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The Honourable Roger Gallaway

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• (1535)

[English]

The Chair (Hon. Roger Gallaway (Sarnia—Lambton, Lib.)): We'll resume our continuation of an examination of air liberalization in the Canadian airport system. We have, returning from the last meeting, Professor Janda from McGill, from the Institute of Air and Space Law.

Once again, Professor, we apologize for your last appearance here. We'd better get under way, just in case bells do in fact ring.

Mr. Richard Janda (Professor, McGill University, Institute of Air and Space Law): Thank you very much, Mr. Chair and honourable members of the committee.

It was nice to get a little bit of insight into what you called the "silly season" when we were here last time. I'm delighted that actually some of the business of Parliament really is getting done and that the country can address issues of as great significance as the issue before you.

[Translation]

I'll introduce myself briefly. I'm a professor at the Faculty of Law of McGill University and a member of the Institute of Air and Space Law.

Unfortunately, my colleagues are not with me here today. The Director of the Institute, Paul Dempsey, and my colleague Armand de Mestral were here the last time I testified before you, but they couldn't be here today. That may give me the opportunity to express my thoughts more freely since we shared our speaking time the last time.

[English]

I want to say that it's a particular pleasure to be in front of this committee on an important day in Canadian airport policy. I think the work of the standing committee was critical in getting us finally toward something more like a rational airport rent policy. I suppose the theme I'd like to derive from that is that the work of the committee, even if it doesn't give rise immediately to policy implications, does I think find its way eventually into public discourse.

I know we are in the midst today of...let's call it a little bit of uncertainty as to the future of this Parliament and indeed about where the recommendations of this committee might lead us, but I would hope you continue your work of advancing liberalization of air transport, if not for this Parliament, for the next.

[Translation]

I'd like to emphasize the fact that the work I submitted to you last week is the result of a grant from the Conference Board of Canada and the Social Sciences and Humanities Research Council of Canada.

Together with our Concordia University partners, we at the Institute of Air and Space Law are preparing a report on air liberalization. We thought it important to share our preliminary thoughts with you, particularly on the issue of bilateral relations between the United States and Canada. My remarks today will focus essentially on that.

The 1999 report of the Standing Committee on Transport on restructuring Canada's airline industry definitely influenced our own thinking. As you know, much work was previously done on the integration of North American markets before your committee's study. There were controversies and problems, but it seems to me the orientation your committee has adopted in the past, that is to say toward integration, is the right one.

[English]

The paper we put forward to you, which I won't go through in detail, tries to elaborate on the steps that might be taken towards integration of the Canadian and U.S. market. I really only want to emphasize three points in my remarks and hope that we can continue in the brief question period we have.

The first point is that, given the trilateral meeting of March 23 in Waco, Texas, of Canada, Mexico, and the United States, I think we now have a platform on which to pursue air transport liberalization in particular.

The second point I want to mention is that the difficult point of cargo co-terminalization is one we have a suggestion about that we'd like to share, and one that we hope can help advance the discussion a little.

Finally, I'd like to emphasize that modified sixth freedom rights for Canada, as well of course as for the United States, give Canada a window of opportunity that I think is at least in the short term if not in the medium term going to give us some asymmetric advantage with respect to carriers south of the border. The sooner we can act on that agenda the better, both for passengers and for the health of the Canadian air transport industry.

Let me take those three points in sequence.

The first has to do with the security and prosperity partnership. Of course, many commentators on the trade relationship between Canada and the United States believed the time had come for another big idea, a kind of big bang in the relationship between Canada and the United States. I think it's fair to say that the Waco summit tells us that's not the direction in which the trilateral relationship is going, at least not in the short term.

However, the fact that the parties have chosen to emphasize the movement of persons across borders as critical to the future agenda between the countries, and in particular "to identify measures to facilitate further the movement of business persons within North America," ties very well to the air liberalization agenda. Air travel, after all, for most business people in Canada is one of the critical means through which movement between the two countries can be facilitated.

One of the things I would urge upon the committee as you formulate your recommendations and your report is to try to tie this air liberalization agenda into the working group process that has come out of the security and prosperity partnership.

The second point has to do with cargo co-terminalization. I'm sure you have heard a lot—I won't say ad nauseam, but I'll say a great deal—about this particular issue. I'll just say we believe it's very difficult to resolve where the cost advantages of cargo co-terminalization may lie. It looks on the one hand as if there might be advantages for Canadians if we have access to co-terminalization. I'm sure you're familiar with the report that came out of Alberta Transportation on that subject.

The small idea we'd like to add to the mix is, why not have the permission for co-terminalization but maintain a bidding system in which existing carriers could bid on co-terminalization routes? We try to elaborate in our paper how that might work, but we think it would be counter-intuitive, to say the least, for us to open up markets and increase costs for shippers. I think the proof will be in the pudding. We'll see whether UPS and FedEx, on the one hand, really do generate the efficiencies they claim they'll get, or whether the cargo jets of the world have the kinds of cost advantages they claim.

Finally, with respect to modified sixth freedom, I simply want to emphasize that we are farther along than is the United States on transit facilities at airports. We're still not as far as we ought to be. Toronto is pretty much the case in point. But you should know, and I'm sure you do, that in the wake of September 11 the international-to-international transit program that was in place in the United States was cancelled. You know all about the visa changes as well. That has left Miami-Dade Airport as the only airport in the United States now with transit facilities.

If Canada could invest in this according to the pre-clearance arrangements we already have with the United States, we think that at least in the short term, if not into the medium term, there could be an opportunity for Air Canada to do things through its hub that carriers similarly situated in the United States won't be able to do through transit facilities in their hubs. Ultimately, this is about passengers, and we think that if we have greater opportunity for competition across the border and greater integration across the border, it will be of benefit to Canadians.

● (1540)

I'll just leave you with a last example. Not so many years ago anybody thinking about the Canadian rail system would have thought it was untouchable to move the axis north-south instead of east-west. Today, CN transport is a great success story. We see no reason why we can't imagine something along those lines with respect to air transport as well.

The Chair: Thank you very much. There will be questions.

I think Mr. Gouk is going to start.

Mr. Jim Gouk (British Columbia Southern Interior, CPC): Thank you, Mr. Chair.

I have a couple of things, I guess. Where to start?

Actually, the easiest one is on cargo, the concept of co-terminalization. You threw a bit of a wrinkle at us with this idea about the bid routes, and I'll have to look at that and see exactly what the details are.

It sounds good on one side, when you listen to people talk about this, but one of my concerns is as in the example we've seen. If somebody flew into Montreal, an American freight carrier could drop off their things and then fly on to Quebec City and drop off the things there. And they could pick up things destined for the United States in Quebec City, and stop again in Montreal, and so on. Now, where that has impact is that obviously right now they probably don't fly for the amount of stuff that's in Quebec City—using that example. So a Canadian carrier would take the goods, or some manner of business would happen in Canada that would take those goods down to Montreal to a central gathering point.

We have to look at what the trade-offs are if we allow this, and second, rationalize it against what real benefit we are going to get in Canada, given that we already have more competition in Canada than they have in the United States, and we have cheaper prices than they have in the United States. Are we going to get even cheaper by having carriers that can't create that low market in the United States, or are we going to get pressure to come together and end up having less competition in the long run and having a system more similar to what the Americans have now?

● (1545)

Mr. Richard Janda: Mr. Gouk, thank you for that. That's a great question.

First of all, we know that the context of Open Skies negotiations is such that if we keep co-terminalization out of the picture, at the very least we will not have what the United States calls an Open Skies agreement with the result that Air Canada, in particular, won't be able to get anti-trust immunity in the United States, and we know that has significant implications for Air Canada's participation in Star Alliance. So we're a little bit between a rock and a hard place with respect to co-terminalization and any negotiation of an Open Skies arrangement.

But let's take the point head-on about costs. I've certainly been trying to talk to carriers about this question. The cargo folks in Canada will tell me that their cost structure is better than the cost structure of the U.S. carriers. On the other hand, when I speak to representatives of UPS—and I gather you'll be going to the United States and might have an opportunity to do that as well—they say it's simply a much more costly exercise for them to fly point to point into Canada than to be able to fly perhaps larger aircraft and move them on, say, a Toronto-Ottawa-Louisville route in this fashion. And of course, you know we're not talking about cabotage. We're not talking about moving cargo between Canadian points, Canadian cargo, so there's still the opportunity for Canadian cargo carriers to show their stuff with respect to that part of the market, which is a growing part of the market.

My point is simply that it's hard to tell who's right on this. My guess, if you push me to the wall, is that the efficiencies must be there with respect to co-terminalization. I can't see how they wouldn't be, based just on the need to place aircraft in flight as much as possible in order to get the most value out of them.

That's why we came up with this bidding idea. The idea was, let's see who's right. We certainly wouldn't want upward pressure on prices. Basically, it's a way of trying to get around the effects of the scope clause.

Mr. Jim Gouk: We're trying to be very open and broad-minded about this and do what is right, but deciding what that is can be quite a challenge.

Presumably American carriers will come into Canada and to some degree, greater or smaller, they will offer competition and they will take some level of business. Now, the argument we have heard from Canadian carriers is that in going into the United States, where the American companies have this incredible infrastructure and they don't, they would have to put so many new facilities in that they would be unable to go in there and compete, unless they just did spot markets, which wouldn't make a lot of sense.

Like in the Canadian example of putting something in Quebec City instead of just in Montreal, they would have to go out to so many points and put in such infrastructure that, given that they are relatively small companies compared to the two U.S. giants, the advantage would be for the American carriers coming up. There wouldn't be the quid pro quo for the Canadian carriers going down.

Have you looked at that, and what kind of results do you see from that?

Mr. Richard Janda: I think if we do it on the basis of comparing advantages to Canadian carriers and advantages to U.S. carriers, you're probably right that this looks like a gimme to U.S. carriers vis-à-vis Canadian carriers.

The way I would tend to look at it is, what about shippers and what about the entire relationship? There's no way Cargojet is going to become a big player in the United States market. UPS and FedEx are already big players in the Canadian market.

The question is, if they can turn around their aircraft and hit more than one point, are they actually going to have more efficient operations in Canada? If they do have more efficient operations in

Canada, will the transborder cargo traffic, which is still quite expensive...?

Let's compare the costs of sending a package on eBay out of Canada and the cost of sending a package out of the United States. I think those cost comparisons are worth looking at. There you may see the advantage to shippers if we have co-terminalization improved.

I would simply recommend the report of Alberta Infrastructure and Transportation on this question, which tried to document the extent to which the absence of co-terminalization was hurting shippers in trying to move things across the border.

● (1550)

Mr. Jim Gouk: With regard to Open Skies in general, if we take it to its ultimate degree, then we're talking about full, open running rights on both sides of the border. What has been expressed is that we could just say, let's go for the whole bundle, including cabotage, and open it up to American carriers and foreign carriers in Canada.

With some limitations, we have good access to gates at Canadian airports, and we have a considerable number of slots in our air traffic control system and alternatives available we could build the system on. But Canadian carriers going to the United States will have a great deal of trouble getting gates, particularly at desirable times, and slots in the air traffic control system.

Again, how do we deal with that imbalance, where we say it's all equal, but it's more equal on this side than it is on the other side?

Mr. Richard Janda: And I would throw into that mix the difficulty Canadian carriers have in getting use of pre-clearance facilities, the whole facilitation problem at airports, which I think George Petsikas of Air Transat has emphasized before this committee. Traditionally, in bilateral negotiations those kinds of soft issues do not get put on the table, but I think it is incumbent upon Canadian negotiators to put them on the table. We did succeed, as you know, in the 1995 bilateral in getting access to more slots through that arrangement, and I think we have to continue along those lines as well.

Mr. Jim Gouk: Thank you.

The Chair: Mr. Carrier.

[*Translation*]

Mr. Robert Carrier (Alfred-Pellán, BQ): Good afternoon, Mr. Janda.

It's interesting to hear you, since you don't represent any interests directly involved in transport. Your studies are thus the result of your own thinking.

Mr. Richard Janda: Let's hope.

Mr. Robert Carrier: In listening to your answers, I thought I understood there was some uncertainty about liberalization and co-terminalization. One wonders whether Canadians would make any gains relative to the Americans. In view of the way you answered earlier, that seems to be in doubt.

All those in favour of liberalization think that would give us better services and more competition. Can it be concluded that that would necessarily be done at the expense of Canadian businesses, which would have negative effects on our entire Canadian industry?

Mr. Richard Janda: Mr. Carrier, somewhat as in the case of the Canada-U.S. Free Trade Agreement and NAFTA, it can't be said that there will only be winners and no losers. It seems to me there's a possibility that market share may be lost; that's more on the cargo side.

However, I think it's a real exaggeration to think that terminalization will mean the end of the Canadian cargo industry. I've seen no studies showing that. It seems to me you also have to look at the growth in movements between the two countries, as well as growth in cargo movements within Canada. Since cabotage won't be permitted in the short term, there will nevertheless be a very significant market for Canadian carriers.

As regards the other aspects of liberalization, it seems to me that the opening of the U.S. market is of capital importance for Air Canada in particular, but for WestJet as well. I'd even go so far as to say this is also a question of jobs for Canadians because Air Canada would thus be able to strengthen its position in the U.S. market.

• (1555)

Mr. Robert Carrier: All those who promote liberalization are certain they'll be getting more lines to serve various Canadian cities. That will necessarily be at the expense of Canadian businesses. You mentioned WestJet. When we met the WestJet people in Calgary, they told us they weren't in favour of liberalization. They've established themselves in the Canadian market, and liberalization represents increased competition for them.

Mr. Richard Janda: I think we're nearly in a duopolistic situation right now. It's a fairly comfortable situation for the carriers, particularly for WestJet. The thing would be to look at the situation of passengers and that of the cities that are not as well served as they might be. We have a little chart in our brief illustrating the difference between service before and after 1995. The number of connections has increased remarkably. There wasn't even a link between Ottawa and Washington before the 1995 agreement. I'm not saying the expansion will be as dramatic, but there will definitely be other possibilities and links that don't exist today.

[English]

The Chair: Professor, you talked about the Security and Prosperity Partnership and about the flexibility for business persons to travel within North America. NAFTA contained a number of provisions that ostensibly had that objective in mind.

What, in your view, needs to be done over and above that? We're talking about business persons and not those who in this country are generally referred to as skilled tradespeople, who have a problem entering the U.S. to work. What needs to be done, then, in addition to...?

Mr. Richard Janda: Well, I won't claim to be an expert on the whole question of access to work permits and the like, which I think is part of the security and prosperity agenda, the effort to facilitate that.

The part I'm trying to zero in on is just movement, mobility. If, for example, one had at least modified sixth freedom rights, if not tag-end cabotage rights, between the two countries, I think it would produce an opportunity for carriers to serve more routes than they are now serving, with the result that it would make an improvement on mobility.

But I cannot claim that's the entirety of that agenda; there's a whole other trade part that is beyond my expertise.

The Chair: Well, I thank you for coming today, for the second time.

Mr. Richard Janda: Thank you very much.

The Chair: It's a very pleasant day to travel here or to Montreal, so thank you for coming. It's been very helpful.

Mr. Murphy and Mr. McKinstry, I'll apologize to you also for your last trip to this room. But having said that, I'll ask you to please proceed.

• (1600)

Mr. Michael Murphy (Senior Vice-President, Policy, Canadian Chamber of Commerce): Thank you, Mr. Chairman. It's a pleasure to be here.

We're certainly pleased to have the opportunity to appear today to provide input on behalf of our members on the direction that the government should take in further liberalizing our domestic air industry. Further, we wish to review the impact government-imposed costs have on the viability of our domestic air industry and highlight the importance of regional airports.

The Canadian Chamber of Commerce commends the House of Commons Standing Committee on Transport for studying these important issues and for broadly consulting Canadians. These are all very important issues facing Canada's industry. The federal government has an opportunity to set right policies that will ensure that our industry is able to compete internationally and has the right domestic policies to exploit international market opportunities.

Air transportation facilitates trade and is essential to the functioning of the Canadian economy. The further liberalization of Canada's air industry will allow for the development of new services and greater competition, thus facilitating economic growth. As such, the CCC believes Canadians and Canadian business will benefit from an air policy that will allow our domestic carriers to be more competitive through the further liberalization of Canada's domestic, transborder, and international air industry.

[Translation]

The approach adopted by the federal government to liberalize the air industry must enable domestic carriers to capitalize on growth opportunities, while ensuring industry viability. To get the most favourable agreement for our domestic industry, the federal government could negotiate separate agreements for passenger service suppliers and exclusive cargo service suppliers.

That would no doubt be the most advantageous route given the various commercial interests of the two supplier groups.

The Canadian Chamber of Commerce believes that any liberalization policy must take into account the special needs of exclusive cargo carriers because they are less able to benefit from access to international markets, in particular the United States, than passenger carriers.

With regard to capitalizing on growth opportunities, the federal government should focus its efforts on negotiating agreements for liberalizing passenger services with countries, such as the United States, whose markets are of particular interest to Canadian players.

•(1605)

[English]

A major issue facing the air industry is the allowed level of foreign ownership. The industry is capital intensive; thus, it requires access to a large pool of capital. With regard to the current ownership limit of 25% on carriers, the Chamber of Commerce does not see the rationale or the benefits of retaining foreign ownership restrictions on Canadian passenger airlines.

The Chamber of Commerce believes foreign ownership restrictions on domestic passenger airlines should be removed. This would allow domestic passenger air carriers to seek capital from a larger investment pool. The removal of restrictions would lower the cost of capital to air carriers making them more competitive and allowing passenger air carriers to seek additional expansion opportunities. Further, the removal of restrictions would increase the possibilities of new passenger airline start-ups since experienced airline investors from around the world would have an opportunity to invest in any new domestic operations.

The Chamber of Commerce believes Canadian business would benefit if the federal government undertook agreements with other countries that would allow foreign interests to acquire control of air carriers in Canada for the purpose of offering domestic passenger air services. However, any agreement must be done on a reciprocal basis.

Canadian companies must be afforded the same privileges to set up operations in the country with which the trade agreement is being made. The focus for the government should be to seek agreements with countries such as the U.S. for which passenger carriers could exploit growth opportunities within their existing networks.

[Translation]

The federal government should immediately call for negotiations to liberalize the Canada-U.S. air transport agreement. In view of its size and proximity, the United States is a key market and offers our air carriers enormous growth opportunities in North America and internationally. The United States is the largest passenger services market in the world. Our air carriers would derive an enormous advantage from better access to the U.S. market. In addition, passengers travelling within the country would benefit from enhanced competition as a result of U.S. passenger carriers entering the Canadian market.

[English]

The current bilateral approach to air liberalization has resulted in increased services but has led to a somewhat complicated international air service environment. A multilateral approach would

provide the greatest benefits but would be difficult to realize in the short term; therefore, the government would be best advised to adopt a pluri-lateral approach—smaller groups of like-minded countries—to further air liberalization. The development of a transatlantic common aviation area could be examined as a possible initiative that the government could pursue, and if the U.S. and the EU continue liberalization talks, Canada must be a participant in that process.

In order to better realize the benefits of further liberalization, the government must set the appropriate air policy so that our domestic industry is better positioned to compete internationally. The federal government has a major influence over the level of competitiveness of the air industry in Canada. Currently, government imposes numerous taxes, charges, and rents that negatively impact the competitiveness of the air sector, putting Canada's air industry at a disadvantage as compared to some trading partners.

The federal government levies the ATSC and is expected to collect several hundred million dollars in ATSC in the fiscal year 2005-06. The air industry pays approximately \$100 million annually in fuel excise taxes, a tax implemented as a deficit-fighting measure. There is no longer any rationale for applying that tax.

Additionally, the government charges rents to airports within the NAS that are operated by airport authorities. In 2005 ten airports will pay approximately \$270 million to \$280 million in rent to the government. The Chamber of Commerce acknowledges today's announcement by the government of a new airport rent formula, which will reduce rents paid in future years, in some cases substantially. However, under the new formula the government is still expected to collect a little over \$5 billion in the next 15 years.

It should be noted that at the time the federal government began to divest airports, the government was spending about \$150 million a year managing these airports and facing billions of dollars in renovation expenses. To date, the government has collected just under \$2 billion in rents while reinvesting little back into the system since the start.

It is the responsibility of government to ensure a competitive air environment, and the most effective means of achieving an improved operating environment would be to immediately eliminate rents charged to airports, the ATSC, and the fuel excise tax. The amount of these taxes, rents, and charges that are applied to this industry is about \$700 million a year. Carriers will be better positioned to compete internationally if they are afforded the opportunity to operate in an internationally competitive domestic air environment.

Mr. Chairman, that concludes our remarks. Thank you for the opportunity to be here.

The Chair: Well, thank you. I don't think you're going to find a lot of argument with much that you had to say, but we're going to see if we can find some.

Mr. Gouk.

Mr. Jim Gouk: Thank you, Mr. Chairman.

I agree with you that it's nice to see the government at least acknowledging that airport rents are a problem. Unfortunately, what was announced has some potential, not for you and me, but perhaps for our grandchildren if they're running those airports and they're still in business.

You talked in terms of doing away with the restrictions on foreign investment. Were you talking about raising it to the 49% that people mentioned, or just doing away with it completely and letting them buy whatever?

Mr. Michael Murphy: Yes, doing away with it. I know the question that the department raised in its discussion paper last fall and sent to the committee talked about moving the 25% to 49%, and we certainly agree with that. There's no question about that.

In looking at the issue a little harder in the last while, our thought process was, let's look at the rationale for stopping there. What is it that inherently says that 49% would be the magic number? I appreciate there are significant issues that would have to be addressed in terms of agreements internationally and so on, and that's absolutely true. While that may be not be true in other sectors of the economy where we have restrictions on foreign direct investment, in this case we just thought there was clearly no substantive case that we could make for saying, let's stop at 49%. That's why we're recommending looking at this much more significantly than just in the way the document proposed in November.

Mr. Jim Gouk: There may well be merit in it. I remember when the government privatized CN Rail, which I agreed with in concept. One of the things they did was decree what percentage of shares would be sold to Canadians and what percentage would be sold to foreign investors. That was predetermined. What I tried to do, and unfortunately it wasn't accepted, was open it up for Canadian investors for a period of time to see what they would buy, and then simply, whatever wasn't sold, open it up to foreign ownership. It turned out that Canadians wanted to buy shares in CN, obviously with good insight, and it turned out they weren't able to get those shares.

You mentioned foreign control of Canadian air carriers for domestic purposes. Are you talking, in essence, about what most people refer to as right of establishment, or do you have some variation on that?

• (1610)

Mr. Michael Murphy: No, I think it's part and parcel of a broader package that says, let's look at what is potentially useful by way of thinking about how to enhance the sector. How do we get investment into the sector? How do you encourage the kind of economic growth in the sector that's going to be really important?

Members have had a lot of time to think about this; I don't mean just since the November document, but for several years. I think we have become acutely aware, certainly in the time I've been at the chamber, of how important transportation as a whole is, and this sector within it, to the economy as a whole. So anything we can do to facilitate that, in our view, is something that our members very much support. We've tested the idea.

From our standpoint, it was trying to be in keeping with the broad theme here of doing something positive for the sector.

Mr. Dave Batters (Palliser, CPC): Thank you very much, Mr. Murphy and Mr. McKinstry. I appreciate you gentlemen coming before this committee today to give the Canadian Chamber of Commerce's perspective.

I am going to direct my questioning to the hot topic of the day, and that is the announcement regarding airport rent—a hot topic or not, depending on how you look at the announcement. I'd like to get a little feedback. I've had some initial feedback from people commenting on the effects for the Greater Toronto Airports Authority.

As we travelled with the committee, this is where the biggest problem was identified, the crippling rent that Toronto is subjected to and, by extension, airport travellers, anyone who flies in or out of Toronto. I'd like to have your take on what you've seen today in terms of rent relief for the GTAA. What is your opinion? From my reading of this, there are no substantial changes until the year 2012.

We heard representatives in our travels. One individual representing El Al Israel Airlines sticks in my mind. Under the current regime of rents with this government, he said that already El Al Israel was considering not coming to Canada, not coming to Pearson International, that it was just economically not viable. I believe the figures were \$12,800 to land a 747 jet in Toronto. At a brand new airport in Tel Aviv, Israel, it was in the \$3,000 neighbourhood.

I turn it over to you. I'd like your comments on the announcement today, and on the impact on the GTAA, if you have any comments in that regard.

Mr. Michael Murphy: Sure. Let me start at the general level, and I'll say right off the top that something came down today that is long overdue. We've been at this particular file for a very long time, and I think it's long overdue to get some attention from the government. I think it should have happened earlier. We thought something might happen in the budget this year, and certainly thought there would be other potential initiatives prior to that.

So from that standpoint, we welcome some progress on the file, if I can put it that way. If there's a major disappointment, it's clearly that there's no immediate relief. We are still faced with, and we were going into 2005 facing, yet higher rents for all the paying airports in Canada, with no relief on the horizon. And now we're going to go into 2006 knowing you're not going to start this process basically until when? So the notion that there is a current cost problem in the industry that isn't addressed is the deficiency in the announcement today, at the general level.

Having said that, I would say that from the standpoint of eliminating what was really a fuzzy process for determining rents based on all kinds of different criteria and deals among airports—and very difficult to follow—getting certain inequities out of there by standardizing the formula and bringing some level of increased certainty into the process is always a good thing for businesses generally. That's certainly true for important economic engines like airports in the country.

So from that standpoint, I think it's a step in the right direction. The fact though, that we have to wait before the full impact is going to occur is clearly a disappointment for us.

On the specifics of individual airports, we obviously have many airports as our members and—what's important—people who use the system. And that's one of the interesting things about working in this organization. We're very close not only to the folks who are inside the system, but also to those who use it—the broad base of our members—and the costs the industry passes on to people is the concern people have.

So to the extent that we don't get something done today, and we're not, that's not going to do anything for the competitiveness of the industry or in terms of the cost to the user.

On the Toronto situation, I'll just briefly say that I think Toronto pays about—and I don't have the exact numbers in front of me—half the rents today, which is a pretty big number, and there's fairly limited improvement in the short term. So obviously, on the overall package, that has a big impact.

• (1615)

The Chair: Go ahead, there's more time.

Mr. Dave Batters: I appreciate those comments, and that's pretty much my take on this. The feedback I've received is that while we recognize that it's a good thing that the government has finally moved on this file, we could, however, still debate whether airport rents are a necessity in this country. And that's an issue of policy that this government or future governments will wrestle with. Whether or not airport rents and fees passed on to air travellers are a necessity, this is really just a cash cow for the government and another means of taxation. This is an asset that has already been paid for, and then some.

Regarding Toronto, that's the problem I see here. In 2006, under the old formula, the GTAA was going to be paying \$147 million in rent, and people were literally begging for rent relief, saying this was crippling. El Al talked in terms of Canada becoming an island unto itself.

We saw many statistics that showed, for each jumbo jet that comes into Toronto, how many hundreds of jobs—and I think that would be your focus in the Chamber of Commerce—directly depend on those flights. And people were desperate for relief. Well, from \$147 million in 2006, Minister Goodale and Minister Lapierre have now changed that to \$144 million in 2006. And we already have airlines saying they may stop coming to Pearson.

So I think we're on the same page. I think it's worth reiterating that this is still a big worry, and for the Montreal airport as well. There are some airports that received a substantial break on rent, and we can debate whether they should be paying at all.

But I'll leave it at that. I don't know if you have anything to add, Mr. Murphy.

Mr. Michael Murphy: The only comment I would add is that our position as an organization for some time now has been that we don't think rent should be applied, as a general principle. It should have been eliminated quite a while ago. We maintain that view. We have the same view with respect to the ATSC.

If you're looking at a sector that has no recourse other than to pass on costs like others have to do, you're not only impacting the airports themselves—which clearly you are, and we've already discussed

how they play significant roles in their communities as economic engines. It's true for the carriers that buy their services. It's true for all of the people who use their services, whether at an airport or flying with one of the airlines that's picking up the costs.

So from our standpoint, that competitiveness issue is the driver of the economy. It's a very important one. Our view is that these costs shouldn't be in the system. They should be removed.

The Chair: Mr. Murphy, I just want to ask a couple of questions.

I'm beginning to believe that at some point—and I think we're out of time on all this—we should have a real estate expert come to talk to us, because I've been trying to understand what type of a lease allows.... First, the airports have paid roughly, in nice round numbers, \$500 million more than the book value of the airports when they were turned over somewhere between 1995 and 1997, depending upon the years. That's about a 33% return on investment.

When you think about all kinds of leases of realty, from triple net to.... There are many variations on leases, but I don't know who gets that kind of return on their investment in 10 years, for starters, and then continues to go into the future. So I certainly agree with you that the concept of knocking the rents from \$13 billion to \$5 billion, or whatever the number is, over 50 years is kind of like going to see the magnetic hill or the reversing falls—it's a bit of an optical illusion.

I just want to thank you for the last paragraph of your statement, which you didn't read, that says the federal government must seize the occasion to adopt measures that increase the competitiveness of the air industry inside Canada. I think the announcement today is not going to get us there. It's a first step.

I thank you for your statements here today. I think they're very helpful to us in compiling a report. So thank you for coming for the second time.

• (1620)

Mr. Michael Murphy: You're welcome. Thank you. I appreciate it. Thanks very much for the time.

The Chair: Working on the theory—I don't mean to be biblical here—that the first shall be last, we welcome, from the Canadian Airports Council, Mr. Jim Facette, their president and CEO. I'm certain today he will sing the virtues of what was announced at 11 this morning.

Mr. Facette, please proceed.

Mr. Jim Facette (President and Chief Executive Officer, Canadian Airports Council): Good afternoon, Mr. Chairman, and thank you for the opportunity. I didn't have the chance to be the lead hitter for our association, but I guess I'm batting cleanup on behalf of all the airports in Canada. That isn't to say we cleaned up today, but nonetheless, we still probably scored a few points.

Mr. Raymond Bonin: You could go directly to the champagne.

Mr. Jim Facette: Oh, I don't like champagne. No offence, Mr. Bonin, but thank you for the offer.

Before I begin my remarks, I'd like to thank you and the members of the committee for your efforts. You have heard from a number of airports and others as you've travelled across Canada. Airports are important drivers of Canada's economy, and the committee's hearings on both airports and the importance of improved bilateral air services for Canada have focused a much-needed spotlight on Canada's airports.

[Translation]

In your travels in recent weeks, you've had the opportunity to hear what many representatives and members of the Canadian Airports Council, the CAC, had to say. As President and CEO of the Canadian Airports Council, which represents the airports, I'm no longer sure whether I'm calling the shots or following in someone else's wake. One thing is certain: the airports have always sent out the same message, and I can assure you their association supports them in that direction.

The CAC quite recently submitted a detailed two-part brief to the committee. We answered the questions of the Transport Minister, Mr. Lapierre, and we described how the airports are responding and are attentive to the needs of the groups they serve.

•(1625)

[English]

I first want to cover governance and transparency. My comments are focused on the airports of the national airports system. These airports operate under leases with the federal government and account for almost 99% of passenger traffic. To put this into context for committee members, Vancouver, Montreal, Regina, and Toronto are NAS airports; Sudbury, Sarnia, and Castlegar are not.

Much has been made about the supposed lack of accountability and transparency of airport authorities. It is interesting to note that many of these comments come from airlines, and not from the communities that airports serve. Let me be very clear. Airports serve their communities, and they are responsible and accountable to them. It is the airport that represents the community's interests when it comes to air transportation, not airlines. Airlines must be responsible to their shareholders. The decisions are quite properly driven by their bottom line.

Airport decisions are driven by what it is in the best interests of their communities. Airport boards are made up of members from these communities. It is a real strength of the airport transfer process that these boards are not established in a cookie-cutter-like, government-driven model.

Airport board members are chosen from nominees put forward by organizations and local governments. Their selection is based on the need for specific expertise, as outlined in the public accountability of principles for Canadian airport authorities. This expertise includes air transport experience. Every one of Canada's eight largest airports has at least one person on its board with significant airline experience. This includes at least three former airline CEOs and several senior vice-presidents of Canada's airlines.

[Translation]

The airport authorities have very specific requirements: those contained in their leases and the main public responsibilities

included in them. Here are some of the sections included in that document.

[English]

These annual reports must have a composition of board of directors and qualifications of directors, appointment and nomination processes, conflict-of-interest guidelines, public tenders, audits, non-arm's length transactions, and much more.

To firmly establish the link between the airport and the community, and to give substance to the requirements in the airport's lease and the public accountability of principles, airports have established mechanisms to ensure that the airport authority remains connected to its community. These include annual general meetings; consultative committees; noise committees; access committees; environmental audits by Environment Canada; presentations to municipal councillors; presentations to various community groups, including Rotary, Chamber of Commerce, Kiwanis, etc.; presentations to you or MLAs; 60-day notification to local media of increased rates and fees; and five-year reviews—some of these are required in the various leases we've signed.

[Translation]

The financial situation of an airport can't be any more transparent than it currently is. All airports make their financial statements available. They can be accessed by Internet. These are detailed financial statements including the accounting for airport improvement expenses. I invite all committee members to consult the Web site of their local airport. I invite them to take a look at that.

[English]

While you're on the website, take a look at what else there is. The list will include a full board member, various committee reports, newsletters, and opportunities for feedback. Members of an airport authority board read the papers too. They are not unaware of the major emphasis governance is in this post-Enron Sarbanes-Oxley world. A number of airport authorities have governance committees, and they have been actively involved in updating their governance procedures to ensure they are as transparent as possible. In just the last two years, a number of airport authorities have amended their bylaws to reflect the changing nature of governance.

On Open Skies,

•(1630)

[Translation]

As I mentioned earlier, the CAC has given the committee its answers to the Transport Minister's questions concerning the improvement of bilateral air services in Canada.

This last February, we organized an open skies conference that was attended by the head air services negotiators of Canada, the United States and Europe. We invited union representatives, cargo operators and other persons who might not share our view on the positive aspect of an open skies agreement.

Lastly, the Minister of Transport, Mr. Lapierre, and the U.S. Secretary of Transport, Mr. Mineta, spoke at the conference and denounced the start of exploratory talks on the creation of a negotiation framework to improve the bilateral agreement on air services.

[English]

Mr. Chairman, I invite you and the members of this committee to visit our website. We have posted all of the background presentations at our Open Skies Conference, and a number of keynote addresses as well. We could not have been more pleased with the result. Our forum received rave reviews from all consortiums including government officials, academics, and the participants.

Although we ensured that Open Skies forum included all voices, let me be clear. The Canadian Airports Council strongly supports the most open Open Skies regime we can get. Airports and their communities will do best when they can compete openly, without restriction, for additional passenger and cargo capacity. Such increases reduce airport costs, but more importantly, build economic growth in the community.

We've had a big day in airport rent and chattel payments, and I'd be somewhat remiss if I didn't comment on that. Airport authorities in Canada are pleased with the long-term solution announced today by the federal government. Airports will realize significant reductions on amounts paid for rent and chattels over the remaining terms of their leases. Outstanding chattel payments totalling almost \$22 million have been forgiven. The chattel relief announced today will go a long way to keeping smaller national airports viable to the communities they serve.

Today's announcement does not provide the immediate and significant reductions in airport rent that the CAC was seeking for all its member airports. However, the solution does address significant escalation in rent payments that were scheduled in the longer term. The impact of the new formula will vary for each airport.

Airports are not-for-profit entities. All revenues collected are used to offset operating and administrative costs, reinvest in infrastructure, and reduce long-term debt. For a corporation without shareholders, there is no distribution of moneys, and all net revenues are invested in improving airport services for the community.

Airports compete in an international marketplace. The long-term benefit of today's rent and chattel relief will provide airports with greater flexibility as we adjust to industry pressures. Many airports in Canada compete for airline traffic with airports in the United States and around the world. The savings realized will provide airports with greater financial certainty and improved ability to compete.

In conclusion, Mr. Chair, when the airport transfer policy was first enunciated, the government outlined eight core policy objectives. I think, Mr. Chairman, by anyone's definition, it's mission accomplished. By any measure, the transfer of mass airports to local

authorities has been a success. Canada's airports have been reinvented as important engines of growth dedicated to serving their communities.

Thank you, Mr. Chairman.

The Chair: Thank you, Mr. Facette.

Mr. Gouk wants to start.

Mr. Jim Gouk: Thank you, Mr. Chairman.

Thank you, gentlemen, for coming in today. It's been a challenge getting some witnesses before us, with what's going on in Parliament.

As somebody who's worked in the aviation industry almost all of his life, I want to congratulate the airport authorities on the job they've done. While I worked in the system I saw the infrastructure crumbling and the need for investment that wasn't there. And all other factors aside, what you've done for the industry in the past decade has been truly impressive. I hate to think of the state Canadian aviation would be in, for all the problems it has now, if we had kept going the way we were.

That being said, you explained a lot about your position on airport rents. But the situation is this; this is the reality: if you like what you have today and don't need anything else changed, then you're probably in good shape, but if what you have today leaves a big problem that still needs to be addressed, then in some respects you're worse off getting what you've got today than getting nothing until we can get a better package, because you know, at least by the government that issued that today.... And it doesn't matter; I'm not picking on the Liberal government. When any government brings in a big initiative like that, you know they're not coming back and changing yet another one somewhere down the road in any foreseeable future.

So is what you have today with regard to changes in airport rents sufficient to address the problems airports have, or does it still have a big gap between where you are and where you need to go?

• (1635)

Mr. Jim Facette: At CAC our official policy is that airport rent ought not to be charged. And I can't tell you one way or the other whether today changes that. I have a board meeting in June, and I'll pose the question to my board at that time.

Also, it is acknowledged by the CAC that our largest member, Toronto, still has a long way to go. As I said in our news release today and said here in our statement, the solution today isn't the ideal solution that we advocated for. It is, nonetheless, a compromise that in today's environment will make a difference.

The perfect solution is eliminating airport rent, and the perfect solution wasn't achieved. Does that mean we're done? In the association world you're never done; you're always back to make sure you represent your members in the best interests that you can—and that includes Toronto.

Toronto is very supportive of the CAC. They are very supportive of our position. We recognize their challenge, and we'll deal with it in the future as best we can. But that said, they also recognize that airports in Canada will see reduced rent in the immediate future—Calgary and Edmonton come to mind. I think for our smaller airports in this country, the big thing that they got today, the big win for small airports in Canada, is the chattel relief. And you just have to look at getting \$3.5 million in chattel relief in Gander—it would have been crazy—and over \$4 million from other airports, including Thunder Bay. They were due for about \$1.5 million, I think, in the long term.

So the big announcement today that's being lost, if I may, Mr. Gouk, is the small airports in Canada today. But you're right, there is some work left to be done, and we acknowledge that in our release. At the same time, we do have to congratulate.... There's a lot of work that went into where we are today—four years of work. It wasn't easy. That said, there are still some challenges ahead.

Mr. Jim Gouk: You'll pardon me, I'm sure, if I sound a little cynical when the government comes out and announces the 50-year saving as the figure that headlines the release, especially in a political environment where it is very possible that the government may collapse long before it can pass even this. So what came out today might be really good PR, but it might be little more than that. Hopefully, if that happens, whoever comes back will have a package that gets a little closer to the real needs that you have to deal with.

With regard to governance, one of the constraints or challenges that we have as a committee is that we hear your organization speaking on behalf of airports, talking about what the airports would like, and then we have various airline officials coming before us, and their needs are a little different.

The argument that's been posed is that if you have a not-for-profit organization, whatever their charges are, yes, they have to pass them on; but it also stands to reason that whatever charges they have, they can pass them on—to the point of breaking the industry. Especially if you reduce their costs from one side. What's to prevent some of them, with no governance in place, from going to more grandiose terminals, expansions, going fancier than they need to? And the airlines say, "Yes, the customers pay the bill, but the customers are ours. We are your customers, and we're telling you you're building more than we need. Sometimes we have a problem not getting all the things we need, but now in some cases you're building more than we need. How do we have some control, when we indeed are the ones who actually pay the bill that you pass on to us?"

Mr. Jim Facette: That's an assumption that airlines pay 100% of the operating costs that they use at an airport.

Mr. Jim Gouk: Parking actually pays a big chunk.

Mr. Jim Facette: And concessions too. They don't. Airlines don't pay 100% of operating costs at airports. That's first.

Second, what do they really want? I've distributed a list for you. There are very senior airline people on all eight of the big boards in this country. We have accessed that area of expertise. We have to be careful about the fiduciary responsibility of boards. It's a very legal, real thing.

The only thing you have to realize is that the impetus to keep the costs down is that airports only have four sources of revenue:

aeronautical fees; the AIF, which almost exclusively goes to capital projects; parking; and concessions. They don't have any other areas for gaining revenue.

Another thing that people ignore when they get to learn how airports operate is that airlines are members of what's called the airline consultative committee. Through the AIF agreement, which is between airlines and an airport, airlines have a great deal of say as to what capital projects can and cannot move forward using AIF money.

On top of that, we're hearing from individuals in airports who I talk to, and privately from the airlines, that they like what's being done at the airports. Their customers like the airports they're going into now. Customers are spending.... I don't know about you, Mr. Gouk, you probably fly a lot more than I do, going back and forth to B.C., but I'm sure many of you spend your share of time in airports. These aren't run-down, old things. But at the end of the day, there are only so many places we can go to pay for these things.

On the governance side, if you go right across the country, our airports are extremely well governed. Recently the Montreal airport authority came out with their annual report. I brought it here as a bit of a show and tell. They have a full page on transparency right in their annual report. These annual reports are some of the most transparent, open books, if you will, across Canada. If you want to find a CEO's salary, go here. It's in here; it's not a secret.

So what do they really want? They have airline execs on the boards. Our airports, under good governance, good boards, keep the cost down as much as they possibly can. They work very hard to do so, but they've also had to.

When you opened earlier, you said you appreciated the work that members have done to come up to a standard. Our airports have done that. That takes money. That takes capital cost. So they've had to ramp up. Some airlines buy brand new airplanes. Who pays for that?

• (1640)

The Chair: *Monsieur Carrier. Oh, excusez-moi, monsieur.*

Madame St-Hilaire.

[Translation]

Ms. Caroline St-Hilaire (Longueuil—Pierre-Boucher, BQ): Thank you, Mr. Chairman. Thank you, sir.

I'd especially like to talk about airport rents. This is a good day to do that.

I imagine you've been doing it for a number of years, but how long have you been fighting to lower or, eventually, to eliminate rent?

Mr. Jim Facette: That's the way it's been since the Transport Canada rent review started in 2001.

Ms. Caroline St-Hilaire: You're expecting a lot from the last budget. A commitment was made to a rent cut, and you were hoping the last budget would grant one.

Mr. Jim Facette: We were hoping for one, as was Minister Lapierre. However, there was nothing in the February 23 budget.

Ms. Caroline St-Hilaire: Ultimately, they waited until today, until a few hours before an election is potentially called.

Having said that, let's come back to your demands. From what I read in your documents, you wanted it to be based on the number of passengers rather than on revenue. I was doing a calculation for the people in my region. The Quebec City airport may be penalized. Your calculation method would have been more advantageous than that of Mr. Goodale or Mr. Lapierre. I don't know who made that decision.

Mr. Jim Facette: I don't know who made the final decision, who chose between the calculation method based on a percentage of revenue or another based on the number of passengers. That decision was made by the Department of Finance. I don't know why. It would be a good question to ask.

You're right. At first, we did propose a calculation method based on the number of passengers. However, the government chose another solution. That may be because it thinks that's easier. It may be faster to obtain airport revenues that way. Statistics Canada has established the number of passengers. It takes about two years to get up-to-date statistics. Perhaps it was simpler for Transport Canada and Mr. Goodale. I'm not sure.

Ms. Caroline St-Hilaire: Weren't you consulted when they wanted to change methods?

Mr. Jim Facette: No, we expressed our viewpoint on this form. We weren't subsequently consulted. Transport Canada asked us some questions simply to clarify our position. It didn't request our opinion before making the decision.

Ms. Caroline St-Hilaire: Thank you, sir.

•(1645)

Mr. Robert Carrier: Good afternoon, Mr. Facette. I suppose you represent the 726 airports that belong to the National Airport System. Is that correct?

Mr. Jim Facette: There are 21 member airports of the National Airport System. We represent 157 airports in Canada.

Mr. Robert Carrier: A memo here states that there are 726 accredited Canadian airports in the National Airport System. Is that correct? Do you represent them all?

Mr. Jim Facette: No, not all.

Mr. Robert Carrier: On what basis are the airports represented by you?

Mr. Jim Facette: Counting the 21 national airports and the other small airports that aren't part of the national system, we represent 35 to 40 percent of airports in Canada.

It's quite rare for an association to represent all the companies in an industry. The situation is the same in the construction industry. Before working for CAC, I worked for the CCA. There are nearly

300,000 companies in the construction industry, but the CCA represents only 12,000. So that's not a new phenomenon.

Mr. Robert Carrier: I misread it. There are indeed 26 airports in the National Airport System.

Mr. Jim Facette: There are 26. You're right. The other five are members of the system, but they don't pay because they are managed by the municipalities, like Kelowna Airport.

Mr. Robert Carrier: You definitely have statistics on the various airports you represent, such as the number of passengers, gross revenues, rents, security tax and landing fees. I'd like to have those statistics on the airports. Would it be possible to provide them to the Clerk, who could then forward them to us?

Mr. Jim Facette: Yes, I can do that.

Mr. Robert Carrier: We've met with a number of stakeholders, and each one presented different figures.

Mr. Jim Facette: It'll be a pleasure.

Mr. Robert Carrier: I also had a question on airport governance. We heard some comments on the representative nature of airport boards of directors. Some airlines deplored the fact that they were not consulted at all and that decisions were made by the administration without considering their comments, which would be appropriate in this field. Would you be in favour of expanding the representation of the boards of directors?

Mr. Jim Facette: It may not be necessary to expand the boards of directors. Today there are committees for airlines that want to know why one thing was done and not another.

If a government wants to talk to us about the possibility of changing the system of governance of our airports, we're always open to the idea. The information in circulation isn't necessarily up to date. I've prepared a list of all the members of the various boards of directors in Canada, and that list is impressive. These are people who have previously worked for the airlines.

We're always open to that idea. However, we now believe that our board and those controlling the airports in Canada are good organizations.

Mr. Robert Carrier: They can consult committees.

Mr. Jim Facette: Absolutely. Those committees already exist.

Mr. Robert Carrier: Thank you.

Mr. Jim Facette: You're welcome.

[English]

The Chair: Mr. Batters.

Mr. Dave Batters: Thank you, Mr. Chair.

I would like to thank Mr. Facette and Mr. Goldberg, from the CAC, for appearing before this committee.

I'd like to echo Mr. Gouk's comments. Congratulations on the great work you have done in your organization.

I'd like to pick up on my colleague's comment that by no means will today's announcement have any impact whatsoever. There may have been a deal done, but this is far from a done deal, so to speak. All the changes, according to my understanding, including both the chattel and rent adjustments, are scheduled to begin on January 1, 2006. The department is talking about savings of \$8 billion over 50 years. We're talking about 50 years, when the government may not survive two weeks.

I know that Mr. Karygiannis has signs in his trunk and is ready to go, but we've already heard all about that.

• (1650)

The Chair: You're getting into political commentary now.

Mr. Dave Batters: We talked about champagne earlier. Mr. Facette, you can rest assured the champagne corks won't be popping at Pearson International today. There's no substantial relief until 2012—this for our gateway to the world.

Toronto is our major hub, and rent continues to plague all Canadian air travellers. Many of us have to fly in and out of Toronto a lot, whether or not we're from the GTA area. People in Saskatchewan, people in my own town of Regina, people from places like Moose Jaw—citizens everywhere will be affected by this. In Regina, where I guess we're supposed to be happy today because we're subjected to less craziness, we don't know if it's a victory or not. You said in your opening statements you had a policy, a dream of no airport rents. Suffice it to say your dream has not been realized today, Mr. Facette.

I'm going to my questioning now, because that's really what this is about, isn't it? Mr. Karygiannis is a little touchy; maybe he doesn't have his signs ready.

In respect of air liberalization, Mr. Facette, there are two distinct models: passenger airlines and cargo companies. I wonder if you can comment on whether we can arrange two different deals. That's certainly my preference: one deal for passenger airlines, another for cargo companies. I'm anxious that we not trade off one, cargo and their interests, to gain an agreement with the other, passenger airlines.

It looks like Mr. Goldberg is prepared to comment on that.

Mr. Howard P. Goldberg (Vice President, Economic Affairs and Policy Development, Canadian Airports Council): We think it is possible to negotiate a deal that allows for two separate agreements: one for cargo, and one for passenger. We wouldn't want the passenger one held up because of concerns about the cargo side. However, we think that within the cargo-only program we can give cargo operators the flexibility they want and still protect Canadians and Canadian jobs. Things like co-terminalization can work without having to have the cabotage, the domestic carriage of goods that people are concerned about.

You can negotiate anything in an agreement. We would urge the government to negotiate to ensure that we have quality passenger and cargo agreements as well as a regime the agreements can function in, a regime with security rules that give us reliable access to the U.S. It's a whole package that includes cargo, passenger, and rules about security.

Mr. Dave Batters: I appreciate those comments. I think we're on the same page. Our primary concern is Canadian jobs and good Canadian companies such as Purolator. I think everyone in this room can agree on this point.

Mr. Jim Facette: Mr. Batters, you said that under Open Skies it's going to be a little easier to negotiate the passenger bilateral than the cargo one. It's a little more complicated, and they may end up with a phased-in approach.

The Chair: Thank you.

Mr. Karygiannis.

Hon. Jim Karygiannis (Scarborough—Agincourt, Lib.): I appreciate your coming here today.

Mr. Batters didn't say anything about the ethnic airlines flying into Toronto and the good work they're doing. Having one of the most ethnically diverse ridings in Canada, I hear time and again how the people of Canada mistrust the leader of Mr. Batters' party, the Honourable Stephen Harper, and how they especially mistrust him when it comes to the ethnic communities. I'm always hearing how they're making an unholy alliance with the Bloc and how this is going to destroy our country.

• (1655)

The Chair: Do you have a question, Mr. Karygiannis?

Hon. Jim Karygiannis: Yes. My question is, have you heard from Olympic Airlines, have you heard from the Polish airlines, and have you heard how the reduction in rent will certainly be assisting their passengers and the ethnic communities in being able to touch back home? This really brings out the good things Canada does and what it represents versus what the Bloc and the Conservatives want to lead it to.

Mr. Jim Facette: Thank you, Mr. Karygiannis, for that question.

The short answer is no, I have not. Representing the airports, I personally have not heard from any carrier around the world, be it El Al or any other. That isn't to say my membership has not. That isn't to say they haven't contacted either Montreal or Calgary or Edmonton or Halifax, for that matter, but no, I, Jim Facette, as CEO of the Canadian Airports Council, have not heard from them at all.

Hon. Jim Karygiannis: The other question I have relates to your saying that in the ideal world there would be absolutely no rent.

A voice: Hear, hear!

Hon. Jim Karygiannis: Now, does that mean you also think that if you're renting a house from somebody, there should be no rent? Shouldn't there be some form of remuneration?

Mr. Jim Facette: If I owned my home and I were renting it out to someone, yes, I would expect someone to pay me rent, absolutely, in that particular instance. If you're trying to make a parallel to airports in general...these are maybe a bit of a different story; I'm not 100% sure.

That being said, though, the reality is that our membership has paid over \$2 billion back to the federal government for infrastructure that has been significantly augmented. That's a public policy decision this government has chosen to make, that we continue to pay rent.

The Chair: Mr. Batters has a very quick supplementary question.

Mr. Dave Batters: Thank you, Mr. Chair.

This will be really quick, because we're just about done here today.

Mr. Karygiannis' example is a very interesting one, about a homeowner renting his home out. In his analogy he compared that to the airports. Who in effect owns the airports in this country? Would it not be the Canadian people, the taxpayers?

Mr. Jim Facette: It's the taxpayers, and Minister Lapierre said at his press conference today the taxpayers own the airports.

Mr. Dave Batters: So in effect you'd be having taxpayers charging themselves in this example.

Thank you, Mr. Chair. I just thought we'd clarify that.

Hon. Jim Karygiannis: Just for clarification, tell me, who is the custodian of the taxpayers?

The Chair: First, I don't know who rents a house, triples the size of it, invests hundreds of thousands of dollars in the house, and still expects to pay rent.

In any event, I thank you, Mr. Facette.

I have just one quick question, because you dwelled a lot on governance. I'm simply expressing a personal opinion here. We heard in our travels, I would say, relatively positive things about airport governance, save and except in Toronto. I want to ask you this, because you referred to Mr. Lapierre's announcement of this morning, when he announced in a general way that there needs to be legislation with respect to airport governance.

The Greater Toronto Airports Authority has hired a CEO without advertising that position.

Mr. Jim Facette: John Kaldeway, yes.

• (1700)

The Chair: Mr. Kaldeway told us that when he was hired, there was no advertising, there was no nothing; he was picked. What's your association's reaction to that kind of behaviour by the country's largest airport?

Mr. Jim Facette: We don't comment, Mr. Chair, on individual airport hiring practices.

From what I gather from Mr. Kaldeway's background, he is a very experienced airport executive, having worked for Transport Canada before moving over to the airport authority in 1992—I believe that was the exact year—where he was vice-president of operations prior to being named CEO.

Mr. Kaldeway is an exceptional CEO in this country. I believe you heard from him already, and he is working very hard to make the GTA a great airport and a wonderful place for all of us to travel in and through.

We don't comment on individual hiring practices, sir.

The Chair: Then let me ask you to comment on the aspect of your presentation that dwelt on the openness and transparency of the operations of Canada's airports. How, then, would the contractual hiring of a CEO or whatever his title is—president—occur unadvertised? I'm sure he's a good candidate, but unless you advertise, you'll never know about the better ones out there. How do you juxtapose your presentation against that which we have heard to be otherwise?

Mr. Jim Facette: These corporations are free to operate and hire from within, as is the federal government. They don't advertise deputy minister jobs in the public press either. In this situation the GTAA made a decision they think is in their best interest in the long term.

If you look at the openness of the airports—and if you want to suggest that's an opportunity perhaps for change in the future—that's an airport-to-airport authority decision. They may have done an internal search; I'm not 100% sure.

That being said, look at the openness of our airport authorities versus that of perhaps even some of the airlines, where salaries of senior executives are posted in annual reports. I would suggest to you, Mr. Chairman, that we're certainly more open than many privately held corporations. Remember now, these are privately operating entities, the corporations that operate the infrastructure. They are commercial entities; they are corporations, but they don't have shareholder capital, and that's a key difference.

The Chair: They are public bodies too.

Mr. Jim Facette: They are public buyers, and if you look at the annual report for many of the construction and tendering practices, you'll see they're very public and very open. I can tell you that very recently the Winnipeg Airports Authority announced the winning bids for their new project, and that is on their website. They had a very open competition policy for that work.

The Chair: Thank you very much. Thank you for coming today.

As I said, the first would be last.

We will now adjourn and reconvene on Wednesday to consider the interim report of this committee.

Until 3:30 on Wednesday, we stand adjourned.

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