



Air Transport Association of Canada

**Pre-Budget Submission to the Standing
Committee on Finance**

July 26, 2016

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The Air Transport Association of Canada is an industry association representing commercial aviation in Canada. Its 176 members come from every province and territory in Canada. The air transport sector has a number of fiscal issues that it wishes to be addressed as follows:

Air Travellers Security Charge (ATSC)

The ATSC was created in December 2001 to fund the Canadian Air Transport Security Authority (CATSA). In the words of the then Finance Minister Paul Martin "Every nickel of this charge will go to aviation security". We challenge that statement. We have done extensive financial modeling using the best number available, and found hundreds of millions of dollars unaccounted for. We ask for more transparency on this issue. The fact that the Auditor General has not audited the ATSC since 2006 exacerbates the lack of transparency.

ATAC prepared an analysis in 2008 which ranked worldwide aviation security charges. The analysis showed that Canada's ATSC ranked second worldwide. In 2010, the government increased that charge by 53%. We believe therefore that Canada's ATSC is the highest in the world.

ATAC also analysed receipts of the ATSC against known expenditures and noted a significant discrepancy. The receipts exceeded revenues by hundreds of millions of dollars. In contrast the U.S. and a number of other countries subsidize their security apparatus.

Airport Ground Rent

Since the airports transfer beginning in 1992, Canadian airports have paid over \$5.3 Billion to the government in rent payments. By the government's own figures the net book value of these airports amounted to only \$1.517 Billion. The National Airport Policy specified that the government had to earn a return on the airports transfer – unfortunately the policy did not specify what a reasonable return is on its investment.

Aviation Fuel Excise Taxes

Canada levies an aviation fuel tax of 4¢/Litre. The U.S. Federal Government charges 1.536¢/Litre. In addition all provinces and territories charge their own aviation fuel taxes. The charges are not dedicated to aviation.

Sale of Airports

There will be a temptation to reap large sums from a sale of Canadian airports to investors. ATAC believes this would be disastrous to the Canadian aviation industry. It would result in significantly increased costs with no safeguards against cost increases or declining service standards.

The above noted financial impacts are non-competitive vis-à-vis the U.S. our chief trading partner. This results in passenger "leaking" to adjacent U.S. airports. A reduction or elimination of these costs would result in more jobs and travel choices for Canadians. Consequently the Canadian air transport industry is not making its desired contribution to Canada's growth or prosperity.

A number of the charges levied are disproportionately negative in their impact on First Nations and Canadians who rely on air transport to deliver food and health care. To them air transport is a lifeline.

Transport Canada Funding

Demand for air services in Canada is growing at a rate of almost 5% annually while the budget allocated to Transport Canada-Aviation Safety & Security has been cut by \$29.1M or 12.5% since 2012-13, making it increasingly difficult for Transport Canada to carry out its mandate of overseeing safety for the travelling public. The direct impact of those budget restrictions has been a drop in the level of service required by our industry thus adversely impacting their economic viability and productivity.