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Chair

The Honourable Judy A. Sgro

Standing Committee on Transport, Infrastructure and Communities

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• (1100)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I call the 139th meeting of the Standing Committee on Transport, Infrastructure and Communities to order.

Before we go on to today's agenda, I have two study budgets that I need support from the committee for adoption: \$15,200 for Bill C-97; and \$1,500 for a study of American-plated vehicles, which your colleague requested we look at.

All those in favour of the two study budgets that are before us?

Some hon. members: Agreed.

The Chair: We had a subcommittee meeting prior to this, and it was agreed that the meetings of Tuesday, May 14, and Thursday, May 16, be devoted to the study of the Canadian transportation and logistics strategy.

It was also agreed that the meeting of Tuesday, May 28, be with officials from Indigenous Services on the delivery of infrastructure to indigenous communities, with an hour on the draft report for bus passenger safety.

It was also agreed that the meeting of Thursday, May 30, be on the consideration of the draft report on bus passenger safety.

It was also agreed that the meeting of Tuesday, June 4, be on the study of the national corridors fund initiative.

It was also agreed that the meeting of Thursday, June 6, be on the consideration of the draft report on the Canadian transportation and logistics strategy, Atlantic Canada and Quebec.

It was also agreed that the meetings of June 13, 18 and 20 be devoted to the study of Canada's requirements for passenger rail service.

With those revisions, that takes in everything that we currently have on our calendar. We're going to be here until at least the 20th, I gather, at the rate we're going, so we'll get our work done.

Are there any comments on that? That's the proposed work schedule that was adopted by our subcommittee this morning.

Mrs. Kelly Block (Carlton Trail—Eagle Creek, CPC): Will you circulate that to the members as soon as possible?

The Chair: Exactly.

Mrs. Kelly Block: Could I also add one other comment before we hear from our witnesses?

Given that we have a vote scheduled for 11:48, and knowing that we like to give ourselves about eight minutes to get over to the chamber, that's going to take 20 minutes from this panel. Can we rebalance the panels a bit so that we're not losing 20 minutes from one panel, but perhaps come back and provide an opportunity to hear more from these witnesses before we move into the second panel?

The Chair: If we needed to go to 1:15, would that be all right with everyone? This way we wouldn't lose any of the testimony.

Some hon. members: Agreed.

Mrs. Kelly Block: Thank you.

The Chair: Yes, Ron.

Mr. Ron Liepert (Calgary Signal Hill, CPC): One of the things that concern me in studying these clauses is that we haven't scheduled any department officials to testify. Could we look at taking an hour out of one of the next two meetings where we have the pilotage clauses to study and have department officials appear before this committee to rationalize some of the numbers that I think we're going to hear from our witnesses today?

I think you're going to see, judging by some of the comments that have been made, some real concerns around costs, how costs are being allocated and transferred. I don't see any opportunity for us to ask questions of department officials on how they came up with this model.

• (1105)

The Chair: Department officials will be here with Nav Canada on May 7 for one hour. It may not be listed, but that's what that meeting is.

Mr. Ron Liepert: Thank you.

The Chair: Unfortunately, we cannot go beyond one o'clock, because there's another committee coming in at one o'clock. We will have to do our best to get all the information we can and see how we can ensure that everybody gets their time.

I will go now to our witnesses at the table.

From Air Canada, we have Ferio Pugliese, senior vice-president, Air Canada Express and government relations. From WestJet, we have Jared Mikoch-Gerke, aviation security adviser. From Air Transat, we have Howard Liebman, senior director, government and community affairs. From the National Airlines Council of Canada, we have Massimo Bergamini, who we all know very well.

I understand, Mr. Bergamini, you would prefer to go first. The floor is yours for five minutes.

[*Translation*]

Mr. Massimo Bergamini (President and Chief Executive Officer, National Airlines Council of Canada): Thank you, Madam Chair and committee members.

My name is Massimo Bergamini. I'll move right into my presentation.

The National Airlines Council of Canada represents Canada's four largest airlines—Air Canada, Air Transat, WestJet and Jazz Aviation.

I am pleased to be joined on this panel by representatives of three of the charter members of our organization, who will each speak to aspects of this legislation and the related process.

[*English*]

The National Airlines Council of Canada was created to do four things: facilitate industry consensus on key issues; act as a conduit with governments; develop and advocate for policies that support a safe, efficient and globally competitive aviation industry; and perhaps most important, provide a window on our industry and the ecosystem in which it operates.

Today I'm going to ask you to look through that window for a moment to consider the following proposition. The reason today flying is safer than walking to work, or that millions of people move across continents every day, taking off and landing with clockwork precision, is that there is no room for impatience, shortcuts or improvisation in commercial aviation.

It's probably fair to say that to the legislators and regulators around the world who expect no less from their commercial aviation sectors, this a true proposition. They would say that.

Now let me ask you to consider whether that proposition carries any implications for your committee, for Parliament, or for the government. Because here we are, six months before a general election, discussing an aviation policy bill buried within a money bill—and we know what that means—after our industry was told that the government expects the whole process to be signed, sealed and delivered by April 1, 2020.

Let there be no mistake, any suggestion that this process mirrors the successful transfer of air traffic control functions to Nav Canada in 1996 is disingenuous at best. It may be true that the bill that created Nav Canada was also embedded in the enabling legislation for budget 1996, but the similarities end there. The success of the Nav Canada model was the result of almost two years of tough negotiations, with almost weekly meetings where everything was on the table. Unlike the bill we have in front of us today, which is designed to expedite by government fiat the off-loading of airport security screening functions, the Nav Canada bill followed, reflected and finally enshrined in law the outcome of those negotiations.

Let me illustrate with two examples why this matters.

The Nav Canada bill of 1996 provides compensation for incremental costs stemming from ministerial directives. The bill you have before you does not. This is particularly important for us as it relates directly to one of the three key caveats we raised with the

government in 2017, namely the need to recognize the impact of security shocks on the operations and funding of the new entity in order to protect the traveller's pocketbook.

We know that real and potential security threats can cause the imposition of new screening requirements resulting in additional costs. CATSA itself was created in response to such an event, as you know.

A security event in December 2009—the so called "underwear bomber"—prompted an increase in user fees the following year.

The second example relates to transition funding. Both the Nav Canada bill of 1996, and the security screening services commercialization act set a dollar amount to offset operating costs incurred before the new entity is able to secure an independent revenue stream.

The difference, and it's an important one, is that the level of transition funding provided to the fledgling Nav Canada was determined following negotiations and reflected a mutual understanding of what would be required for a successful launch.

While budget 2019 allocated \$872 million for transition costs, we do not know how that quantum was arrived at, whether it includes ancillary costs such as the air marshal service or the CTA's new responsibilities, or whether it reflects current service standards or the start-up costs of the new organization.

Those are but two examples. There are others, but for now, let's dispose of the talking point that this bears any resemblance to the Nav Canada experience.

In 2017 when Transport Canada surveyed industry stakeholders on governance and business model options for CATSA, our industry supported the transfer of its functions to a not-for-profit entity, in principle. As you will see in annexes 1 and 2 of this presentation, we did so with a number of serious questions and caveats.

Instead of engaging with our industry and other stakeholders to address them, for two years the government chose to leave those questions a dead letter. Now, as our industry is grappling with major operational challenges stemming from the grounding of the Max 8, the implementation of new flight duty times rules, and the impossible task of complying by July 1 with prescriptive new passenger rights rules, we are again confronted with a government-imposed deadline and process.

• (1110)

[*Translation*]

Surely no one would suggest that this way of conducting government business meets the standard of unhurried, prudent decision-making that our air carriers are expected to exemplify.

This brings me back to my original question to you: what are the implications of all this for you as parliamentarians and members of this committee?

[English]

As this is a money bill, there are limits to amendments you can introduce to improve it. That remains the prerogative of the minister, but you can use your bully pulpit to signal to the minister that you support an open, unhurried negotiation process, and that the bill must be amended to allow that process to begin.

Thank you.

The Chair: Thank you very much, Mr. Bergamini.

We'll go on to Mr. Liebman.

Mr. Howard Liebman (Senior Director, Government and Community Affairs, Air Transat): Good morning.

[Translation]

Thank you, Madam Chair and members of the committee.

My name is Howard Liebman. I am the Senior Director of Government and Community Affairs, and I represent Air Transat.

By way of introduction, I want to express support for the presentation of our association, the National Airlines Council of Canada, and thank our president and chief executive officer, Massimo Bergamini, for his testimony.

Air Transat is the second largest international passenger airline service in Canada. It is based in Montreal and also has secondary bases in Toronto, Vancouver, Calgary and Quebec; it provides airline services at over 20 transit points in Canada, toward 65 popular destinations, with a fleet of 35 large commercial carriers and over 3,000 dedicated on-board staff throughout the country.

[English]

In 2018, we transported more than four and a half million passengers, and our commitment to service excellence was recognized when we were chosen as the recipient of the Skytrax award for best leisure airline in the world.

We are currently transitioning to an all-Airbus fleet, with the imminent arrival of our first, and North America's first, fuel-efficient Airbus A321neo long range.

This commitment to serving and providing the best possible experience to our passengers has been part of our collective DNA since we first flew in November 1987.

Airport security screening is a vital component of the overall aviation ecosystem. There is no alternative for all stakeholders—for travellers, air carriers, airports and government—but to get this right.

We take note of the comments you just heard from the airlines council that omnibus budget Bill C-97 has raised crucial questions in such areas as funding and governance and that, consequently, it is imperative that this process not be rushed.

Air Transat stands ready to marshal our three decades of expertise to engage constructively on this, and we underline that this process merits the full attention of this honourable committee, to ensure that Canada maintains a safe, efficient and productive airport security screening system. We're instructed by the precedent of the commercialization of air navigation services in Canada, and are

mindful of the roughly two-year timeline in establishing Nav Canada.

I will close my opening statement by taking a step back to share with you some important context. As our industry engages in this process with the necessary expertise and resources, it is imperative that this committee appreciate the breadth and magnitude of concurrent regulatory initiatives targeting the airline industry. They include air passenger protection regulations, new pilot flight duty time regulations, clean fuel standards and related environmental initiatives, accessibility regulations, consultation on equal remuneration for federally regulated contract workers in the air transport sector, and more.

I wish to underline that this is in no way a critique of any of these important initiatives. On the contrary, the industry is deeply engaged on each one. The point here—and it's a crucial one—is that all of these significant regulatory changes are happening in parallel. In addition to the overriding imperative of safety and security, which must never be compromised, there is a capacity issue to ensure all stakeholders get this right.

Let us not lose sight of the fact that the airline industry is an economic locomotive for the Canadian tourism industry and, indeed, for the entire Canadian economy. The individual and cumulative costs of these regulatory initiatives—borne by users, by the industry, but let's face it, ultimately by travellers—must be fully considered.

•(1115)

[Translation]

Thank you very much, Madam Chair.

[English]

The Chair: Thank you very much, Mr. Liebman.

We go on to Mr. Pugliese.

Mr. Ferio Pugliese (Senior Vice-President, Air Canada Express and Government Relations, Air Canada): Good morning, honourable Chair and members of the committee.

[Translation]

Good morning everyone.

[English]

My name is Ferio Pugliese. I am the senior vice-president of Air Canada Express and government relations.

[Translation]

First I want to thank you for giving us the opportunity to appear before you today.

[English]

I'm here before you today to discuss what we believe, if done right, to be one of the single most important changes to air transportation in Canada since the devolution of airports.

The proposal to create a new designated screening authority, DSA, to replace CATSA in Bill C-97, comes after years of industry and public requests to improve the system, based on thoughtful examination by airlines, airports and the travelling public. Transport Canada has been supportive of our work in this area, and we're pleased to see significant movement in this regard.

Before I dig deeper into the topic of the new screening authority, I'd like to share with you a bit of context about Air Canada.

Just over 10 years ago, coming off the verge of bankruptcy, Air Canada embarked on a vision to transform itself into a Canadian global champion. Last year, we served over 51 million passengers, a 65% increase since 2009. We now serve 220 destinations across six continents, having added 120 new routes in the last five years alone. Based on our growth, our three main Canadian hubs now rank in the world's top 50 most connected international cities. Aside from Canada, only the United States and China, the two largest markets for air service, have three or more cities in this select ranking. Air Canada remains committed to advancing this vision.

Recent economic impact studies by KPMG and InterVISTAS have identified our total economic output to be \$47 billion, including a net impact of \$21 billion to the GDP of Canada and over \$1.9 billion in direct tax revenues to governments.

Our 36,000-member team, 6,000 of whom were hired only in the last three years, support this growth, and without these dedicated individuals we could not deliver our product to our customers. In total, our operations support 190,000 jobs across our country. Our commitment to serve communities and customers underscores our vested interest in ensuring that CATSA reform meets the needs of the industry, and most importantly the travelling public.

A new model is necessary to improve efficiencies and reduce wait times, delayed departures and missed connections for travellers. Current inefficiencies have resulted in lost economic opportunities and contributed to a worsening perception and inferior travel experience for customers travelling through and within Canada.

While this reform is welcomed, Air Canada cautions that in order to get it right, it must be done in a thoughtful, well-planned and fiscally responsible manner. We encourage the committee to take the time required to coordinate and have thoughtful consultation from all parties.

We're concerned by the provision that allows for the sale of CATSA assets to the new DSA and the impact it will have on the cost to travellers. We do not support having the balance sheet of a new entity that is burdened with long-term debt in the transfer of assets. It is suggested that these assets will be transferred at a negotiated value, of which the new entity will need to use operating revenues derived from rates, fees and charges to not only cover operating expenses but to also service its newly acquired significant debt.

The consequences are simple: increased cost of travel and reduced funding for necessary investments in technology, processes and practices. We have one opportunity to do this right, and the closest proxy we have to this is the government transfer of the air navigation system to NavCan back in 1996, which was done with adequate time

and consultation. We suggest a similar approach with CATSA reform.

Finally, I wish to highlight and remind the committee that air transport is also undergoing the most active, dynamic period of regulatory reform since the early 1990s. Among other reforms, industry is currently working with government to finalize the air passenger protection regulations, APPR.

Government's timelines on this policy are simply not realistic, and quite frankly are irresponsible, for the following reasons: rushed implementation without consideration of operational realities leading to unintended consequences; policy based on flawed and inaccurate regulatory impact analysis statements; and, air travel, again, that will get more expensive and less accessible for Canadians.

● (1120)

Finally, our airline, along with others, is facing one of the most significant challenges the industry has faced since 9/11: the grounding of the Boeing 737 Max. As a result, resources are fully dedicated to managing schedules, preserving service and managing route suspensions. While our team has done an excellent job in recovering our operations, the strain on resources is significant, leaving little capacity to deal with other issues.

As well, a significant level of resources is needed as the airline prepares customers and operations for the eventual re-entry of service.

To top that, the industry is now being asked to embark on a significant CATSA reform at an expedited pace. To suggest that complex negotiations begin in short order is undermining not only to the industry, but to the travelling public, and will lead to inferior outcomes.

Before we embark on the next stages of CATSA reform, we implore you to consider the following recommendations: First, allow this industry to get past the Max grounding. Second, delay the implementation of the APPR to provide for more and much-needed consultation. Third, in the coming months, allow airports and carriers enough time to consider how to create an industry-leading screening authority that begins with the transfer of assets at a nominal value.

Air Canada supports this CATSA reform, done right, which means that consultation and careful consideration of legislation must take place. This cannot be done with the introduction of provisions in the budget omnibus bill where we have virtually no ability to make changes.

The Chair: Thank you.

We'll move on to WestJet and Mr. Mikoch-Gerke, but before we start, the vote has been called. Do we have permission to continue to the eight-minute mark?

Thank you all very much.

Mr. Mikoch-Gerke.

Mr. Jared Mikoch-Gerke (Advisor, Aviation Security, WestJet Airlines Ltd.): Thank you, Madam Chair and members of the committee, for the invitation to speak with you today.

My name is Jared Mikoch-Gerke, and I'm an aviation security adviser for WestJet. In my capacity, I serve as a subject matter expert on all legislation and regulatory policy surrounding aviation security across our global network, and I'm the primary liaison with CATSA in its current form.

I represent WestJet on several Transport Canada-led working groups and committees related to the reform and development of aviation security policy. I also serve as the chair of the security and facilitation committee of the National Airlines Council of Canada.

WestJet is in the midst of a significant evolution, from the carrier that launched in 1996 with only three aircraft and served five destinations in western Canada, to today, when we operate over 700 flights a day. We have a fleet of 180 aircraft that carry nearly 80,000 guests daily throughout our growing international network.

We are the second-largest air carrier in Canada, and the safety and security of our guests is at the absolute core of what we do. For this reason, we are passionate about the subject at hand.

In 2017, when Transport Canada first announced that it would examine new business and governance models for CATSA, I represented WestJet and NACC on the Transport Canada-led security screening working group with our airport colleagues.

Throughout 2017, we reviewed and assessed four different options, one of which was transitioning CATSA back to a non-profit, non-share capital corporation and establishing it in a similar framework to Nav Canada. Our analysis of the different models was based on seven principles, which can be broken down further to three main elements:

First, security must never be compromised. Screening must be effective and responsive to new threats while capable of delivering internationally competitive screening standards with 95% of all passengers screened in 10 minutes or less and none waiting longer than 20 minutes.

Second, the entity must practise the highest standards of corporate governance and public accountability, ensuring the availability of services is not a barrier to investment, operations or growth.

Third, consistent funding is required over a multi-year period to support capital investment innovation in a consistent national standard, along with a fully funded transition period to ensure there are no sharp cost increases on passengers or industry.

At the outset, we supported the development of a new non-profit corporation similar to Nav Canada, with some important caveats. While we continue to support this in an ideological sense, we have several concerns that we believe are important for this committee to consider and understand.

Upon review of this bill, and when relating it to the enacting legislation for Nav Canada, there are several differences that need to be acknowledged. As we know, CATSA was created in the aftermath of September 11, an event that drastically changed air travel as we

know it. Additionally, there were other events that also drove significant changes to aviation security screening.

We had the underwear bomber plot, which resulted in the liquids and gels screening we have today, the shoe bomber plot, which resulted in the requirement to remove shoes for screening, and others, which have changed security screening over the years.

These events resulted in almost immediate changes to screening requirements to ensure the safety of passengers while instilling public confidence. They often come with significant costs. It is critically important for the entity to be agile and responsive to new threats; however, to do so also requires financial guarantees.

We understand the requirement for the entity to implement any directions issued, or to provide screening at aerodromes designated by order of the minister. However, we firmly believe that, like Nav Canada, there should be financial protections in place from the government should the changes result in a financial loss to the entity, either by means of financial compensation or the establishment of a contingency fund.

As we know, aviation security is incredibly susceptible to significant external shocks and we must ensure that the entity is financially stable to sustain such events. There are also several other elements that we do not have any insight into, but are crucial to the success of this new entity.

With respect to the assets and equipment currently owned by CATSA, we maintain the firm belief that these assets should be transferred at a nominal value since they have been paid for by Canadians through the air travellers security charge, or ATSC. By transferring the assets at book value, the costs are going to be passed on to consumers, who will pay for them again.

With respect to the ATSC, we believe this tax should be repealed once charges are established by this entity, but there is no clarity on what will occur with it. Maintaining the ATSC alongside the new charges will only drive up the cost of air travel for our guests who must pay for these services.

The legislation also does not provide any detail on how the transfer of current employees is to be carried out. There is nothing specifying how to deal with current collective agreements, bargaining agents or obligations to provide services in the event of a work stoppage. There are no commitments on pension liabilities or severance pay. For this entity to be successful, we believe these elements need to be carefully considered and evaluated.

In conclusion, we want to acknowledge that CATSA has served its role as best it could. However, the point of failure has been that all funds generated by the ATSC have flowed into general revenue without proper appropriations back to CATSA—while generating a windfall of nearly \$650 million to the government between 2010 and 2017.

While we are encouraged by the capability of the entity to set its own charges for multiple years, we are concerned about some unknowns that exist, which will determine the true cost for this transfer to the industry and the travelling public. These elements need detailed consideration that must not be rushed, as is proposed. Rather, we must work with our industry colleagues and government to ensure that the negotiation of this transition is approached in a methodical and calculated manner. This will guarantee that the result is an entity best established to serve the industry and travelling public with internationally competitive costs and service delivery levels.

Thank you for your time.

• (1125)

The Chair: Ms. Block, you have five minutes for questioning.

Mrs. Kelly Block: Thank you very much, Madam Chair.

I want to thank all of our witnesses for joining us today. Your testimony is deeply alarming, when you consider a brief mention in a budget and then the fact that this is included in the budget implementation act.

Mr. Bergamini, in your remarks you touched on several headwinds the Canadian airline industry is facing. I'm wondering if you would add the federal carbon tax to that list of government-made challenges.

• (1130)

Mr. Massimo Bergamini: The answer is yes, again because of the uncertainty that we're facing. We really do not know at this point what the next three or four years will look like with respect to carbon pricing for our industry, so it is a collection of challenges that are coming at us at this critical juncture in our history, and it's problematic.

Mrs. Kelly Block: Regarding this legislation and the new security screening entity, you described a very rushed process, as have the other witnesses who are before us today. Are there any other examples of the government rushing either legislation or regulations through, which impact this industry without consideration of the practicality of the airline industry's ability to implement them? I'm thinking you might want to touch on the air passenger protection regulations because my understanding is that the deadline is looming very close. I guess I'd ask you to answer "Why the rush?" from your perspective.

Anyone can answer.

Mr. Massimo Bergamini: We're on the record, with respect to passenger rights regulations, as saying that they're just not ready for prime time. The basic problem is that our industry is incredibly complex. The ecosystem in which we operate is incredibly complex. That complexity does not align well with agendas that may be hurried or driven by external considerations. It means that we're not an easy customer. That's our reality, but our role in this country and the economy of this country requires perhaps a different relationship than exists with other groups.

With respect to this particular process, I think it is instructive to remember that consultations actually began with respect to Nav Canada in 1994, and took place over three years to get to that destination, which was the legislation that created the new entity.

We're being confronted with a reverse process, which is legislation and then negotiation, and it's absolutely wrong.

The government did have consultations, beginning in 2017. They could have chosen to sit down with all partners at that time, but for whatever reason, they chose not to. That's where we are today.

Mrs. Kelly Block: Just following up on that comment, I think that in your opening remarks you mentioned you had sent a request to the government and that basically the questions were a dead letter.

Can you explain that a bit?

The Chair: Absolutely. It's public domain.

We participated in 2017 consultations. Our submission is part of my brief. We also followed up with meetings with officials over two years to try to get some answers. Answers have not been forthcoming, in part because this was really managed as a budget issue and therefore under that budget cone of silence. Therein lies the problem.

In 2018, we wrote to the Minister of Transport and the Minister of Finance, reiterated our concerns, and pressed for a sit down, and meaningful discussions. Instead, we were confronted with a *fait accompli* in the budget.

Mrs. Kelly Block: Thank you.

The Chair: We'll move on to Mr. Iacono for five minutes.

[Translation]

Mr. Angelo Iacono (Alfred-Pellan, Lib.): Thank you, Madam Chair.

I thank the witnesses for being here this morning.

In 2015, the committee reviewing the Canada Transportation Act determined that CATSA did discharge its fundamental air security mandate, but that the increase in costs and wait times during predictable peak times undermined the efficiency and competitiveness of Canada's air transport services. Consequently, the review committee recommended that the regulation, funding and service delivery of airport security be reorganized. To do so, it proposed that CATSA be replaced by "a single integrated aviation security agency with responsibility for both regulatory oversight and operations."

What do you have to say to that?

• (1135)

Mr. Massimo Bergamini: I'm going to make a few comments.

The Emerson committee, which was tasked with reviewing the Canada Transportation Act in 2015-2016, did indeed find a certain number of obstacles to competitiveness in our industry in Canada, such as the ones you raised.

The review committee recommended that the government provide the necessary sums in a predictable way so that the current agency could provide world-class quality service. We all agree that the current level of service is not sufficient and that we are lagging behind, but it is clear that we don't agree on the solutions.

What is absolutely essential in our view is that any potential solution be anchored in a solid partnership between the industry and public authorities so that we may agree in a completely transparent manner on the challenges to be met and on the expectations of Canadians with regard to that new agency.

Mr. Angelo Iacono: Would any of the other witnesses like to comment?

[English]

Mr. Ferio Pugliese: I'll start with saying that there's no disagreement with your statement with respect to the origin or the genesis of the need for this committee to be founded.

I've spent a good part of my career working in this industry in Canada with two of the biggest national carriers. They can tell you that this is a topic that has been discussed in Canada for many years. We are in desperate need of good facilitation at airports. It's good, then, to see this happening. I think all of us have made that point very clear.

What we are very concerned about is the manner in which we are approaching this. It is rushed; it appears to be thrust upon us at the eleventh hour, if you will, through a budget bill. Now we're being told, in the midst of all the other regulatory reform we need to prepare ourselves for as an industry, that we need to embark on this.

The challenge and the issue we have with this is that we are the ones who are going to have to live with it—we, our customers, the travelling Canadian public and international travellers—for many years. If it's not done right, we're going to be back at having to take on reform.

The manner in which it has been suggested, with the transfer of costs and the transfer of assets to it, is—much in line with what Massimo has shared as well—that it's going to layer on additional costs to the travelling public. Today, based on rates, fees, and charges, we in Canada are one of the most expensive jurisdictions in the world to travel within.

It is our hope that for once, when we sit down as an industry with policy-makers and regulators, we come up with a solution that doesn't just transfer additional costs to the travelling public but in fact introduces efficiencies that could potentially get us to the point that we could increase service and accessibility, rather than just layer on additional costs for facilitation.

The Chair: Thank you, Mr. Pugliese.

We'll move to Mr. Aubin for five minutes.

[Translation]

Mr. Robert Aubin (Trois-Rivières, NDP): Thank you, Madam Chair.

I thank our guests for being with us.

My questions are addressed to Mr. Bergamini, but I want the other witnesses to feel very comfortable answering them as well.

First, let me give you my first impression so that you may corroborate it or tell me if I am mistaken. This will help me with my thinking on the matter.

My sense is that with this proposal, we are solving a false problem. As you said several times in your opening remarks, the basic problem relates to the funding of CATSA. That organization does not enjoy stable, predictable and sufficient funding. According to what I understood, the problem is not related to the quality of the services being provided but to their quantity, because the funding is insufficient.

CATSA comes to see us every year and asks for its funding to be increased, while the government is accumulating profits in the Treasury. Does the structure really need to be completely changed? Is the problem not rather the absence of predictable, recurrent long-term funding to meet the needs?

I have a related question. You conduct activities in international airports. Do our security screening services compare advantageously to those of other countries or are they so ineffective that we need to change the structure?

• (1140)

Mr. Massimo Bergamini: I will start by answering your last question.

I think it's important to recognize the remarkable work of the management team and employees of CATSA, because really they have, for years, provided exceptional service in the financial and decision-making context in which they had to work. I think it is important to say so.

That being said, we are not at the top with regard to results or passenger service in large part because of underfunding and the lack of political will over the past years. This is not new. This does not only relate to the last three years, but has gone on for many years. There is a lack of political will on the part of the federal government to invest, on the basis of an in-depth analysis, the necessary sums to ensure a level of service that would compare to the one that exists in other..

Mr. Robert Aubin: Forgive me for interrupting you, but time is running out.

If, in order to manage its budget, CATSA now had the total amounts travellers invest in security, would that allow you to reach the standards you would like to reach?

Mr. Massimo Bergamini: It's a bit difficult to say; it's a hypothetical question.

To manage to serve 90% of passengers in 10 minutes—that is one of our objectives—it would cost about \$40 million more. The short answer is yes.

That does not mean that we shouldn't evaluate other options as well. We should examine and study what can be done to improve this absolutely essential service. However, in our opinion, it is a bit irresponsible to raise this as a strictly financial matter in a pre-electoral context.

Mr. Robert Aubin: The new structure Bill C-97 would put in place would generate efficiencies of \$40 million at least—and we've only talked about one problem.

Would we, through privatization—because finally, that is really the term—reach these enormous efficiencies of scale that would allow you to recover \$40 million, by reducing employees' salaries or reducing personnel, for instance? Where would you go and get that?

Mr. Massimo Bergamini: In the short term, it's almost impossible, especially given the transfer of assets, as Mr. Pugliese indicated, as this will put the organization in a position where it will have to finance the debt.

We will add financing the debt to these operational costs. So to those \$40 million we may add perhaps \$10, \$15 or \$20 million a year.

Mr. Robert Aubin: Thank you.

[*English*]

The Chair: We have to leave for the vote.

Here is a suggestion to our current panel: If you'd like to stay around following the presentation from our next panel following the vote, you can stay at the table if that's okay with the committee members. That way, if they have additional questions for this panel or the following panel, you'd have the opportunity to answer them. I'll leave it up to your schedules whether you can do that, but I am making the offer if you want to stay around. We would have all of you at the table for questioning from the committee.

We'll suspend. Please come back immediately following the vote.

• (1140) _____ (Pause) _____

• (1205)

The Chair: I'm calling the meeting back to order. Thank you all, partially for returning quickly.

For our next panel discussion we have, from the Canadian Airports Council, Daniel-Robert Gooch, president. From the Vancouver Airport Authority, we have Stephen Hankinson, vice-president, planning and innovation. From the Ottawa International Airport Authority, we have Mark Laroche, president and chief executive officer. From the Greater Toronto Airports Authority, we have Lorrie McKee, director, public affairs and stakeholder relations, and Greg Owen, associate director, government agency programs.

Welcome to you all. You all have been here many times over these last several years, and you're quite familiar with the committee and how the structure functions.

Mr. Gooch, can we start with you? You have five minutes, please.

Mr. Daniel-Robert Gooch (President, Canadian Airports Council): Thank you.

[*Translation*]

Madam Chair and members of the committee, thank you for the opportunity to appear before you today, as well as for your ongoing support in our efforts to improve the experience at airport screening.

My name is Daniel-Robert Gooch. I am the President of the Canadian Airports Council, which represents 54 airport operators.

[*English*]

My remarks for this afternoon have been split into two, with Steve Hankinson of the Vancouver Airport Authority continuing with the second part.

The Canadian Air Transport Security Authority is led by a hard-working team of professionals, but the organization's structure and funding as a Crown corporation is simply not responsive to the demands of a fast-growing air transport sector and the millions of additional travellers we're seeing at Canada's airports each year. This should not be seen as a negative reflection on CATSA's staff or screening officers, who remain committed to keeping air travel safe.

This is an essential service for commercial aviation today, but while Canada's airports have confidence in the security value delivered by CATSA screeners, the reliance on an annual political process to fund a service that travellers are already paying for through user fees simply doesn't work in a fast-growing, volume-based business centred on the care and comfort of real human beings.

Moreover, this reliance on tight annual funding decisions hampers the organization's ability to plan long term or invest in innovations that can deliver improvements in both security outcomes and faster processing times. The organization has not been able to deliver service levels that are acceptable to the industry or our air travellers, nor does it have the prospect of being able to do so as long as it is structured the way it is today. This has frustrated travellers, industry and government alike, which is why Canada's airports have worked with our air carrier partners for several years through an industry-led screening working group in a bid to improve the service for travellers.

These efforts culminated in a December 2015 submission to government on the need for internationally competitive service-level standards for screening, a letter that was signed by the CAC and Canada's two largest air carriers. We recommended a service standard of 95% of passengers being processed through high-volume checkpoints in under 10 minutes and no passenger waiting more than 20 minutes.

Having worked for years to convince government of the need to reform CATSA, Canada's airports are pleased to see the commitments made in budget 2019 to transition CATSA to a not-for-profit entity, using the non-share capital corporate model developed to similarly transfer Nav Canada and 21 privately operated national airports system airports in the 1990s.

We are pleased with the direction that government has chosen with this corporate model—which has been a success—but this effort is different, given that CATSA is traveller-facing and there is a lot to get right in the governance.

•(1210)

Mr. Stephen Hankinson (Vice-President, Planning and Innovation, Vancouver Airport Authority): Good afternoon. I'm Steve Hankinson, and I'm vice-president, planning and innovation from Vancouver Airport Authority and the former chair of the screening working group that brought together airports and airlines toward a common goal of improving screening.

While we are still in very early days, and success is not guaranteed, the transition to a not-for-profit entity for CATSA represents a rare opportunity to improve an important part of the travel experience. With this move, Transport Canada would continue to regulate aviation security in Canada, but operational responsibility for this critical part of the air traveller experience would be transferred out of government to an organization whose mandate would be continued high security delivered more efficiently, more effectively and with leading standards of professionalism.

Whatever service-level standard is ultimately set by the new designated screening authority, our goal is to improve on the rough service target averages followed today and for wait times calculated on an hourly basis to more accurately reflect what travellers experience at Canada's airports.

The organization also will be self-funded, both for operations and the investments needed in innovations to get ahead of growth. After 2016, when Minister of Transport Marc Garneau first committed to looking at governance of CATSA and to holding it accountable to international service standards, our industry working groups submitted a series of additional recommendations for a new designated screening authority that continued to be valid.

The new designated screening authority should be structured to the highest standards in corporate governance and public accountability. Screening must be effective and efficient, responsive to threats while becoming more innovative and entrepreneurial, and enhancing Canadian aviation competitiveness.

The organization must be able to raise its own funds in a transparent and predictable manner to support consistent national standards across the organization's full mandate to screen all air travellers, their bags, and airport workers. The new designated screening authority must have the flexibility to innovate, not only in terms of financial flexibility but also in the ongoing regulatory relationship with Transport Canada.

For example—

The Chair: Mr. Hankinson, I'm sorry, I have to cut you off. Your five minutes are up.

I have to move on to Ms. McKee from the Greater Toronto Airports Authority.

Ms. Lorrie McKee (Director, Public Affairs and Stakeholder Relations, Greater Toronto Airports Authority): Thank you very much, Madam Chair, and thank you for your time and attention.

My name is Lorrie McKee. I am the director of public affairs and stakeholder relations for Toronto Pearson. I'm here with my colleague, Greg Owen, who is the associate director responsible for government agency programs.

Toronto Pearson has been a long-time advocate for changes to address the challenges in the current model for CATSA. As several of my colleagues have mentioned, we have never questioned the safety or security provided by CATSA. In fact, we applaud CATSA leadership and the front-line employees for the security screening service that they provide.

However, the lack of multi-year funding to properly plan and accommodate growth and to invest in new technologies and new requirements added to CATSA's mandate over the years without additional funding has led to globally uncompetitive wait times, flight delays, missed connections and inconvenience to passengers. This threatens Canada's economic objectives, making our country less attractive to foreign direct investment, tourism and trade.

Toronto Pearson is Canada's largest airport. Last year, it processed almost 50 million passengers, making it the ninth-busiest airport in North America, the second for international traffic, and the fifth most-connected airport in the world. CATSA screened approximately 20.5 million passengers in 2018.

Given the hub role that Pearson plays to connect travellers to other Canadian cities and countries around the world, how security screening is delivered at Pearson matters to Canada's economy and this country's desire to diversify trade and grow jobs.

For many years, the allocation model has meant that CATSA at Toronto Pearson has received insufficient funds to deliver a global competitive level of service. Since the fall of 2014, the GTAA has worked with CATSA to purchase additional screening services to reduce wait times. In 2018, we invested \$10.7 million to support security screening. This, combined with additional investment by the government in CATSA, has improved the situation.

However, wait times during many peak travel times remain globally uncompetitive. We therefore welcome this governance change to an industry-led, non-profit entity.

We are committed to working with our colleague airports and leaders in the airline sector to stand up this new entity. Like the airport authority model, we believe that a non-profit commercial model will allow security screening to be delivered in a more globally competitive manner with a clearly defined regulatory regime applied by Transport Canada.

International travellers have come to expect a better travel experience. Hong Kong, Heathrow and other global airports have proven that it is possible to maintain security and process 95% of passengers in five minutes or less.

With respect to division 12 of Bill C-97, we're generally supportive of the text as introduced. There are two changes that we propose.

The first is removal or clarification of the charging principle in paragraph 26(1)(d), which provides "that charges may be used only to recover costs for security screening services". It appears to preclude raising funds to support any investments in innovation or process improvements, which has historically been an issue for CATSA under the appropriations model. We note that there was no similar charging principle when Nav Canada commercialized.

The second is that, for added clarity and flexibility with respect to the imposition of charges on passengers or other persons required to undergo security screening, subclause 24(1) should be amended to add "and/or" so that the option exists for the new entity to introduce a charge for non-passenger screening, but that it's not considered mandatory.

With respect to the setting of charges, the new entity will be limited to increasing charges at or below the rate of inflation. Larger increases are possible, but only following a public process and review by the Canadian Transportation Agency. While we appreciate the rationale for this process, we also would like to point out that such a restriction on the setting of charges may have an impact on the ability of the new entity to raise funds cheaply.

Finally, with this shift to a commercially based security screening service, we suggest that the government capitalize on this opportunity to work with industry to simplify the regulatory framework for security screening. We understand that a similar exercise was undertaken at the time of the Nav Canada commercialization and was an important step in enabling the new entity to establish itself quickly with the confidence of all stakeholders, including the financial markets.

Thank you. I'd be pleased to take any questions.

•(1215)

The Chair: Thank you very much, Ms. McKee.

Now we'll go on to Mr. Laroche from the Ottawa International Airport.

Mr. Mark Laroche (President and Chief Executive Officer, Ottawa International Airport Authority): Good afternoon, Madam Chair and members of the committee.

I am also chair of the Canadian Airports Council's large airports caucus.

[*Translation*]

I am pleased to appear before you today to discuss the future of security screening service delivery in Canadian airports, and seize with you the unique opportunity that is being given us to implement positive changes for our clients and the air transport industry as a whole.

[*English*]

In fact, we collectively subscribe to the Airports Council International and International Air Transport Association's vision where passengers will one day have an uninterrupted journey from curb to aircraft door, where passengers pass through the security

checkpoint with minimal need to divest, where security resources are allocated based on risk and where airport amenities can be maximized.

Former transport minister, Lisa Raitt, also raised the issue in 2014 when she asked that Mr. Emerson opine on the ability of CATSA to meet the challenges of increasing demands with limited resources.

•(1220)

[*Translation*]

The problem this bill aims to solve is not new. Several governments have in turn attempted to find a solution to the problems posed by CATSA and its funding model. In the Canada Transportation Act review report tabled by David Emerson in 2016, there are several recommendations on the CATSA model.

We are pleased that Minister Gagneau has taken these recommendations to heart and intends to make security screening more responsible in the context of reaching an internationally competitive service standard and providing sustainable funding that is better adapted to the situation, while seeking to improve safety and passenger experience.

[*English*]

Obviously the security screening service commercialization act does not go into detail on how a new DSA will become a world leader in security, service and value for money that will support the overall, long-term competitiveness of air transport in Canada.

We raise the following concerns regarding the charging principles as written in the proposed act and therefore require some clarifications.

The first is uncertainty of the DSA's obligation or right to impose charges on non-passenger persons required to undergo screening. The second is that the principle that DSA must observe to establish, revise or terminate charges is somehow contradictory and appears to preclude the DSA from innovating and fostering innovation. In order for the new DSA to succeed, airports will be relentless in demanding that passenger screening service standards be world class.

Our ability to achieve such standards will depend on many factors that will require further discussion and concurrence before we can agree upon a transfer date. Notably, the first is that Transport Canada, the regulator of DSA, commit to undertake a review of all current aviation security regulations pertaining to security screening of passengers, non-passengers and baggage, and report back to this committee in government within a timeline to be agreed upon with the industry.

We need to ensure that regulations will move security screening to an intelligence-driven, risk-based approach that will permit the DSA to leverage proven technologies and existing trusted traveller programs such as Nexus and Global Entry to achieve performance standards in security and customer service that are comparable to the best international aviation practices.

We also need to ensure that the price asked by Finance or Transport Canada for the transfer of assets from CATSA to a new DSA will not be a debt burden that impedes the DSA's ability to provide, within 12 months, a world-class service standard at a cost to passengers no greater than the current air travellers security charge; and that the air travellers security charge should no longer apply, thereby ensuring that a new funding source of the DSA will not contribute to increasing the cost of flying in Canada.

We respectfully request that the enabling legislation required to effect the transfer of CATSA to a DSA proceed. This legislation is a critical first step if we are to meet our collective goal, which is the creation of a nimble, innovative, customer-service-driven organization that ensures a safe and secure, efficient and professional experience for all travellers.

[Translation]

Once this law has been passed, we commit to working diligently to set up a dedicated screening administration that will correspond to what Canadian air passengers, airlines and airports have been asking for for years.

Thank you, Madam Chair.

[English]

The Chair: Thank you very much, Mr. Laroche.

We move on to questioning for five minutes each.

Mr. Liepert.

Mr. Ron Liepert: Thank you all for being here today. In five minutes, it's going to be very difficult to start asking questions of such an imposing panel. At the end of the day, we will be attempting to have everything that was discussed this morning boiled down to a couple of things that we need to consider from a recommendation standpoint. I know that certainly towards the end of the presentation, we had several more detailed recommendations.

If I heard all of you correctly this morning, there is no argument or debate or resistance to what the government is attempting to do. It's about timing. It's about costs and how it's going to be structured, and what the cost will be ultimately to the passengers, many of whom are sitting around this table.

I'd like to see if that is the essence of what we are talking about here today. It's not a question of disagreeing with the idea. It's a question of how we are proceeding to try to get this done quickly and ultimately to the detriment, in all likelihood, of the air traveller.

Can one or a couple of you comment on whether or not that is the essence of what we're talking about here today?

• (1225)

Mr. Mark Laroche: The airports agree with the legislation to proceed. We understand there's an aggressive timeline, but the

legislation does not have a transfer date. The minister will decide on a transfer date when he consults with industry.

We are certainly in favour of this legislation going through. It will address a lot of issues we've been working through. When the time comes for the transfer date, if we're sufficiently ahead, we will proceed. If not, we will get this right as we negotiate once this new DSA is set up.

Mr. Ron Liepert: I will get Mr. Bergamini to comment on that as well.

Mr. Massimo Bergamini: We are not wedded to a model. We are wedded to outcomes, which is a world-class airport passenger security screening system. We are looking toward that.

The process the government has laid out for us from our perspective falls short of what is required to achieve that goal.

Mr. Ron Liepert: If I understand it correctly, these Crown corporation assets and what have you are going to be slid over to the not-for-profit. Instead of already having absorbed those costs—the traveller has already absorbed those costs—the government is now almost going to start to charge all over again for it.

As airlines, have you run any numbers to say what this cost to the consumer is going to be on average?

Mr. Ferio Pugliese: We haven't run specific numbers on this because we don't know exactly what those transfer costs are. We've heard everything from the realm of asset transfer in the \$500 million to \$800 million range, so we're in the process of doing that.

We have run cost assessments on all the other factors that are in front of airlines today, which shouldn't be ignored in all of this. This is part of our concern with this bill coming forward at this time. It's being layered on in addition to carbon tax accessibility, the passenger bill of rights, and now we have this.

Each one of those that I just described has inherent costs built into it. Our assessments to the industry alone on just those ones I mentioned, not including CATSA, brings the industry north of \$1 billion.

Mr. Ron Liepert: Again, the fact that it's buried in a budget bill causes us a lot of grief to try to get our arms around it. I guess as an airline industry it would make more sense to have something that's more of a stand-alone, that you can have the time to analyze the particular legislation and then move forward.

The Chair: You have time for a very short answer.

Mr. Massimo Bergamini: That's exactly what happened with Nav Canada.

The Chair: Thank you.

We'll move on to Mr. Badawey.

Mr. Vance Badawey (Niagara Centre, Lib.): Thank you folks for being here this afternoon.

Mr. Pugliese, with respect to the industry itself, how is business with the airlines right now?

Mr. Ferio Pugliese: Things are fine aside from what's going on with the Boeing Max, if you're reading the press, but outside of that we're continuing to move people.

Mr. Vance Badawey: Okay.

Mr. Bergamini, earlier you made the comment that passenger rights are not ready for prime time. Can you dig a bit deeper into what you meant by that?

Mr. Massimo Bergamini: To Transport Canada's credit and to the minister's credit, we know efforts are under way to address some of the more glaring problems that had been identified after publication of the draft regs in December, but that leads us to where we are today.

The final regulations have not been published yet. They are highly prescriptive. They will require significant system changes and investments on the part of air carriers.

I will give you one example with respect to training. We're looking at having to train 20,000 to 30,000 employees in Canada alone to be able to implement and be responsive to the prescriptive requirements of the regulations.

To expect that we can do that by July 1 is just not credible.

• (1230)

The Chair: I believe Mr. Gooch is trying to add something to that.

Mr. Daniel-Robert Gooch: Thank you.

We're seeing tremendous growth of airports. It was about 6% nationwide and even higher in some segments over the last year. If you go back several years, it's very strong growth year over year.

I also want to speak to an earlier question on the cost of the service. The reality is we haven't yet seen CATSA's financial situation. The transparency into the organization up until now has been quite limited. It is our understanding that one of the next tasks we will have at hand is for airports and airlines to get access to the data on the operation today on the cost of various service levels and the options for setting rates to fund the service.

There's not a lot of insight right now, but we expect to get that very shortly.

Mr. Vance Badawey: That's a perfect segue into my next two questions with respect to CATSA. Of course, with the current situation CATSA is rather in a box: they're in one line of work. With that said, the expectation is that the new entity will have additional business opportunities not just within the box that CATSA's been in traditionally, but with what they may be involved in in the future as an organization.

The statement from Air Canada noted as irresponsible "[r]ushed implementation without consideration of operational realities leading to unintended consequences". Mr. Liepert asked a question about the process, and we're hearing support of the process for the sale to a new entity. With that said, would it not be understood clearly that, once the sale is complete, a process would in fact then follow to recognize many of the realities of what you're all talking about?

It's not in fact a rush to implementation. A sale may be going through in the short term, but in fact it's going to be a process

wherein much of what CATSA was in terms of its operating capital—and of course, any financing of their debt, operating or capital—the new entity is going to be able to recognize. They're going to recognize, in fact, first what their capital is now going to be on their balance sheet; second, what debt has to be financed as their operational vis-à-vis their capital debt, old and possibly new; and then lastly, the opportunities that might present themselves to add more revenue, as an entity that can get into more business opportunities than CATSA could at one time, being in that small box.

Would you not agree with that?

Mr. Daniel-Robert Gooch: Certainly the new organization, as the legislation is envisioning it, seems to be set up to be a bit more flexible than CATSA would be, but as you heard from my colleagues, we want to clarify some of that.

My colleague from Ottawa is chairing the committee. I'm sure he has some additional comments.

Mr. Mark Laroche: Yes.

The process can go fairly quickly. We basically have to set up an organization that is well run right now, and the asset's being concentrated in Transport Canada makes that less complex. Once we agree with the bylaws and the articles of incorporation, the new board will be named and will have the standards to meet and report on.

It's not necessarily that complex. Right now we have to get access to CATSA data. The government is putting up a data room, and we're going to be able to model all these operations.

The Chair: Thank you very much.

We move on to Mr. Aubin.

[Translation]

Mr. Robert Aubin: Thank you, Madam Chair.

I thank all of the witnesses for being here.

Honestly, perhaps I should have reread the Emerson report before our meeting. However, it is undoubtedly familiar to you, since this is your daily work. If memory serves—correct me if I am mistaken—the Emerson report does abundantly refer to CATSA, but it never suggests abolishing CATSA and replacing it with a differently structured organization.

Am I mistaken in saying that?

Mr. Mark Laroche: In the report, Mr. Emerson proposed that CATSA become a new entity that would also be the regulatory authority and entrusted with enforcing the law. The government did not follow up on that recommendation. In fact, we don't support it because we did not think that would be the proper governance.

Transport Canada will ensure that the rules are being followed and the new organization will see to their execution. That is what the government is proposing at this time, and we support that.

• (1235)

Mr. Robert Aubin: In that regard, I agree completely. I would also have disagreed totally if the regulatory responsibility were removed from Transport Canada. However, if we give the means...

Earlier, Mr. Hankinson spoke about standards. If I am not mistaken, if we compare our performance to the standards of our international competitors, we always talk about screening time. Are there any other shortcomings that would be solved by this transformation, or are we seeking strictly to do things faster, for reasons we can certainly understand?

When we compare ourselves internationally, is our only problem to reduce the screening times at the security screening points?

Mr. Mark Laroche: That is a good question.

We want to be more reactive and proactive in putting in place solutions to ensure better security. The prime objective is security. The point is not to speed, but we think that we are capable of...

Mr. Robert Aubin: What gaps are there with regard to security? This is important. If it's not just a matter of time...

Mr. Mark Laroche: There are no gaps in security. CATSA does its work with regard to security. Now we want to add service to the clientele and reach a level of performance that will guarantee fluidity, so that 95% of those who go through a safety checkpoint will do so within 10 minutes.

Currently, when it takes too long at peak times, people miss their transfers, for instance, in Toronto. The service is not adequate.

Mr. Robert Aubin: I travel occasionally and I can certainly understand that. We always want things to go faster.

Mr. Mark Laroche: Not at the expense of safety, however.

Mr. Robert Aubin: Indeed. We agree on that as well.

You are an airport manager and you have to deal with various partners such as passengers, but also with airline companies. They tell us they don't have a preference as to the model, but they find that things are going too fast and that they were not consulted about this. Are we issuing a blank cheque for a transformation, when only half our questions have been answered?

If we really want a model that is similar to NAV CANADA, should we not also use its implementation model, that is to say take the time needed to do things well, together with all of the industry partners?

Mr. Mark Laroche: That is a good question.

In his bill the minister does not mention a transfer date. For once, we are working with Transport Canada, which has set very ambitious objectives which we may or may not meet. What is important is that this be done with the industry, the airlines and the airports. This will begin once the bill has been passed.

The date...

Mr. Robert Aubin: I understand that the minister did not...

Mr. Mark Laroche: The bill does not mention a transfer date. If the new organization is not ready on day one, the date will be postponed.

Mr. Robert Aubin: I understand about the date, but I'd like to know who is included in the "we". Does that include only airports, or all of the various partners?

Mr. Mark Laroche: The industry.

Mr. Robert Aubin: The industry as a whole.

Mr. Mark Laroche: Correct.

Mr. Robert Aubin: Okay. You are reassuring your colleagues in the first group of witnesses who said that they felt rushed by the process.

Mr. Mark Laroche: We would be seated on the same side of the table to negotiate with Transport Canada. The airlines and airports will negotiate together, with Transport Canada. We understand and share their fears, but we think that the first step is to adopt the bill.

Mr. Robert Aubin: Thank you.

[English]

The Chair: Thank you very much.

We'll go on to Mr. Sikand.

Mr. Gagan Sikand (Mississauga—Streetsville, Lib.): Thank you, Madam Chair.

This question is for anyone who wants to answer it: Will having a private entity deliver the screening services compromise security for the air transportation system?

Mr. Stephen Hankinson: Security is paramount for all of us on the panel today. Our whole industry is successful by being secure, not just by our own definition but international definitions. Given that security threats change globally all the time, CATSA does a fabulous job, along with Transport Canada, in staying ahead of that. This would in no way jeopardize what we've enjoyed to date in terms of a secure aviation sector.

• (1240)

Mr. Gagan Sikand: In terms of the standards, would the standards be changed, the goalposts?

Mr. Stephen Hankinson: The standards are set by Transport Canada. They are regulated in terms of the protocols and the practices necessary to ensure a safe and secure industry, so the DSA would adhere to that.

The opportunity is for us to work together between the DSA and Transport Canada to pursue how we go beyond what is minimum, to ensure that customers remain satisfied that their aviation sector is secure and that we're competitive globally.

Mr. Daniel-Robert Gooch: The way the organization is structured today, it is really impeded in its ability to plan long term, which also impacts the organization's ability to invest in the technologies that are being developed in other parts of the world that may be better from a security perspective as well.

We're impeded in our ability to take advantage of the latest technologies because the organization can't plan or invest long term.

Mr. Ferio Pugliese: Further to earlier comments with respect to unintended consequences, I think what should be made clear here is that in the event of a transfer of assets happening at quite a cost, what my colleague just mentioned around reinjecting funds and research into improved processes, and so on, will be significantly inhibited. If that is not done correctly, you won't have the funding or the resources to do that, hence the reason for our apprehension as an airline industry.

I want to stress that, because those rates, charges and fees appear on our tariffs. That is an unintended consequence that occurs with all of this, where the cost of air travel becomes more expensive. In essence, what's happening here is you're having the travelling public pay for an asset that they already own, and they're going to be paying for it again as this gets transferred over.

You're going to be using revenue through this system to offset that cost, and there will be nothing left behind to improve the service and meet the intentions of this committee and what this new entity is designed to do, which is to create a facilitation process for passengers that is world class.

Mr. Mark Laroche: On the question of cost, we have the same apprehension as the airlines, but our starting point will be the unamortized cost of the asset. We don't necessarily agree that the passenger has paid for it. We may have overpaid for CATSA service in the past, but an unamortized cost is not paid yet. That's why we are asking Finance and TC to be reasonable in their asks.

Mr. Gagan Sikand: I'm going to jump back in because there's a large panel.

I heard some names—Hong Kong, Heathrow—and I can appreciate that there's the IATA, but there's a lot of variance between screening. I've gone places where I've walked in with my shoes. There are others where I have to go in the body scanner. Recently I was screened when entering the airport and then, before the beautiful boutiques and concourse, I was screened again. There's a lot of variance.

This is a two-part question, and then I'll be out of time. What is the need to change our screening procedure, and then, is there a regime that has it right that we should model ourselves after?

The Chair: Give a short answer, please.

Mr. Stephen Hankinson: The standards for security are set by government, so you're going to see variation by country based on the regulation applied nationally. It's government accountability to set that standard. You see variation in process between Heathrow and Hong Kong because they operate in different regimes. That's number one.

Number two, in terms of what Canada needs, we need to ensure that the experience of the traveller is consistent and that, whether you are a trusted traveller—a NEXUS card-carrying customer—it's an experience that is similar across airports, and that's one area of significant opportunity with the DSA.

The Chair: Thank you very much.

We go on to Mr. Badawey.

Mr. Vance Badawey: Thank you very much, Madam Chair.

May I first state, Madam Chair, that I do reject the comment that was made earlier, I believe by Mr. Bergamini, with respect to this being a bully pulpit legislation process?

The fact of the matter is that we've heard clearly from industry that there exist current inefficiencies within the current regime. With that and the new direction we're taking with business—and that's what this is, folks—we have future revenue opportunities that will help finance both capital and operations, including the financing of debt. I agree with Monsieur Laroche's assessment on that in response to Mr. Pugliese's assessment.

With respect to timing, this is a sale, yes, but there will be a process that will follow this, a process that will include and involve each and every one of you.

The second point I want to make is that the CTA review done by Mr. Emerson was very clear in its recommendations. With that, in our opinion, Minister Garneau is simply being decisive with respect to offering less subsidy from the taxpayer. There's a big difference here between a taxpayer, although it's sometimes the same people, obviously, but the overall taxpayer, versus the customer.

The second part of that is levels of service. The levels of service, obviously, are going to be enhanced and, with that, once again I want to repeat myself by saying with less taxpayer subsidy.

Mr. Laroche, when you look at the process to date and where we've come, do find that—the word “outcomes” was used loosely, but I want to tighten that up—the outcomes expected by the customer will be realized?

• (1245)

Mr. Mark Laroche: It's a good question.

I used “outcomes” in the regulation sense. What I want in order for this DSA to be successful, because we all want it to be successful, is moving from a regulation that's prescriptive to a regulation that is based on outcomes. For me, that's a process that has to evolve at the same time as we are moving to this DSA. We're not going to change screening regulations overnight, but we have to have that commitment with Transport Canada that they're going to move there, or else we're just going to have the same organization with a different charging fee.

I want this organization to be successful, so if Transport Canada acts as a regulator and says, “Do it securely. We're not going to tell you how in detail to do it; you know better than us, you are the experts”, that's the type of regulation that we have to move to.

Nav Canada operates under that regime, and they have been tremendously successful. They're providing air navigation service that is world class, and I think that is an essential condition. Let's get the legislation through, and then let's work on aviation security regulations so it becomes more outcome based.

Mr. Vance Badawey: In terms of the airports, and this is the crux of it with me personally, with respect to the customers—and I won't go to the taxpayer subsidization; I think I hit that one hard—are the service levels going to be enhanced, or will the travelling experience in fact be enhanced?

Mr. Mark Laroche: I'll give it a shot.

Yes, it will. That's not from day one, because there are going to be transition costs that we're going to have to figure out, and we have to have access to that data to determine what the charging principles are going to be and how much.

We're on the same page with airlines, in that the cost of travel in Canada is very expensive and we can't increase that cost. The efficiency gains have to be achieved by having an outcome-based regulation that will allow creativity, use of technology and increased efficiencies to proceed.

I think with a DSA that's independent, they will be achieving that in the short term.

Mr. Ferio Pugliese: I would argue that this doesn't take place unless you have adequate consultation, with a process that allows for that.

Mr. Vance Badawey: Which—

Mr. Ferio Pugliese: Which today, that's not in front of us.

Mr. Vance Badawey: Which we're going to embark on once the sale happens. The expectation is that we're going to embark on that consultation as well as—

Mr. Ferio Pugliese: I guess my question to you, Mr. Badawey, is that if Mr. Garneau is so decisive, why hasn't he given us a transfer date? Why hasn't he articulated a process for this that is similar to something as important as NavCan, which took two years?

Mr. Vance Badawey: I can't—

Mr. Ferio Pugliese: Why hasn't he? That's a good question for you.

Mr. Vance Badawey: I can't answer that question.

I'm sure he will when he's here to talk about it. However, that's the expectation, that there will be a sale, and we're going to see that happen.

The Chair: Your five minutes is up.

Mr. Ferio Pugliese: I look forward to the answer.

The Chair: Mr. Blaney.

Mr. Jared Mikoch-Gerke: I have a another comment with respect to taxpayer subsidization. Should the taxpayer not subsidize this entity?

Then, once the entity has the ability to set its own charges, the government should commit to the repealing of the Air Travellers Security Charge Act, which it hasn't done.

• (1250)

Mr. Vance Badawey: Well I can argue with the fact that what your CEO is getting paid, \$11.5 million a year, taxpayers are currently subsidizing as well.

The Chair: Thank you, Mr. Badawey.

Mr. Blaney, you have the floor.

[*Translation*]

Hon. Steven Blaney (Bellechasse—Les Etchemins—Lévis, CPC): Madam Chair, thank you for having me at the committee.

I can't stop myself from making a comment about Mr. Badawey's statement, which was meant to be reassuring, with some nice

promises about a bill. This is the same government that promised us that there would not be a deficit in 2019, but there is a \$20-billion deficit and we are not going back to a balanced budget.

Mr. Badawey, I'd like to believe your pious wishes, but I'm not reassured by what I have heard today about the bill.

Mr. Bergamini, my question is for you. I'd like to know how to put this bill back on the rails, because there are concerns. You tell us that the current government imposed the carbon tax on you. Who is going to pay? The people who buy airplane tickets. There are still problems with regard to the comfort of passengers. Who is going to pay? People who take the plane.

Moreover, there is this new agency—and I'll go back to you, Mr. Pugliese. In fact, we are going to add a large debt to a system which is already lacking in funding and money. Who is going to pay? Once again, it will be the passengers, and the government, which has a \$20-billion debt.

It would seem that we agree on the objective of having an efficient agency, but how can we make sure that it won't be a big indebted white elephant and that we won't in the end have worse service than we have now? That is my big concern given the way things are developing. As my colleague said, aren't we giving the government a blank cheque to obtain a lesser level of service?

Mr. Bergamini, how can we put this bill back on the rails? Are there amendments that would ensure that your absolutely legitimate concerns are heard? This will have an impact on taxpayers, and on people who buy airplane tickets, who may be taken for a ride and be the victims.

Mr. Massimo Bergamini: Thank you very much for your question.

First, it's important to say that we absolutely share the same objectives, 100%. To us, the departure point has to be negotiation. We are not convinced that going to the negotiating table with a ready-made bill will give us the leeway or leverage needed to arrive at the results we all want.

With regard to the amendments, you are procedural experts. We are not. We know there are limits to what the committee can do. We don't have a problem with framework legislation, but you must remove predetermined factors in the transition transfers.

In our opinion, this must come from negotiations. You have to remove the elements that put the federal government in an absolutely undue position of strength on the verge of negotiations, and then we will be able to sit at the table. However, if the government asks us to go to the negotiating table and it has all the cards, I think there is a problem.

Hon. Steven Blaney: I think we are putting the cart before the horse. It is all the more unfortunate that we are before a government that is a few months away from an election, as you were saying.

One of the big issues—Mr. Pugliese, you were the one who presented it—is that CATSA's assets are going to be transferred. You said they were worth between \$500 and \$800 million.

This is a new private enterprise that is starting up with a large debt. It is somewhat behind technologically, and it does not meet international standards as we would like it to. We are telling its representatives to invest and be more effective, and mentioning in passing that we would like it to cost less.

How can we square that circle with regard to the bill before us, Mr. Pugliese?

[English]

Mr. Ferio Pugliese: That's a good question. My immediate reaction would be that the transfer of assets should be done at a nominal rate, so you're not burdening this new entity with debt, and they're not generating revenue to cover operating costs. This is going to be a not-for-profit entity, like Nav Canada. They generate navigational fees. With Nav Canada, for example, they go back into the entity. Those rates and fees are transferred back to the airlines, and that's transferred to the customers.

As a Crown corporation running independently, that entity has had good governance. It has been able to work through efficiencies that over time have actually reduced rates and fees.

In this case, we suggest following a very similar model. We are not opposed to this. We think it is much needed, as my colleagues in airports have said, but let's do it right, take the time and not burden this agency up front with unnecessary debt that, at the end of the day, taxpayers or the travelling public are going to pay. It will not reduce the cost of air travel. When air travel is not reduced, service gets compromised and suspended. That's not the business we're in.

• (1255)

The Chair: Thank you very much.

Hon. Steven Blaney: I want to say that we are competing in an international environment where our airline companies and our airports are dealing with other countries. We need to be more

competitive. I have no proof that we are doing it the right way with this bill.

The Chair: Mr. Iacono, you have two minutes.

Mr. Angelo Iacono: What was your relationship and experience when Nav Canada transferred over?

Mr. Daniel-Robert Gooch: Most of us were here at the time. I'll just make a couple of comments and open it to my colleagues.

Our understanding is that it's generally well received, and that the transfer was generally perceived to be successful. Certainly, we've seen some changes in Nav Canada over the years. They were set up with airlines as the primary stakeholders. Air traffic control does have an impact on the community. For example, in recent years we've seen the need to work more closely with Nav Canada and all the stakeholders in the community when flight paths have been changed.

My colleagues at Toronto Pearson can probably speak more to that, because they've worked very closely with Nav Canada in recent years.

Ms. Lorrie McKee: Yes, there's no question that we have a very strong collaborative working relationship with Nav Canada at Toronto Pearson. We work on operational decisions with them every day. There is long-term planning. As Mr. Gooch has mentioned, when it comes to community impacts, we're joined at the hip and work very closely with Nav Canada, so that the relationship is strong and healthy. It has been a positive experience.

Mr. Angelo Iacono: Thank you.

The Chair: Thank you to our committee members, and thank you to all of our witnesses. This has been a very informative two hours. I apologize for the interruption.

The meeting is adjourned.

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