among our membership. For example, in some of the Middle Eastern markets we have some service from some of the Middle Eastern countries, but when you get into some specific countries, some of our members would perhaps like to see greater air access. Others actually think the current situation is pretty good.

Mr. Don Davies: Thank you.

Mr. Poirier, quickly, you mentioned the significant problem of lineups in security. I'm wondering if you have any suggestions for the committee. What would you do to try to address that problem if you could?

Mr. Stephan Poirier: I think it's related to two things, but in the interest of time, I would just say this. We are spending $200 million to put in a very elaborate system of corridors to ease the flow of connecting traffic, while CATSA, in the spirit of saving a few dollars on staffing, will not staff appropriately. There are seven lines open and only four of them are staffed. A quick gain would be to add a little more staff where it really counts to get the passengers through quickly.

The Chair: I'm going to stop you there. I apologize, Mr. Poirier, but we're really tight on time here.

Mr. Gill, I'll give you two minutes.

Mr. Parm Gill (Brampton—Springdale, CPC): Thank you, Mr. Chair, and let me quickly thank both of our witnesses for appearing today.

As a percentage, our trade by air is still relatively low. What suggestion do you have to further expand it? Maybe both of you could jump in.

Mr. Stephan Poirier: In terms of tonnage it is low, but in terms of value it is not. It represents close to 40% of the value by air but less than 1% in terms of tonnage. It's very difficult to ship inexpensive goods in a very expensive mode of transport, so the only way to grow this is to grow the economy.

Mr. Daniel-Robert Gooch: I don't know that I could add much to what my colleague in Calgary indicated.

Certainly, air cargo is a more expensive way of shipping, so we see higher value goods go by air. We've seen a fair bit of growth; particularly as Canadian carriers have grown their international routes, that has come with added cargo capacity. The aircraft that we have in the fleet today can carry more cargo than in the past. You grow the economy and grow trade between Canada and other markets of the world, and high-value air freight will follow.

Mr. Parm Gill: Thank you.

The Chair: Ms. Freeland.

Ms. Chrystia Freeland (Toronto Centre, Lib.): Mr. Chair, could I follow the fine example of Mr. Davies and ask two really short questions?

● (1545)

The Chair: That's no problem, but just two minutes, though.

Ms. Chrystia Freeland: Okay, thanks.

Starting with Mr. Gooch, thank you very much for your excellent presentation.

We heard from Mr. Poirier about China being a very important market. What impact does the lack of a U.S.-style, reciprocal, 10-year visa arrangement have? Is that something which we're seeing limiting the amount of tourism and business travel between Canada and China?

Mr. Daniel-Robert Gooch: Certainly, we understand that visa-related issues are one of the biggest concerns that China has. That's what I'm hearing from our members. We have a tremendous opportunity to grow traffic between China and Canada by taking advantage of that growth in air travel between China and other parts of the world.

I know that one of my colleagues who appeared here last week, Gerry Bruno, would have spoken to you about transit without visa, which is a way for travellers who are going from China to the United States currently—we're hoping to expand it to other parts of the world—can actually transit through Canada without having to have a visa. Perhaps this seems counterintuitive to growing trade between Canada and China because I'm talking about people who are going someplace else, but what we see is that actually growing the transit traffic can make or break international routes. As my colleague in Calgary was speaking about, the route between Japan and China, they want to grow traffic from the United States and other countries by connecting over it.

We're looking to transit without visa as one way to really boost the air routes that we can have between China and Canada by flowing traffic not just destined for Canada but for other countries as well.

Mr. Stephan Poirier: I would like to add one thing quickly as well.

From an airport perspective we do a lot of field trips in China, and the number one complaint is the time that it takes to get a Canadian visa for tourism. They would not know whether the visa was granted three days before the departure of the flight. These things can be taken care of and line up in a way that the process is more expedited. It would certainly not harm tourism the way it does—

The Chair: We are going to have to stop it right there. The bells are ringing. I do apologize, witnesses.

I feel that we've shafted you in some way because we didn't get a full chance to do a proper exploration, but we do have to go and vote.

Colleagues, I'm going to suspend at this point in time. I encourage you to get back as soon as possible so we can continue with the next round of witnesses that we have.

Ms. Chrystia Freeland: Will we see these witnesses again?

The Chair: No, we won't.

Ms. Chrystia Freeland: Can we say thank you?

The Chair: You definitely can.

Ms. Chrystia Freeland: Thank you, gentlemen. They were great presentations even though the time was limited.

Mr. Stephan Poirier: You are more than welcome.

The Chair: Again, witnesses, I do apologize for this. I do thank you for your time and effort in this. We appreciate the information you've given us.

Colleagues, the meeting is suspended.

● (1545)

(Pause)

● (1640)

The Chair: We'll continue.

From Air Canada we have Derek Vanstone, vice president of corporate strategy, industry and government affairs, and David Waugh, director of international regulatory affairs and facilitation.

From Sunwing Airlines we have Mark Williams, president.

We'll start off with you, Mr. Vanstone. You'll have a chance to give your presentation.

Before you get started, I just want to apologize because due to votes, the meeting is going to be a little shorter than normal, but we definitely appreciate and look forward to hearing what you have to say.

Mr. Derek Vanstone (Vice President, Corporate Strategy, Industry and Government Affairs, Air Canada): Thank you very much, Mr. Chairman, for having us here today.

[*Translation*]

It is a pleasure for me to address you today.

[*English*]

I am joined today by David Waugh, as you mentioned, who is our director of international regulatory affairs, and Fitti Lourenco, our director of federal government affairs.

I'm very pleased to see the committee's focus on international global trade growth. At Air Canada we see ourselves as a global Canadian-based company, and we recognize that a substantial portion of our future growth is going to be international. Moreover, we believe that a strong airline sector and effective air links to our key trading partners are key building blocks for Canada as we seek to grow international trade.

I'll tell you a little about Air Canada.

We're Canada's largest airline. We're the largest provider of scheduled passenger services in the Canadian market, the Canada-U.S. market, and the international market to and from Canada. We're also the 15th largest airline in the world.

In 2014, Air Canada, with our 27,000 employees, carried 38.5 million passengers. We offered direct passenger service to 186 destinations on five continents, which included 61 Canadian cities, 50 U.S. destinations, and a total of 75 cities in Europe, the Middle East, Asia, Australia, the Caribbean, Mexico, and South America.

We're the only international network carrier in North America to receive a four star ranking from the independent U.K. research firm, Skytrax. Last year, for the fourth year in a row, we were selected best airline in North America in a worldwide Skytrax survey of more than 18 million airline passengers.

We recognize that our customers are looking for global access to accommodate this. In 1997, we joined the Star Alliance. We're one of the founding members of that alliance. It's a global network partnered to seamlessly serve our customers. In addition, we have joint venture agreements with the U.S.-based United Airlines and the Lufthansa group of airlines over the Atlantic Ocean, anti-trust immunity to pursue a joint venture with United Airlines on the U.S. transborder market, and we intend to enter into a joint venture with Air China over the Pacific Ocean.

We are expanding our fleets with announcements to acquire additional Boeing 777 and 787 aircraft. This will allow for further expansion in the coming years, including our recently launched routes to Panama City and Rio de Janeiro, and our recently announced service to Amsterdam, Delhi, and Dubai.

We fully support the objectives of the global markets action plan, and we agree that the approach set out in that plan is appropriate. When you look at the regions set out in that plan, these closely match our current and future route ambitions. Markets that are identified as established constitute a significant portion of our route network with 1,657 weekly flights to every region, except New Zealand, which we operate via code share via Vancouver on Air New Zealand. If you include code-share services to these established nations, it's almost 18,849 flights per week. In the markets where there are broad Canadian interests, we fly to all but four of the listed countries with 133 weekly flights operated by Air Canada, which grows to 951 flights if you include Air Canada code shares.

Whenever we seek to serve a new international destination, the first things that must fall into place are the bilateral air rights that are negotiated by the Government of Canada. These are done through bilateral air transport agreements, ATAs. As a result, these agreements on traffic rights are in some small way not unlike trade agreements with other countries. Other countries certainly view air traffic negotiations as a means to benefit their own airlines and their aviation industry, including in some cases government-owned airlines.

The Government of Canada's blue sky policy was adopted in November 2006, and is an approach to bilateral air negotiations, which seeks to grow in a balanced manner and in consideration of the interests of all stakeholders, and avoids a one-size-fits-all approach. We strongly support the continued promotion of the government's blue sky policy, and note that it has brought significant growth to Canadian airlines and airports, resulting in better services to all Canadian communities. Specifically, Air Canada has consistently pushed for improved bilateral access to large and important markets, such as the European Union, Brazil, Japan, and China, asking for increased capacity, frequencies, access to new destinations, and access to new code-sharing opportunities, among other benefits.

● (1645)

Through the increasing liberalization of our air industry, our country has made a number of achievements since 2006. Canada has concluded air transport agreements with over 80 countries, and the number of bilateral partners has gone from 72 to 112. We have open skies-type agreements with close to 50 countries, such as the United States, the countries of the European Union, as well as Brazil, New Zealand, Jamaica, and South Korea. We also have expanded agreements with 20 countries, which include China, India, Japan, Colombia, Peru, Turkey, Egypt, Singapore, and Mexico. We have first-time agreements with 21 countries, such as Equador, Uruguay, Bangladesh, and Ethiopia.

As a result, over 70% of the traffic to and from Canada is with a country that has an open skies agreement with Canada. This rate climbs to well over 90% when you factor in bilateral arrangements where capacity is available but Canadian and foreign airlines have not yet fully used the available capacity.

The blue sky policy and these agreements are why the World Economic Forum has ranked Canada within the top 10% of the 144 countries surveyed when it comes to air access.

Despite the success of the blue sky policy, some continue to advocate for greater liberalization. We believe that an across-the-board one-size-fits-all approach to the negotiation of open skies would have detrimental effects. Without ensuring that these agreements are based on a level playing field and that they will have balanced benefits for both countries, it is clear that local airline services and passengers will be negatively impacted.

In conclusion, I'll leave you with three constraints to future growth that I would ask the committee to give some consideration to.

First, while we are in the top 10% when it comes to air access, the same study by the World Economic Forum found that we are 135th of 144 countries when it comes to taxes and fees. I know this isn't the committee's primary focus, but it is a significant barrier to competitiveness and growth in the aviation sector not only for Air Canada, but for other international airlines seeking to serve Canada. The user-pay model that the government has pursued since the 1990s is simply not in line with international standards. It is in effect a tax on international trade and it needs to change.

Second, an issue that's more directly in the committee's wheelhouse is visas. Whether it's a Brazilian businesswoman who needs to come to Vancouver for meetings, or a Chinese businessman who needs to get to Cleveland and is considering connecting over Toronto, the time and inconvenience of obtaining a Canadian visa is a significant barrier. If Canada supports Canadian airports becoming international connection points and Canadian airlines becoming international network carriers—which is certainly our ambition—and Canadian businesses benefiting from increased trade opportunities, then Canada must recognize that the current visa framework stifles such opportunities and imposes a significant competitive disadvantage vis-à-vis other hubs, such as the UAE, Singapore, Amsterdam, and Panama City.

Finally, going back to my remarks on the bilateral air agreements, we urge you to continue to support the approach found in the blue sky policy. Many state-subsidized foreign airlines would love to have unmetered access to the Canadian hubs, and they would be able to point to short-term benefits in their arguments for further access. However, we have to recognize that this would damage Canadian air access in the long term, and that is a reality that Australia is now facing.

Merci. Thank you, Mr. Chairman.

● (1650)

The Chair: Thank you, Mr. Vanstone.

I'll turn the floor over to you, Mr. Williams.

Mr. Mark Williams (President, Sunwing Airlines): Thank you very much, Mr. Chair.

Good afternoon, ladies and gentlemen and members of the committee.

My name is Mark Williams. I'm the president and chief executive officer of Sunwing Airlines. Sunwing Airlines is part of the Sunwing Travel Group, which is a proud family-owned Canadian company and a true Canadian success story.

The Sunwing Travel Group is also a company that has clearly benefited from the opportunities presented by the global markets action plan and the liberalization of air transport agreements. We have grown our business and increased employment opportunities in Canada as a direct result of these programs.

In 10 short years, the Sunwing Travel Group has morphed from a small tour operator with around 70 employees in Toronto and less than $100 million in annual revenues to become the largest vertically integrated travel company in North America, with over 2,000 Canadian employees, over $1.8 billion in revenues, and operations that span coast to coast.

Our Canadian operations include SellOffVacations, an online and retail travel agency chain; tour operations Sunwing Vacations and Signature Vacations; LUXE Destination Weddings, a destination wedding company; and Sunwing Airlines. In addition, Sunwing has over 15,000 employees working at our 21 Blue Diamond Hotel properties, and NexusTours, our destination management company in Mexico and the Caribbean. The senior executives of all of these businesses are based in Toronto. We also own a U.S. tour operator called Vacation Express.

Thanks to the Canada-U.S. open skies agreement, Sunwing Airlines flies U.S. customers to our southern hotels with Canadian-registered aircraft and Canadian crew.

And we continue to grow. Sunwing Airlines is adding five aircraft this year, including three new deliveries from the Boeing factory in Seattle, which will ensure that Sunwing will continue to have the youngest fleet and the lowest CO_2 emissions per passenger of any airline in Canada.

In December we opened two new hotels: an 840-room hotel in Cancun called the Royalton Riviera Cancun, and a 320-room hotel in Punta Cana called CHIC Punta Cana. These hotel projects benefit our business in Canada, as we have proven that product-led growth in the Caribbean increases our passenger traffic out of Canada.

There's a good example of this in Jamaica, where Sunwing has been operating hotels since 2011. With the benefit of our own hotel product in Jamaica, Sunwing has grown its passenger traffic out of Canada from 52,000 passengers per year to over 150,000 passengers in just under four years. This summer we're significantly expanding our two Jamaican hotels, which we believe will lead to further expansion of our Canadian business next winter. Without open markets and liberal bilateral air agreements between Canada and the countries we operate to, none of this would be possible.

While Sunwing would not be considered by most to be a business that relies on international trade, our business is essentially all based on international trade. Of the almost three million passengers we carry annually, all but 45,000 are international. Of the five streams identified in the global markets action plan, Sunwing relies heavily on three: access to key global markets; access to capital; and access to talent.

Sunwing benefits from access to markets as afforded by the government's blue sky policy. The opening of bilateral agreements with Mexico and Cuba has provided Sunwing with the biggest benefits to date. Sunwing is now the largest air carrier in the world to Cuba, with over 1.2 million passengers carried in our last fiscal year. The Cuban government recognizes Sunwing's contribution to its economy, and has awarded us the opportunity to manage 11 hotels in Cuba, with over 6,700 rooms. One of those hotels, the Royalton Cayo Santa Maria, was voted the best all-inclusive resort in the world by TripAdvisor this year.

Access to foreign capital allowed Sunwing to complete a large equity transaction in 2010 with TUI Travel PLC, a company based in the U.K., which purchased a 49% economic interest in Sunwing, with 25% voting shares and 24% non-voting shares. We also fund 100% of our Caribbean and Mexican hotel properties through foreign banks, as Canadian banks have been reluctant to fund these projects.

Also, our rapid growth would not have been possible without the access to foreign talent allowed by the temporary foreign worker program. Sunwing does not use foreign pilots in the winter to save money. The TFW program mandates that foreign workers must make at least as much as their Canadian counterparts. In addition, Sunwing pays housing, car, and living allowances to these foreign workers that are roughly equal to the wages we pay to these pilots. That means a foreign pilot costs Sunwing almost twice as much as a Canadian pilot. Sunwing uses temporary foreign worker pilots as a last resort as training bottlenecks limit the number of Canadian pilots it can hire and train for these highly skilled jobs.

● (1655)

Over the last three years, Sunwing has almost doubled its employment of Canadian pilots, from 150 in 2012 to 267 in 2015, and has reduced its reliance on temporary foreign worker pilots, going from 164 in 2012 to 110 in 2015. The ratio of temporary foreign workers to Canadian pilots has dropped from 1.1 to 0.4 over this time period.

Some people have suggested that the use of foreign workers takes away from Canadian employment. In this case, nothing could be further from the truth. Sunwing has used the TFW program to deal with the skill shortage. Every TFW pilot that Sunwing employs creates more than five Canadian jobs as we hire cabin crew, maintenance, airport, and office staff to support our growing fleet. Sunwing is reducing its reliance on foreign workers by hiring and training Canadian workers to replace the foreign workers as it is able to. That is what the program is designed for.

The business of taking Canadians to warm destinations in the south is very seasonal. Looking around Ottawa today, I think you can understand why people might want to hop on one of our non-stop flights to Mexico or Cuba. In July and August, demand drops dramatically. As a business, we need to match capacity to the demand of consumers. In winter, Sunwing brings planes and pilots from Europe to help meet the demand of Canadian consumers. In the summer, Sunwing sends its planes and pilots to Europe to meet the demands of European consumers because they take their vacations in the summer. This arrangement provides consumers on both sides of the Atlantic the opportunity to take a vacation when they want to, at a price they can afford. It also provides companies in Canada and in Europe an opportunity to provide full-time year-round employment to their staff, rather than having to lay off their staff during their respective low seasons.

Government policy should be formulated with the best interests of Canada, Canadian citizens, and Canadian business in mind. From Sunwing's perspective, open trade agreements that allow Canadian companies to compete on a level playing field with businesses around the world are in the best interests of our country. Sunwing encourages the government to continue to pursue its global markets action plan and the liberalization of air transport agreements through the blue sky policy. Sunwing is a great example of how these government policies can provide increased job opportunities for Canadian employees, and lower prices and more choices for Canadian consumers.

Thank you very much.

The Chair: Thank you, Mr. Williams.

We'll get onto our questioning here.

Ms. Liu.

[*Translation*]

Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP): I thank the witnesses for their participation. Unfortunately, we have less time for questions, but I think your testimony has been greatly appreciated.

Mr. Vanstone, in your presentation you raised the issue of visas and the problems they pose for travellers who are transiting through Canada. You referred to a few models, particularly that of Singapore and Amsterdam.

Could give us a bit more detail on those models and the systems that these countries or hubs have put in place for visas?

[*English*]

Mr. Derek Vanstone: Absolutely, I'd love to, and thank you for the question.

Visas are, especially with respect to transit passengers who are a key model for us and for the major hub airports in Canada, the key way we will expand our growth. If you look at the hub airports I mentioned—the UAE, Singapore, and the Netherlands—each of those countries really doesn't require a transit visa at all. Even in the United States there has been a debate about whether they might develop what's called a transit visa, to have something a little bit simpler than what's currently in place. With that, the Chinese traveller I used as an example might be transiting through Toronto to get to Cleveland. Right now he would need to apply for an American visa, and then he would need to apply for a Canadian visa. For each of those processes, he would have to leave his passport at an embassy, wait a certain amount of time, and then get the visa

We need to move at the speed of business. If a businessman is going to a meeting, having to apply for two visas takes simply too long. We need to find ways to avoid that. Whether we develop a scheme that would allow transit visas or we use a system like the eTA, the electronic travel authorization which the government is looking to impose, and apply that for transit customers, something that makes it easier is what we would be looking for.

● (1700)

[*Translation*]

Ms. Laurin Liu: That is a recommendation that deserves further study.

Two weeks ago the committee also heard testimony from Mr. Ian Smith, President of the Air Canada Pilots Association. He said Air Canada was at a disadvantage compared to Emirates airline. I imagine you are aware of that issue. Emirates airline is said to be receiving large subsidies from its government.

Are there other companies like Emirates who are receiving substantial assistance from their government?

[*English*]

Mr. Derek Vanstone: Emirates and the Gulf airlines are all privately held, essentially state-owned companies. They are all funded by their governments, and they all operate in a non-transparent manner. None of them are publicly listed and none of them release any financial reporting. It is our best estimate that each of those—if you look at the Gulf airlines such as Emirates, Etihad, and Qatar—is significantly financed by their respective governments.

One example is we have some documents that were published in an Australian newspaper that pointed to some of the benefits Etihad Airways was receiving from its government. It was to the tune of billions of dollars. The sponsorships of the soccer teams in the U.K. that have Etihad AIrways on them were actually being paid for by their government. That's something which Air Canada as a public corporation that is fully transparent and receives no subsidy from government really has a tough time competing with. In this regard, that's one of the factors we believe needs to go into the considerations for air transport agreements and bilaterals, and it's one of the factors we think the government has taken into account with the blue sky policy.

[*Translation*]

Ms. Laurin Liu: In my opinion, these agreements contain provisions that prevent intervention or excessive funding from governments.

[*English*]

Do the ATAs already contain clauses that—

Mr. Derek Vanstone: No. The ATAs don't specifically contain clauses, but it is a question of access. The Gulf airlines are always seeking increased access to Canada, so what our position at Air Canada is, is that we have to look at airlines like Emirates and Etihad and the Gulf carriers and really tie the level of access that they receive and the number of customers who are travelling between a country like Canada and the UAE. If the capacity that they're allowed to fly matches the passenger growth between the two destinations, then you don't have a situation where they're going to dump capacity into Canada, and really try to get transit customers to transit through Dubai instead of a Canadian hub like Toronto, Vancouver, Montreal, or Calgary. It's not so much about putting conditions within the ATAs; it's about restricting the access that these foreign airlines will get to Canada, and tying that to the commercially appropriate level of service that can be matched by customer demand.

Ms. Laurin Liu: I think I have a minute and a half left. I'd like to allow my colleague to take the last few minutes.

[*Translation*]

Mr. Marc-André Morin (Laurentides—Labelle, NDP): Mr. Vanstone, in listening to the presentations, I realized something, which is that the problems with visas or international agreements with other countries and other airlines are not the only ones. There are concrete problems such as service bottlenecks in airports, at customs, and security; there is insufficient staff in many places.

Do you think that is compatible with the growth of your industry?

[*English*]

Mr. Derek Vanstone: Thank you for the question.

No, it's a serious problem. If we don't have the facilitation in place to transit customers or welcome customers to Canada, that can become a serious issue for us, and it can become a barrier to further growth. Proper funding of agencies such as CATSA and CBSA is absolutely vital. The lines that we see at CATSA and CBSA checkpoints are of concern to us.

The Chair: You have about 15 seconds at the most.

[*Translation*]

Mr. Marc-André Morin: I thank Mr. Vanstone, since my time has expired.

[*English*]

The Chair: Thank you.

Mr. Cannan.

Hon. Ron Cannan (Kelowna—Lake Country, CPC): Thanks, gentlemen, for being here as witnesses to our international trade committee study on the global markets action plan and air transport agreements.

I congratulate you, Mr. Williams, on your success and the great Canadian success story. You said you had 150,000 passengers last year with 15,000 employees.

● (1705)

Mr. Mark Williams: We have 2,000 employees in Canada this year—

Mr. Ron Cannan: I mean internationally.

Mr. Mark Williams: —and we have 15,000 employees internationally as well.

Hon. Ron Cannan: Fantastic.

Looking at the currency exchange, one of the things you might want to consider is having a charter from here to the Okanagan. I was in Kelowna yesterday. On the weekend, it was 15 degrees above zero. I was drinking some great Canadian wine. It's an opportunity to segue into my favourite topic of having Canadian liquids on the flights. I'm sure you let your passengers enjoy some Canadian beverages. I know Air Canada is working on that as well. I appreciate that.

One of the things the committee is doing is trying to look at the 112 air transport agreements we have in place. The government has limited services and resources so we're trying to maximize those resources to help Canadian businesses to expand market. From your perspective sitting in our chair here, do you find that with the resources allocated right now in the GMAP it's moving in the right direction? If not, which direction would you reallocate those funds to?

The second question is with regard to tourism and visas. It's about approved destination status—I guess it's more for Air Canada—and whether that has helped the connection with Asia and Canada.

We'll start with those two questions first.

Mr. Derek Vanstone: Absolutely, I'll take a crack at the two questions. I was thinking of you, Mr. Cannan, when I flew out to Vancouver recently and there was some B.C. wine served on board. I was glad to see that.

To answer the two questions, first, in terms of the global markets action plan, I think what Air Canada sees is the work of the air trade negotiator, and we really do appreciate the work that Transport Canada and the Department of Foreign Affairs, Trade and Development put into that. I don't think we see anything on the resourcing side, and certainly, they're very responsive to us. In terms of the part that we see of the global markets action plan, we're very satisfied.

In terms of approved destination status, we have seen massive increases in the number of Chinese-origin tourists and business people coming to Canada. It's one of the areas that we seek in terms of growth of bilateral access and access to airports and things of that nature. China is one of our number one targets, so we're looking for some growth in that area. I think part of that really is attributable to the approved destination status announcement.

Hon. Ron Cannan: Mr. Williams.

Mr. Mark Williams: I have to agree with Mr. Vanstone. We've been very happy with the direction of the bilateral air discussions through the blue sky policy. The markets we've been focused on have all been addressed over the last few years, so we're comfortable that we have access now in the Caribbean and Mexico that's commensurate with our needs. All of our major requirements have been met.

Hon. Ron Cannan: Did you say you're focusing on 21 countries?

Mr. Mark Williams: No, we have 21 hotel properties. We fly to over 35 destinations in the Caribbean, Mexico, and the U.S.

Hon. Ron Cannan: What's your number one destination right now for Canadians?

Mr. Mark Williams: The number one destination is Cuba. As I mentioned, we're the largest airline in the world into Cuba.

Hon. Ron Cannan: With Cuba and the United States opening discussions, do you see opportunities, or is it going to be additional competition?

Mr. Mark Williams: I think it will change the landscape quite dramatically in Cuba. Because we've had access and the Canadian government has had open access with Cuba forever, it has helped us set up and establish there.

As I mentioned, we have 11 hotel properties that we manage on the island, and if we could take U.S. consumers into Cuba into our 11 hotel properties, we believe we would benefit from that.

Hon. Ron Cannan: Mr. Vanstone, we had the chief air negotiator here on February 2, and he said that in a large number of cases, air carriers are not using the rights provided by the ATAs.

I was wondering what government could do to help airlines take advantage of those ATAs.

Mr. Derek Vanstone: To the extent that we've consulted with the negotiator and asked for access...and access can be many things. It can be code share access, which is obviously the way that we initially build routes into places like north and west Africa—that's what we're focused on right now, code share ability to start growing that route via other ports—or it can be direct access.

We find that they're usually pretty good at getting us the access we need in exchange for whatever they need to trade. They try to work ahead, so they're always asking you what you're going to need in the future. I think they have some growth built into each of the agreements in areas that are important to us.

The statistic that says not all of the access in the air transport agreements is being used really speaks to the fact that we aren't bumping up against the limits that are set out in these agreements, that we are forward thinking, that we are trying to plan ahead and ensure Air Canada and others have the room they need to grow. I think that's a very good thing if there is room, because it means there is the ability to start the service when it's commercial viable.

● (1710)

Hon. Ron Cannan: Mr. Williams, I don't know if you have any other specific issues. We've heard about the issues with CBSA. I know that Minister Raitt and her department are looking at some of those, working on streamlining with airport authorities across Canada, looking at efficiencies.

I don't know if there's anything else, from a government perspective, that you'd like to see move forward.

Mr. Mark Williams: One of the things is that Sunwing flies out of 35 different airports in Canada with international service, and at quite a few of the airports there are no border services available. We have to inconvenience the passengers by operating a one-stop flight rather than a direct service out of the airports. An example is Sudbury, where there's no border service. We fly passengers through Ottawa, clear customs in Ottawa, and then take them on to Sudbury.

We have numerous airports where that is an issue for us, and getting access—

Hon. Ron Cannan: That would be a Sudbury Saturday night, I guess.

Voices: Oh, oh!

The Chair: Ms. Freeland.

Ms. Chrystia Freeland: Thank you, Mr. Vanstone, Mr. Williams, and Mr. Waugh for coming to speak with us today.

I should inform the committee that I actually work for Mr. Vanstone. He's my constituent in Toronto Centre.

I want to start by asking Mr. Vanstone and Mr. Williams a macro question.

I'd like to hear from you on the two big things we're seeing in the macro environment and what impact the falling Canadian dollar and the falling price of oil are having on your businesses.

Mr. Vanstone, I know that Air Canada in its latest earnings report spoke about the hit it took in the last quarter of the fiscal year because of the Canadian dollar. I imagine that the low price of oil is helping you on the upside.

To help form a picture of where the Canadian economy is, I'd love to hear from both of you about the impact of these two things.

Mr. Mark Williams: It's a very good question and thanks for asking it. Obviously, it's a very multi-faceted issue that we deal with as well.

From the Canadian dollar perspective, over half of the expenses of Sunwing Travel Group are in U.S. dollars, so the falling dollar hurts our business quite dramatically. We've definitely seen some lower profit numbers as a result of the drop in the Canadian dollar. We are also starting to see in western Canada a slight fall-off in traffic. It's too early to suggest that it's a direct result of the falling oil prices, but we're starting to have some concerns about flights in western Canada as a result of potential traffic falling off. The oil price being lower helps our business, but if we're getting lower revenues because traffic is dropping, then it's not necessarily a good thing for us, or not completely a good thing for us.

Ms. Chrystia Freeland: I have a quick follow-up question.

Do you have any sense right now of how it's netting out? Is it more upside or more downside?

Mr. Mark Williams: For us, the combination of the two has been a negative. From the airline perspective alone it would be a positive, but if you include our hotel businesses, it's actually hurting our business.

Mr. Derek Vanstone: I think our assessment would be similar in our results call.

We have a fair amount of U.S. revenue from American customers who buy tickets on Air Canada to fly to Canada, so that's a natural hedge in U.S. dollars. Still, the vast majority of our dollars are in Canadian dollars.

A lot of our cost, whether it's fuel.... The drop in fuel costs is helpful to the bottom line at Air Canada, but obviously we buy fuel in U.S. dollars, so it's a mixed bag there. All of our airplane lease costs and a lot of our hotel costs for Air Canada Vacations in southern properties are all in U.S. dollars.

We would see the net effect of oil and the foreign exchange issues of late as being net negative, although we're doing everything we can to try to manage that.

● (1715)

Ms. Chrystia Freeland: Mr. Vanstone, are you experiencing the same fall-off in business particularly in western Canada that Mr. Williams spoke about?

Mr. Derek Vanstone: No.

We were asked that question during our recent quarterly and annual results calls, and we haven't seen any softness in the demand in western Canada. We're watching that very closely and hope that there won't be. Hopefully, it's just the nice weather in western Canada that's resulted in Mr. Williams' soft market in the short term.

Ms. Chrystia Freeland: Yes, but not everybody lives in the Okanagan.

Mr. Vanstone, you made a couple of really interesting comments about further liberalization and some of the potential downsides. In particular, you cited the medium-term Australian experience as being negative in that regard. I was really fascinated by that.

Could you expand on that a bit?

Mr. Derek Vanstone: Sure. I'm happy to try to do that briefly.

If you look at Australia, it did an experiment in the early 2000s. They tried a sort of one-size-fits-all open skies. In the short term, it was very good for Australian consumers. You saw a lot more airlines flying in, especially from the Gulf, but also from Asian countries. Now that we're getting into the medium and long term, the choice available to Australian consumers in terms of direct flights has disappeared. The number of direct flights between Europe and Australia has gone from many flights to two, I believe. If you want to get between Australia and Europe, the only way to do that now is through Dubai, which as a sovereign country is a bit of a concern. As a consumer, obviously that affects pricing and demand as well.

I think we now have a very good example with Australia of the impact of unmitigated open skies for a country like Canada.

Ms. Chrystia Freeland: May I ask a quick last question?

The Chair: You have five seconds.

Ms. Chrystia Freeland: Okay. Then all I'll say is thank you very much to all three of you.

The Chair: Ms. Grewal.

Mrs. Nina Grewal (Fleetwood—Port Kells, CPC): Thank you very much, gentlemen, for coming to speak with us today.

As you know, our government is committed to developing our air traffic agreements with other nations to have a positive impact on our businesses as well as our citizens. With the growth of the aviation industry in the global market, it is very important to allow for open skies agreements, to provide easy access and cooperative growth between nations. Hearing from our airlines today allows for cooperation between industry and government to position Canada for a bright future for many years to come.

Mr. Vanstone, Air Canada is a founding member of the Star Alliance. That alliance began in 1997 with five members and has grown into a global alliance consisting of almost 27 major airlines. Star Alliance's mission is to “contribute to the long-term profitability of its members beyond their individual capabilities”. How does the mission of this alliance affect competition between these airlines, specifically Air Canada?

Mr. Derek Vanstone: I think the first is that the Star Alliance is not a joint venture. We don't have anti-trust immunity and we don't deal within the Star Alliance with things such as marketing, timing of flights, pricing of flights, and things of that nature.

As for what it is, we work together on measures such as pooling our maintenance costs, pooling our spare parts, and allowing each other access to information that is not commercially sensitive but is information of the trade type of dealings. As well, we try to work together to ensure that we have interline agreements and that we extend the reach of our own fleet by using code shares where appropriate and interline where it's less so.

This is all in favour of trying to enhance the experience for the customer and making sure that if you are in Vancouver today, you can get anywhere in the world via Air Canada and our Star Alliance partners. That's really our goal. It's not about commercial cooperation in any sort of anti-trust way.

Mrs. Nina Grewal: Mr. Waugh, the federal government recently eased the passenger flow in airports by increasing the number of NEXUS kiosks and trusted traveller lines. How has this helped international travellers across Canada?

Mr. David Waugh (Director, International Regulatory Affairs and Facilitation, Air Canada): Thank you for the question.

The improvements in NEXUS lanes in both the CBSA environment, or the customs environment, as well as in the CATSA environment, or the pre-board screening, are a very important tool for us to have in our airports in order for us to improve the customer experience and provide some predictability in terms of processing times. At the end of the day, those two items allow us to connect passengers on a more timely basis and make our product offering via Canadian airports more attractive versus that of other competitors.

● (1720)

Mrs. Nina Grewal: Mr. Williams, how have air traffic agreements impacted Sunwing Airlines, as a leisure airline, differently from other commercial airlines?

Mr. Mark Williams: Again, our focus is in the south and the Caribbean, but we've had improved access in Cuba and Mexico, the two biggest markets where we've had improvements in access that have allowed us to grow. Without that, our business would continue to grow, but not to the same extent. Obviously, having the open bilateral agreements and open access to the various airports in those countries clearly has helped facilitate the growth of our business.

Mrs. Nina Grewal: Mr. Chair, do I have some time left?

The Chair: You have about two and a half minutes.

Mrs. Nina Grewal: I'll pass my time on to Mr. Allen.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you very much.

Thanks to the witnesses for being here.

Mr. Williams, I know that you have a service going out of Fredericton that goes to Varadero. I think it's a once-a-week service. Just on an example like that, I appreciate the fact it's a family-owned company and that Canadians are travelling with it. What do you see as some of the challenges for an airport like Fredericton, for example, as opposed to a larger airport, in providing that service? Fredericton has the customs clearance there, obviously, with CBSA, but for an airport like Fredericton that has customs clearance, what are some of the challenges that some of these smaller airports face that a larger one wouldn't?

Mr. Mark Williams: Thank you very much. That's also a good question.

There are two main things we look at and need when we go into small airports. One of them is customs. We can work without it, but doing so is clearly more challenging. The other thing is ground handlers at the airports. Clearly, if we have one flight a week, this is an issue. It's not financially viable for us to have our own ground handling companies doing that work there—it's a matter of having not just the staff, but also all the equipment—so we need to have access to ground handling companies at airports that are able to provide that service to a variety of airline customers.

We had this issue in Fredericton, which actually caused us to pull out of that market for this winter. We were unable to get ground handling services.

Mr. Mike Allen: That has infringed a little on your ability to provide service this year. I see there is still some weekly schedule going out, but would that be something that would prevent you from expanding that service?

Mr. Mark Williams: Yes.

Mr. Mike Allen: Okay, that's helpful.

Mr. Vanstone, we heard earlier from witnesses in the first panel that with regard to cargo, while there may not be a lot of tonnage, there is great value. For example, we saw the lobster shipments that were going out of Halifax at Christmastime.

From a cargo perspective, how have some of the ATAs helped Air Canada?

Mr. Derek Vanstone: Absolutely, cargo in the belly of the plane is a significant business for us. It's said that every year we carry more lobsters than we do passengers. I don't know that we've ever actually counted the lobsters, but it's a good thing to say.

It's a very significant business for us, and just as for passengers, we need those agreements in order to be able to fly that cargo into an international company, or code share our cargo, or interline it on other airlines. All of that is absolutely critical for us.

The chief air negotiator in Transport Canada has been very helpful to us in helping to facilitate those cargo shipments, and they continue to be a very healthy part of our business.

The Chair: Witnesses, I'd like to thank you for being here today and sharing your information with us.

We're going to clear the room and go in camera for five minutes to do some committee business, so you are dismissed.

[*Proceedings continue in camera*]