House of Commons
Chambre des communes
Canada

House of Commons Standing Committee on Finance – Pre-budget Consultations 2013

This brief is submitted by:

(●) **an organization** **Organization name:** National Airlines Council of Canada

or

( ) **an individual** **Name:** _____

Topic: Trade and investment

*Recommendation 1: Please provide a short summary of your recommendation.

The NACC supports the National Roundtable on Travel and Tourism recommendation regarding the adverse impacts of the aviation cost structure. More specifically, with respect to airport rent, the NACC recommends that in the short term, the rent formula be revised to provide an incentive for airports to increase “non-aeronautical/commercial” revenue such as retail, hotel, parking, etc. in order to provide relief on charges and fees to airlines.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

$100 million -$499.9 million

5 or more years

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

To provide more incentive for airports to maximize "non-aeronautical/commercial" revenue, the rent formula could be revised by 1) freezing rent payments at current levels and 2) exempting “non-aeronautical” revenue from the calculation of rent. These measures would be a prudent step and part of a longer term approach to progressively reduce and eliminate airport rent in order to improve airport system cost competitiveness for users.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

A reduction in rent would remove an important impediment to growth in Canada's aviation sector. As such, passengers, airlines, airports, the travel and tourism industry and the economy in general would benefit from any reduction to airport rent. Further, any reduction to Canada's aviation cost structure would help recuperate some of the 5 million Canadians that drive to U.S. airports taking with them significant economy stimulating spending.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

While a reduction in airport rent requires an investment by the government that, in the short term, may mean a loss of direct revenue from the aviation sector, in the long term, it will pay off in the form of higher revenue generated by an increase in output taxes (corporate, income and consumption) and other spin-off benefits.

It has been estimated that the return on investment of eliminating airport rent alone would include almost 600,000 new passengers annually generating over $300 million in traveler expenditures, $210 million in wages and $720 million in economic output.

Topic: Trade and investment

Recommendation 2: Please provide a short summary of your recommendation.

The NACC supports the National Roundtable on Travel and Tourism recommendations with respect to investment in visa processing. In addition, the upcoming introduction of Electronic Travel Authorizations (eTA) should be an opportunity to direct resources appropriately and facilitate the processing of all passengers. Given the recent reforms to the refugee claim process, serious consideration should be given to replacing the burdensome visa requirement for citizens of Mexico, Brazil and other South American countries with the upcoming eTA.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

$10 million-$99.9 million

1 year

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

Increased investments should be made in new technologies to streamline the visa process, such as better use of electronic methods for scanning and sending required documents. As stated above, serious consideration should be given to replacing the burdensome visa requirement for citizens of Mexico, Brazil and other South American countries with the upcoming eTA. The eTa must be hassle-free and affordable (i.e. cost neutral)- especially considering that Canada's third party charges and fees are already some of the highest in the world. See additional comments.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

In addition to air carriers, the aviation sector in general and the broader tourism industry, visa requirements and long visa processing times have far-reaching economic impacts on many industries. Given air transportation's role in expanding markets and establishing business relationships, a poor visa process has significant impact on international commerce.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

In recent research being released in the fall, a joint Canadian Airports Council and NAAC study found that a combination of visa-related measures would result in a 25% increase in the demand from travellers from the top 10 visiting countries currently requiring a visa. This would result in an estimated $205 million in GDP, 2,400 jobs, $50 million contribution to federal government fiscal balance, and $82 million contribution to all government fiscal balances.

Topic: Trade and investment

Recommendation 3: Please provide a short summary of your recommendation.

The NACC recommends that the government funding model for aviation security should reflect the reality that the threat against the aviation sector is actually a threat against the state. As such, funding aviation security should not be solely the financial responsibility of air passengers. The federal government could consider its national security role in funding Canada's air transport infrastructure.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

$100 million -$499.9 million

1 year

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

Air travellers in Canada are required to cover the full costs of air transportation security, including the hidden costs of providing seats and facilities for in-flight security officer. In the U.S., the nature of the underlying threat is recognized and full user-pay is not in effect. On balance, some but not all of the security costs could be borne by passengers and the government could assume a portion of the cost. For example, the ATSC could be fixed to recover a certain percentage of the direct appropriation to CATSA.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

Given that a reduction of the ATSC would directly reduce the airfare, passengers would benefit. In addition, because the air transportation sector is an integral part of a high value supply chain, any measure that reduces the cost of flying, stimulates growth and creates employment across a wide spectrum of industries.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

A recent joint Canadian Airports Council and NAAC study (that will be released in the fall) found that a 50% reduction of the ATSC would result in an additional $191 million in GDP and 2,200 new jobs.

Please use this page if you wish to provide more explanation about your recommendation(s).

Recommendation 1: Airport Rent

The obligation for airports to pay rent to the federal government contributes to the higher cost of flying in Canada compared to other countries, namely the U.S. With rent calculated as a percentage of gross revenue, the price of every service an airport provides must be marked up by at least the amount of rent charged. This, in turn, increases the airport's break-even point and raises the amount of revenue that must be generated. This leads to higher operating and landing fees for air carriers which unfortunately are passed on to the passenger in the form of higher fares. Most airports around the world (including U.S. airports) do not pay ground rent. This allows our competitors to charge lower fees and attract traffic and passengers that could otherwise come to Canada (as evidenced by the 5 million Canadians who drive to U.S. airports).

Recommendation 2: Visa processing and Electronic Travel Authorization (eTA)

The upcoming eTA must be hassle free and affordable (i.e. cost neutral)- especially considering Canada's existing uncompetitiveness regarding airfares. As such, it is important to note that the actual administrative cost of the U.S. ESTA is only $4 (not $14) which is a more accurate comparator for Canada's proposed cost-neutral fee.

*Please note that at least one recommendation must be provided