



## Presentation at the 11<sup>th</sup> Annual CILTNA Transportation Situation and Outlook Conference:

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***The Challenge for the North American Transportation and Logistics  
Industries in a Slow Growth Economy***

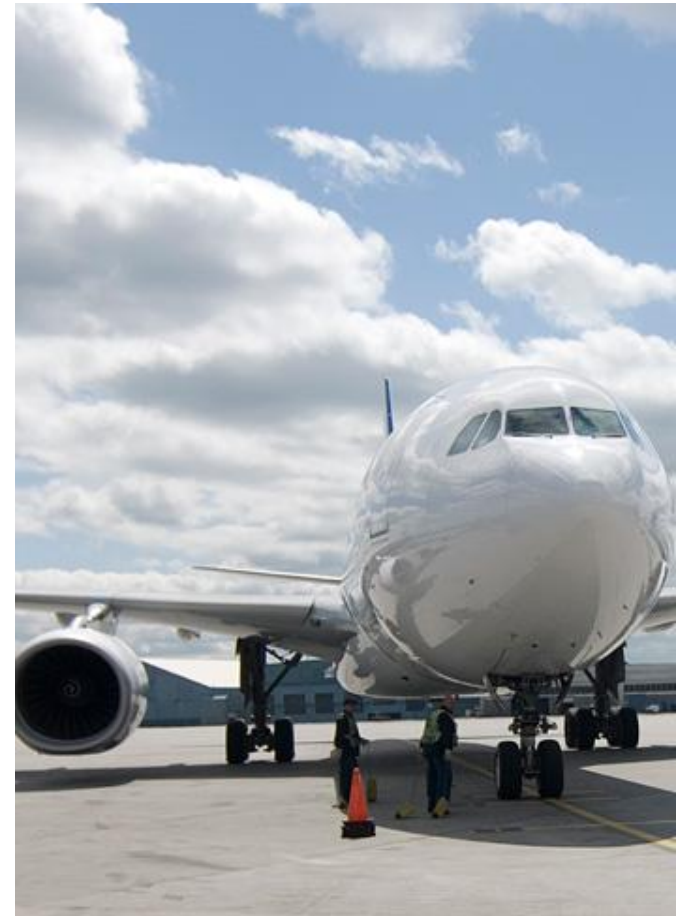
**Ottawa – April 30, 2012**

# PRESENTATION OUTLINE

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- Overview of the NACC
- Cost competitiveness
- Environmental challenges



# ABOUT US

- NACC is the trade association founded by Air Canada, Air Transat, Jazz Aviation LP and WestJet
- Exclusively focused on issues of common concern to Canada's largest commercial passenger airlines
- Promote the development of sound legislation and public policy to ensure safe, sustainable and competitive air travel is available to all Canadians



- Members of NACC carry over 50 million passengers/year and directly employ 43,000 people
- Over 430 aircraft
- Total revenues over \$17 billion and total expenditures of \$15 billion
- Total economic output impacts \$30 billion

# NACC Subcommittees

- Flight Operations
- Safety
- Cabin Safety
- Maintenance and Engineering
- Security and Facilitation
- Environment
- Monetary and Infrastructure
- Communications
- Service and Accessibility

**CHALLENGE:  
COST  
COMPETIVENESS**

# Cost competitiveness

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- Third party taxes, fees and charges and infrastructure cost downloading is choking ability of Canadian air carriers to compete in global markets and support economic growth in Canada.
- As illustrated by “cross border airfare shopping”

# Cost competitiveness

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- Cross border “leakage”- 4.8 million passengers/year = Ottawa Airport
- Vancouver – Bellingham and Seattle
- Toronto - Buffalo and Niagara Falls
- Montreal – Plattsburgh and Burlington
- Also Detroit, Bangor, Grand Forks, Syracuse and others



# Looking for a flight eh?

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- [Want a Deal?](#)
- Helpful advice from the [Buffalo Airport](#)
- Franco-Americans in [Plattsburgh](#)

# It seems to be working...

- In 2009, Bellingham, Niagara Falls and Plattsburgh increased passenger traffic by 18%, 56% and 126% respectively.
- Despite overall U.S. passenger traffic decline of 5%.

# Crossing the Border

Airport	Canadian travelers
Buffalo	28% to 38%
Niagara Falls	50% to 70%
Plattsburgh	70% to 80%
Bellingham	55% to 60%

2009

# In perspective...

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- Vancouver: Approximately 1 million passengers/year go to Bellingham and Sea-Tacoma.
- This means a loss of over twenty 737s per day.

# Why is this happening?

# Disparity regarding the cost of key elements and infrastructure

ITEM	U.S.	CANADA
Airport rent	\$0	\$285 million
<b>Landing fees</b>	<b>\$1-\$5</b>	<b>\$3-\$18</b>
Airport improvement fees	<ul style="list-style-type: none"> <li>• No fee at many “border” airports</li> <li>• PFC - \$4.50</li> </ul>	\$15-\$25

Security fee	\$2.50	\$12.10
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# Cost comparison between Canadian and U.S. airports

Flight	US Average	Canadian Average	Difference
Domestic	\$29.00	\$66.00	128%
Transborder	\$61.00	\$74.00	21%
International	\$66.00	\$86.00	30%
<b>Border airports</b>	<b>\$23.00</b>	<b>\$74.00</b>	<b>220%</b>

# WHAT ARE THE CONSEQUENCES?



# Economic Benefits of the Airline Industry

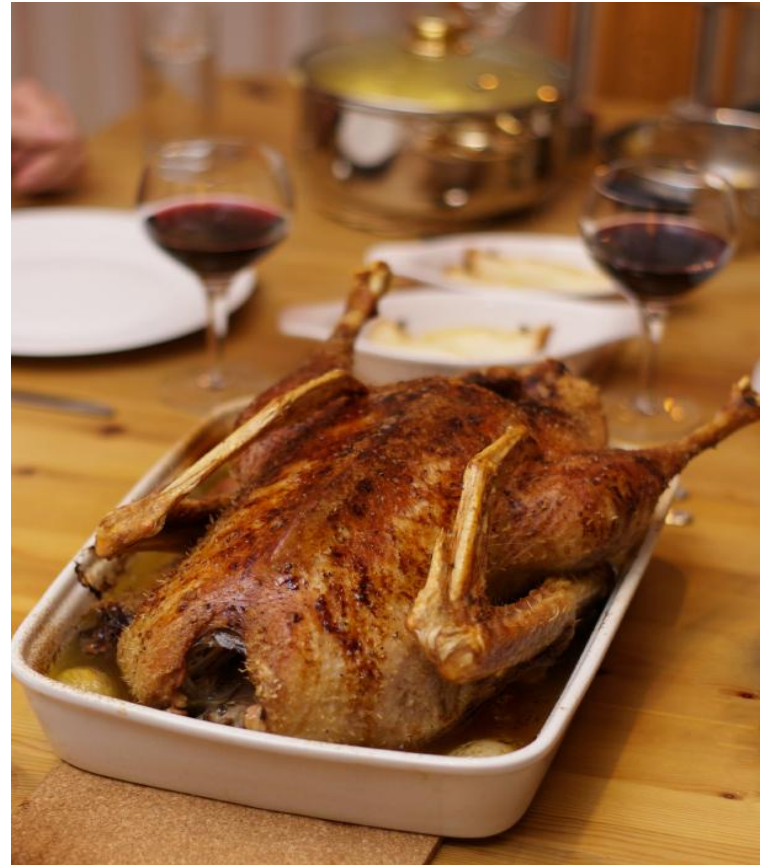
- Airlines are focal point of an important value chain:
  - Manufacturers: airframes, engines, mechanical systems, computers, electronics, software
  - Aviation services: insurance, leasing/financing, maintenance, fuel suppliers, fixed base operators;
  - Airports and services
  - Freight: forwarders, transport, warehousing, input to other industries
  - Tourism, hotel, etc.

# Broader Economic Impact

- In 2010, total forgone Government of Canada direct revenue (reduced airport rent, corporate tax, sales tax revenue) estimated to be as much as \$80 million. By 2015, it could be \$200 million.
- In 2010, total direct negative impact on Canadian economy (foregone airfare and traveller spending at airports) is estimated at approximately \$1 billion. By 2015, it could be over \$2.3 billion.
- Losing out on jobs, money being spent in Canada. In Canada, 92, 000 people directly employed by the industry.

# HOW CAN THE PROBLEM BE FIXED?

Urgent need for comprehensive review of the aviation industry cost infrastructure to ensure we don't ...



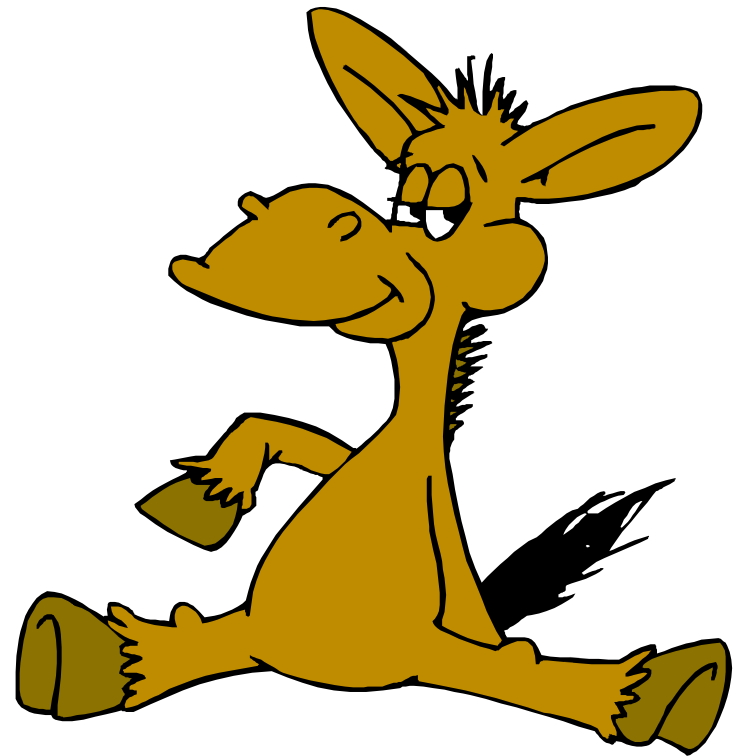
Gvt. policy should be guided by recognition that aviation industry is an economic engine, facilitator of growth and enabler of travel and tourism



- Our present model needs to be compared with other models around the world to identify best practices to determine government policy going forward.
  - Impact of airport debt recovery through airport charges
  - Eliminate or reduce ground rents
  - Reduce Airport Improvement Fees
  - Security charge
  - Fuel taxes

# More taxes and fees...

- Canadian Tourism Commission – new \$15.00 air passenger tax (tax on tourists to fund tourism?)
- Electronic Travel Authorization – extra hurdle and likely a fee



# **CHALLENGE: ENVIROMENTAL ISSUES**



# Environmental Challenges

- Commercial aviation accounts for only 2% of total “human-made” CO<sub>2</sub> emissions
- Road and other transport = 15%
- 580 million cars vs. 23 000 aircraft
- Fuel is biggest cost



- Applies to aviation sector as of January 2012
- Appropriate forum for such a global initiative and solution remains with ICAO

# GHG Action Plan

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- Partnership with GOC, NAVCAN, CAC and others to develop Canada's Action Plan for ICAO (reduction of GHG emissions)
- 3 key measures:
  - 1) Fleet renewals and upgrades;
  - 2) More efficient air operations; and
  - 3) Improved capabilities in air traffic management.

# Aviation Biofuels

- “2<sup>nd</sup> generation” biofuels (e.g. algae, camelina, jatropha, sewage)
- Don’t compete with land/resources used for food supplies
- Mass grown worldwide (deserts and saltwater)
- Necessary performance and safety attributes for jet engine use

# Aviation Biofuels

- Very positive developments but no question that significant advances are needed
- Industry will need government support to:
  - 1) Foster research into new feedstock sources and refining processes;
  - 2) De-risk public and private investments in aviation biofuels;
  - 3) Provide incentives for airlines to use biofuels from an early stage.

# Thank you



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