

## **ATAC Submission to House Standing Committee on Finance in its Pre-Budget Consultations in advance of the 2018 Budget**

The Air Transport Association of Canada (ATAC) has represented Canada's commercial air transport industry since 1934. We have approximately 190 members engaged in commercial aviation operating in every region of Canada.

We want to comment on two issues of major importance to the air transport industry of Canada. These are the sale of major Canadian airports and CATSA financing, governance and policy orientation.

### The Sale of Canadian Airports

ATAC strongly opposes the sale of major Canadian airports. We firmly believe that the government's intent to sell off major Canadian airports in the hopes of raising billions to finance its numerous non-aviation infrastructure projects is near sighted, extremely detrimental to the Canadian air transport industry, and will result in significantly increased costs for the airlines and their passengers.

Canada's major airports pay over \$300 million annually in airport rent to the Federal Government. Costs for carriers and their passengers would increase by hundreds of millions of dollars because investors would expect a reasonable return on the up to 16.6 billion dollars that the C.D. Howe Institute estimates the sale of the larger airports would generate. A reasonable return of 5% would amount to \$800 million annually, more than twice the airport rent actually being paid to the government. As rent would continue for those airports not sold, the total cost for our industry and its passengers is likely to nearly triple. Furthermore, airports could see their surpluses simply yield higher returns on investment rather than reinvestment in services and infrastructure. To meet their investors' appetite for normal returns, airports will either have to cut services and investments or increase costs.

Clearly there is an absence of strategy in that the Minister of Transport has announced his intention to allow an increase from 25% to 49% of foreign ownership of Canadian airlines in an effort to "facilitate low cost carriers in Canada" while the sale of airports would drive up the cost of operating an airline, and consequently increase costs to their passengers. One of the obvious consequences will be an increased leakage of passengers to nearby US airports.

ATAC's request through the Access to Information Act for a copy of the Crédit Suisse study has been denied. This is not surprising if the confidential report outlined the potential pitfalls as well as the benefits of this project. The government would be hard pressed to find a consensus in the air transport industry in support of this project. On the contrary, the major stakeholders have almost unanimously condemned the sale of Canadian airports.

Recent experience in such projects, for example in Australia, has resulted in costs per passenger to increase by 50% in the decade following airport privatization. To add insult to injury, the government would impose a huge new burden on our industry and its passengers while not reinvesting one penny of the billions generated back into aviation.

ATAC is determined to lobby against such a misguided measure in the hopes that the Federal Government will not jeopardize the long-term well being of the air transport industry for a one-time cash grab. The Prime Minister's Mandate Letter to the Minister of Transport instructs him to hold a "constructive dialogue with Canadians". A real dialogue with the air transport industry would most certainly not result in an endorsement for the sale of these socio-economically critical assets.

#### The Canadian Air Transport Security Authority (CATSA)

The funding and the governance model of CATSA has always been a serious concern for our industry. For over ten years, we have been asking the government why it found it acceptable that the Air Travelers Security Charge (ATSC) collects over 100 million dollars more per year than is appropriated to CATSA. No answer has been forthcoming.

CATSA operations have been heavily criticized by both authorities and some industry stakeholders. Much of that criticism was misdirected as CATSA has no operational policy decision making power. That responsibility rests entirely with the government and with Transport Canada in particular. While the number of passengers grows every year, CATSA budgets have been lagging behind. With one of the highest ATSCs in the world, Canada is also the exception in that the government has shouldered the travelling public with 100% of airport security costs. In other jurisdictions, governments assume the bulk of the cost and only rely on the travelling public for a minor contribution.

The government is studying various business and governance models for CATSA and seems to favour a NAV CANADA type model. The pitfall of applying a user-pay model to a security agency is that the user would only be a payer and would have no decision-making power on the level of service as that remains the government's responsibility. Consequently, the user could be shouldered with new security measures overnight and be expected to fund them, no questions asked. We would support a model which would be a necessary adjustment on the status quo where the government would work collaboratively with CATSA in policy applications and transform the ATSC into a dedicated fee set by CATSA and adjusted to meet its changing needs. The absolute lack of transparency on the ATSC surpluses that industry has been denouncing for years would be eliminated. This is supported by the Report on Aviation Safety in Canada tabled in the House of Commons by the House Standing Committee on Transport, Infrastructure and Communities which recommended that "the revenues from the fees paid by travelers are allocated to CATSA".

Surely the government recognizes that terrorist threats aren't aimed at airlines or airports but at governments themselves. Why then is the government not sharing in the cost of protecting the Canadian air traveller? We hope that the government is engaged in a real dialogue with stakeholders on the future of CATSA and will consider the opinion of industry rather than simply use this consultation to justify a decision already made.

John McKenna  
President and Chief Executive Officer

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