WHAT IS THE FUTURE FOR THE AIR SECTOR IN CANADA?

Chartered Institute of Logistics and Transport North America (CILTNA)

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About NACC

• NACC is the trade association representing Canada’s largest commercial passenger airlines: Air Canada, Air Transat, Jazz, and WestJet

• NACC advocates for safe, secure, environmentally responsible and cost-competitive air travel

• NRTT, a partnership of Canadian travel and tourism organizations
- Links communities and families to one another and to the world
- Unlocks a region’s potential and facilitates business, trade, and tourism
- Especially important in Canada given size, family/personal ties to other countries and importance of international markets
- Contributes more than $12 billion to federal and provincial coffers
The Present: Cost-Competitiveness

Single most pressing cause limiting Canada’s aviation industry’s economic growth potential is the highly uncompetitive nature of the sector’s user-pay cost structure.

- Government policy should be guided by the recognition that the aviation industry is an economic engine, facilitator of growth, and enabler of travel and tourism – not a source of infinite and easy source of revenue.
Canada's major airlines are doing their part to keep fares competitive for travellers but government taxes and third-party fees continue to rise.

The cost of goods and services is on the rise but the price of air travel remains a bargain. In fact, air travel in Canada has increased less than the rate of inflation.

<table>
<thead>
<tr>
<th>Item</th>
<th>Price Change 2008-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coffee</td>
<td>26.7%</td>
</tr>
<tr>
<td>Tuition Fees</td>
<td>20.9%</td>
</tr>
<tr>
<td>City Buses &amp; Subways</td>
<td>17.3%</td>
</tr>
<tr>
<td>Electricity</td>
<td>16.9%</td>
</tr>
<tr>
<td>Restaurant Meals</td>
<td>13.3%</td>
</tr>
<tr>
<td>Inflation</td>
<td>8.3%</td>
</tr>
<tr>
<td>Air Travel</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

Price change 2008-2013

Statistics Canada. Table 326-0021 - Consumer Price Index, annual (2002=100 unless otherwise noted).
What does the future look like?
How can the vitality of the Canadian aviation sector, air connectivity, and Canada’s ability to attract visitors and transiting travellers can be maintained and augmented in light of the range of cost factors and competitive global markets?

Canada Transportation Act Review Mandate
Liberal Government Commitment

“ We recognize the challenges facing Canada’s Airlines, including competitive disadvantages imposed on the sector as a result of federal regulation and legislation. ”

“ We will work with our airlines and airport authorities to reduce the competitiveness gap between our aviation sector and those in other jurisdictions. ”

Liberal Party Response to NACC and TIAC
What can be done to strengthen Canada’s aviation industry?
Aviation Security Funding

Since 2010, the federal government has accumulated a surplus of $260 million.

Aviation security funding is not keeping pace with passenger growth. Despite paying a dedicated charge, passengers are experiencing longer wait times and delays.

**Recommendation**

That the federal government re-evaluate the aviation security funding model in Canada to reflect the following principles:

**Transparent & Accountable**
- Breakdown of allocation of ATSC funds should be clearly provided

**Value for Passengers**
- ATSC funds collected should respond to passenger demand to improve efficiency and reduce wait times

**Reflect Nature of Threat**
- National security is a government responsibility and air travellers should not bear the full cost of aviation security
Airport Rent

• **+2 BILLION WINDFALL:** At the time of transfer, airport assets were valued at $2.9 billion (in 2012 dollars) but to date the airports have paid more than $5 billion in rent to the government – that is a $2.1 billion overpayment that has not been re-invested back into aviation.

• As a first step, airport ground rent should be capped at existing levels. This would immediately remove an important impediment to growth in Canada’s aviation sector. This measure would also be a prudent step and part of a longer-term approach to progressively reduce and eliminate airport rent in order to improve the aviation sector’s overall competitiveness.
Security Experience + Passenger Facilitation

Today’s aviation security screening system is not sustainable and we need a holistic approach to assess the risk posed by the individual that includes:

- **Global coordination + standards**: Strengthen use of the inter-government networks and ICAO
- **Passenger screening based on risk assessment**: Make better use of available information prior to arriving at the checkpoint - PNR, API, trusted traveller info
- **Advanced screening technologies**: Improved technology, tools and equipment
- **Passenger facilitation**: Streamline visa process to encourage visitors from key emerging markets - maximize eTA, multi-entry visas

Making it easier to fly, visit and do business in Canada
The Future is Green
Efficient operations are critical to the future of the aviation industry, not just for important environmental reasons but financial ones too - especially since fuel makes up more than 30% of airline operating costs.

- **12.7%**
  - Improved fuel efficiency in the NACC carrier fleets since 2005

- **5.8 billion litres**
  - Amount of jet fuel used by NACC airlines in 2014

- **$30 billion**
  - Amount being invested by NACC airlines on new aircraft featuring more efficient engines and aerodynamics 2005-2020

- **$5.2 billion**
  - Amount NACC airlines paid for fuel in 2014

NACC members have adopted ambitious international industry GHG emission reduction targets:

1. 1.5% average annual fuel efficiency improvements from 2009 - 2020
2. Cap aviation carbon dioxide emissions in 2020 - carbon neutral growth
3. 50% reduction in net carbon dioxide emissions over 2005 levels

Industry approach to emission reductions:

- Investing in new technology (and biofuels)
- Maintaining more efficient aircraft operations
- Improving infrastructure, including modernized air traffic management systems
- Adopting a single global Market-Based Measure (via ICAO)