



HOUSE OF COMMONS
CANADA

AIR LIBERALIZATION AND THE CANADIAN AIRPORTS SYSTEM

Interim Report

Standing Committee on Transport



Hon. Roger Gallaway
Chair

May 2005

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THE STANDING COMMITTEE ON TRANSPORT

has the honour to present its

FOURTH REPORT

In accordance with its mandate under Standing Order 108(2), your Committee has studied the Air Liberalization and the Canadian Airports System in Canada and has agreed to report the following:

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AIR LIBERALIZATION AND THE CANADIAN AIRPORTS SYSTEM INTERIM REPORT

INTRODUCTION

Over the past decade, Canada's aviation industry has undergone vast changes. It has evolved from a duopoly between Air Canada and Canadian Airlines International (CAIL), the merger of Air Canada and CAIL, the rise of regional operators such as WESTJET, the emergence of Air Canada from bankruptcy protection and the recent demise of Jetsgo.

In the case of Canada's airports, the National Airports Policy of 1994 designated 26 (these handle over 90% of the total passenger traffic) of the 726 certified airports in Canada as the National Airports System (NAS) and transferred 23 of them, as not-for-profit entities, to Local Airport Authorities (LAA's) on 60 year leases. Transport Canada's role in the airports system has evolved from owner and operator to landlord and regulator.

Within this context, Canada has been liberalizing its air policy since 1987. The sale of Air Canada and the deregulation of airlines were major developments. Canada's "Open Skies" agreement with the United States, signed in 1995 after five years of negotiation, was also a key development in the history of Canadian air policy. Most regard this liberalization development as a great success with nearly 60 new transborder routes opening shortly after open skies was signed, air traffic between Canada and the United States doubling, and airfares generally being significantly lower in real terms today than prior to deregulation.

In spite of these developments, Canada has fallen behind the rest of the world in terms of liberalization of air policy. In 1992, the European Union established a common aviation market, the most liberal air policy imaginable, and is currently negotiating one with the United States. Elsewhere, countries have raised the foreign ownership limits on airlines above Canada's current limit of 25%. The United States now has nearly 70 air bilateral agreements that are more liberal than its "open skies" agreement with Canada.

In addition to passenger services, cargo services will be part of the liberalization agenda in Canada. Air cargo services have a large economic impact supported by the increasing reliance on global supply chains and just-in-time inventory management practices. Demand for air cargo services world-wide is growing at twice the rate of the economy and faster than demand for passenger air services.

The Canadian government is considering negotiations to update the present Air Services Agreement with the United States as well as negotiating increased air liberalization agreements with other countries.

With regard to airports, there has been a great deal of discussion as to the level and even the appropriateness of the rent paid to the federal government under the lease agreements. The Authorities believe that the rents are too high and based on outdated formulae. The Auditor General in October 2000 noted that Transport Canada could not demonstrate that

the deals for transferred airports were equitable, uniform, consistent and fair. The Standing Committee on Transport (TRAN) also criticized government rent policy and called for a rent freeze. Transport Canada has completed a review of airport rents but to date the studies and their findings have not been made public.

In addition to the rent issue, airports have also been the subject of questions with regard to their governance procedures, fees they charge and lack of accountability.

The Government of Canada asked the Standing Committee on Transport (TRAN) for assistance in reviewing the need for further liberalization of the aviation industry. In undertaking this review, the TRAN conducted hearings across Canada and heard from a large number of stakeholders on this issue. In addition, as part of this review, the Committee also studied issues associated with the Canadian airports system.

The Committee's observations and recommendations are based upon the premise that this is an interim report and that more study is required before a final report and recommendations can be reported to Parliament.

THE CANADIAN AIRPORTS SYSTEM

A. Airport Rents

The Committee heard extensive, testimony regarding excessive airport rent – from airport authorities, airlines, communities and associations. Airport Authorities told the Committee that at the time that airport divestiture was negotiated that “real” negotiation did not take place. In Fact, they were told that if there was no transfer there would be no reinvestment in the airports on the part of the federal government. The Authorities and communities agreed to the concept that Transport Canada would be “no worse off” than prior to the transfer. As the Authorities point out, that goal has been achieved with airports paying more than \$2 billion in rent to the federal government on assets that had an initial book value of \$1.5 billion. The present rent regime is capricious and is seen as nothing more than a “tax grab”. This is still true with the new rent formula announced on May 9, 2005.

The airports also point out that, as not-for-profit authorities, they must pass these costs on to tenants and users and ultimately the airline passengers. They stress that Transport Canada is not reinvesting in airport infrastructure or operations. In addition, they maintain that the rent formulae are not applied equally across the airports system – a point that was made by the Auditor General in her review of this issue. As a result, the airports want the rents frozen and eventually eliminated. This view was also echoed by stakeholders from the airlines and community associations. Finally, it was pointed out that if rent was still going to be paid to Transport Canada that only the top tier airports should pay rent as the smaller authorities could not afford this and still remain economically viable.

The Committee is well aware of the rent issue and had made an earlier recommendation to freeze them (Tuesday, November 30, 2004). We are also aware that Transport Canada has been studying this issue for a number of years and considering options to

deal with the “rent problem”. Transport Canada’s announcement on May 9th, adopting a new rent policy calls for a lowering of airport rent by approximately 60% resulting in close to \$8 Billion in rent relief for the airport authorities over the course of existing leases. For airports currently paying rent, there will be a transition period leading to full implementation of the formula in January 2010. The rent formula is based on airport gross revenues and is applied evenly throughout the system.

The Committee appreciates the fact that the government has finally acted on the rent issue and that the rent formula has been standardized. However, we believe that this falls far short of what is required to bring airport and airline costs down. The new policy brings **no immediate relief** to the airports since the policy will not be implemented until January 2006. In addition, the rent reductions are phased in over too long a period – the term of the lease – with full impact of the new policy not being seen for approximately 40 years. In fact, under the new rent formula, the federal government is still expected to collect \$5.1 billion in rent by 2020. Finally, there is no mention in the policy of where the rental revenue will go.

We believe that this is unacceptable. The federal government has a major influence on the competitiveness of Canada’s air industry through the fees it charges, especially rent. The rent policy should address the immediate needs of the industry and not be phased in over a long period of time. Additionally it should clearly state that rental revenues should be reinvested into the airports system.

While the Committee is not prepared to recommend total elimination of airport rents, we believe that rents must immediately be reduced by at least 75%, that the rent received by Transport Canada must be reinvested into the airports system and for airports with less than 2 million passengers no rent should be paid.

Therefore, the Committee recommends that:

- 1. The Federal Government immediately reduce airport rents by at least 75%, that rent received by Transport Canada be reinvested in the Canadian airports system and for airports with less than 2 million passengers no rent should be paid.**

B. Chattel Payments

As part of the lease agreements with airports, we were told that airports had to assume chattels (e.g. IT systems, snowplows, etc.) at the time of the transfers, and pay Transport Canada for them over a specified period of time. This equipment was worn out at the time of the transfer and of marginal value and has all been replaced by the airports. The airports believe that they should not have to make payments for these outdated chattels as they have gotten little or no use out of them and such payments place a heavy financial burden on smaller airports and can threaten their viability. The Committee agrees and believes that these payments do place an unsustainable burden on airports, especially when these chattels had to be replaced. We are pleased with the fact that in its recent policy announcement on rents the government is forgiving the repayments on airport chattels.

C. Airport Governance and Fees

1. Governance

With regard to airport governance the Committee heard some conflicting opinions. On the one hand, the airport authorities believe that their governance and accountability regimes are working well and that they do not need to be re-regulated with airport legislation. They pointed out that they follow a rigorous process for appointing board members of varying backgrounds as well as putting in place oversight controls to monitor the boards' activities to follow best governance practices. In addition, they have established consultative committees to confer with airlines and other airport users on airport plans and activities. Airports also subject themselves to outside audits of their activities as well as being audited by Transport Canada under the terms of the ground leases. Stakeholders also told the Committee that airports with fewer than 2 million passengers should not be subject to legislation as it would likely place too high a cost burden on them. If there is still a concern regarding governance many of the airport authorities told the Committee they believe that this could be best addressed by Bill C-21, the *Canada Not For Profit Corporations Act*, which will replace the legislation under which they are currently incorporated.

In contrast to this, some airport users told the Committee that airports do not fully consult with users on their activities (e.g., construction projects) and that users are merely told of what is going to happen rather than being part of the planning process.

The Committee notes the concerns on both sides of this issue but requires more study of various governance models in other jurisdictions before making recommendations in this area. However, Committee members are very concerned with Transport Canada's propensity to continue to regulate airports when the department has no involvement or limited knowledge of business operations.

2. Airport Fees and Regulations

With regard to airport fees (e.g., landing fees) users, especially the airlines, believe they have little say in negotiating these charges. They stated that airports are monopolies and are free to set fees for users at their own discretion.

To deal with these concerns they would like to see an airline representative on airport boards (some airports do have members with airline experience but who are no longer active in the airline industry) and an appeal process put in place to deal with disputed fees (e.g., the Canadian Transportation Agency could be the arbitrator).

The Committee was struck by the fact that there appeared to be a "patchwork" approach to the way airport authorities operate and no two are exactly alike. While we recognize that this was in part due to the fact that divestiture was negotiated at different times and that both parties to the negotiations were "new to the game." We are also acutely aware that some airports seem to do better when it comes to communicating with stakeholders and surrounding communities than others. The question therefore arises, do we bring down regulation so that all airports are governed identically or do we allow for flexibility in airport management to allow them to deal with their local needs. At a bare minimum the Committee believes that the

government should develop a template containing a set of governance policies and accountability objectives that airport authorities can adhere to.

In addition to the issue of fees, airports told the Committee that Transport Canada has been steadily placing more and more regulations onto the day to day operation of airports. This “regulatory creep” has placed a heavy burden on the airports in terms of additional costs to comply with and analyze the new regulatory requirements. Here again, the Committee intends to further examine this issue. However, we would caution Transport Canada in being over zealous in placing additional and perhaps unnecessary regulations on airport authorities.

D. Regional and Local Airports Viability

The committee heard a great deal of testimony from regional and local airports. This centered on the fact that many of them were not financially viable and were unable to meet the financial requirements necessary to upgrade infrastructure, or comply with the regulatory burdens placed upon them. In addition, they also stated that the cost recovery policies of the **Canada Border Services Agency (CBSA)** creates inequitable fee structures and high service costs to some airports to pay for what CBSA considers non-traditional service (e.g., providing late plane arrival customs service). We were also told that security charges by the **Canadian Air Transport Security Authority (CATSA)** stretches the elasticity of consumer demand and makes it difficult for many of these airports to maintain airline services.

With regard to the **Airports Capital Assistance Program (ACAP)** established by the government to assist regional airports in funding capital projects we were told that it is limited in scope, oversubscribed and underfunded. In addition, we were told that the process for applying for ACAP funding is complicated, time consuming and too costly.

As stated previously by the Committee, we believe that reduced rent monies received by Transport Canada should be put back into the airports system and not into Transport Canada. This could be accomplished by Transport Canada using airport rental revenues to increase funding for the ACAP. This funding must be long term and stable in order to provide the airports with the certainty they require for future economic planning and viability. In addition, Transport Canada must ensure that the process for applying for this program is simplified, less time consuming and less costly.

With regard to CATSA fees, we believe that security is a national issue and should be paid through General Revenue not a special security fee levied on passengers as is now the case. No other mode of transport is singled out for such fees – it is arbitrary and wrong to do so for the air mode.

On the issue of CBSA charges, we noted from our hearings that these charges were not uniform throughout the airports system. For example, some airports have extended hours for customs services and do not have to pay additional costs for this, while others must pay for this. This creates inequity in the system and does not allow all airports to be fully competitive. It is our view that this blatant inequity should be corrected by the government immediately. CBSA services must be paid for by the government for all airports that can demonstrate that they have regular transborder and/or international services..

Finally, the Committee was told that Transport Canada's practice of downloading regulations (e.g., increased firefighting capability) onto airports can result in significant expenditures for small airports – expenditures which many of these airports cannot afford. The Committee strongly believes that if Transport Canada must place additional regulations onto these airports the department must bear the cost of their implementation.

Therefore, the Committee recommends that:

- 2. The government ensure that airport rental revenues received by Transport Canada be used to increase funding for the ACAP, that the funding is long term and stable and that the process for applying for this program is simplified and less costly;**
- 3. The government eliminate the Air Transport Security passenger fee and pay for this service through the Consolidated Revenue Fund;**
- 4. The government pay for CBSA services at airports that can demonstrate that they have regular transborder and/or international services; and**
- 5. The government ensure that if the downloading of regulations onto small and regional airports result in a significant increase in costs to these airports that such costs will be borne by the government.**

E. Unfunded Federal Mandates

Airports raised the issue of unfunded federal mandates with the Committee. They believe that their capacity to deliver services efficiently would be enhanced if they were not required to provide many services **free** to government departments in addition to paying rent. Departments such as Citizenship and Immigration and agencies such as CATSA and CBSA are making unreasonable demands on the airports. For example, airports provide rent free accommodations to Citizen and Immigration and CATSA on demand. The airports believe that this policy vests unreasonable and inordinate power in these entities especially when agencies such as CATSA are funded from government appropriations. They believe that this policy, at the very least, should be reviewed by the government in order to achieve some fairness in the provision of these services. The Committee agrees and believes that this policy must be phased out.

Therefore, the Committee recommends that:

- 6. The government, within five years, end its policy and repeal the necessary statutory powers, whereby certain government departments and agencies receive free services from airport authorities.**

AIR LIBERALIZATION

A. Canada – U.S. OPEN SKIES

Air services between Canada and the United States are governed by the air transport agreement between Canada and the U.S. signed in February 1995 (Commonly called the “Open Skies” agreement). It allows for any number of Canadian and U.S. carriers to operate air services between any points in either country using any aircraft and frequency and to effectively offer any prices without restriction. The agreement **does not allow for cabotage**.

While this agreement has resulted in rapid expansion of air services between the two countries, many witnesses told the Committee that it falls short of a true open skies agreement and that Canada and the U.S. should be moving towards such a goal. Airports, tourism associations, and communities called for expansion of the agreement with **fifth freedom** rights. Fifth freedom rights (sometimes called “beyond rights”) is the right of an airline from one country to land in a second country, to then pick up passengers and fly them to a third country where passengers then deplane. An example of this would be a flight by a Canadian air carrier from Canada to the United States that is going on to Mexico. Traffic could be picked up in the United States and taken to Mexico by the Canadian carrier. American carriers would be able to do the same thing flying through Canada.

Proponents of this told the Committee that fifth freedom rights would allow travelers greater choice, lower prices, and more service to secondary airports by U.S. carriers. The larger airports would benefit from new and/or more services by larger aircraft needed for the longer international flights, resulting in higher airport revenues. Canadian carriers would gain access to the lucrative U.S. international market and could benefit as the ability to top up loads with U.S. traffic might make otherwise unviable services to Latin America and other southern points profitable.

Opponents told the Committee that U.S. carrier service to Europe and Asia via Canada could provide greater revenue potential than Canadian carrier service to points south via the U.S. based on market size. U.S. carriers may be able to divert more traffic from Canadian carriers than Canadian carriers may be able to divert from U.S. carriers. We also heard testimony that an expanded open skies agreement with the U.S. and other attempts to increase competition (e.g., right of establishment) would not necessarily mean that there would be more competition and better service to all points in Canada - That some areas would benefit more than others. The impact of such a scenario will have to carefully be considered if Canada is to proceed with negotiations for a new open skies agreement with the United States.

It bears noting that in this discussion of an expanded open skies agreement, cabotage is not on the table.

The Committee is also aware that some stakeholders have been advocating an even more open Canada – U.S. air agreement, one that calls for the creation of a single aviation market as is the case in the EU. As this is an interim report, and it is the intention of the Committee to seek input from U.S. stakeholders as to their views on an expanded open skies agreement and a common aviation market, a definitive recommendation will not be made until

this stage of our work is complete. We would note however, that in any negotiations on a new open skies agreement it will be necessary to ensure that access to gates and slots at U.S. airports are a part of the negotiating process. Without this, Canadian carriers would not have adequate access to the U.S. market and a new open skies agreement would not provide real commercial opportunities for Canada's air carriers. We recognize that this is a significant policy issue for the government, and one that must be dealt with as quickly as possible, especially in light of the fact that the U.S. is in the process of negotiating more open air bilaterals with other countries. We would also note that the establishment of a more liberal agreement with the U.S. would likely give Canada more leverage in its negotiation of bilaterals with other countries.

B. Cargo

The Committee heard many opinions regarding the liberalization of air cargo services between Canada and the United States. The central issue in the debate was that of **co-terminalization**. Cargo co-terminalization would allow Canadian carriers to carry Canadian originating or destined traffic to and from multiple points in the U.S. on the same plane. It would also grant U.S. carriers the same right in Canada. An example of this would be, FedEx could fly from Memphis to Montreal, drop off U.S. originating traffic, fly on to Quebec City, drop off U.S. originating traffic and then fly back to Montreal to pick up U.S. destined traffic before returning to Memphis. It could not carry any Canadian domestic cargo from Quebec City to Montreal – **this would be cabotage**.

Co-terminalization is an issue because when the U.S. signed the Open Skies agreement with Canada 10 years ago there was an understanding that this issue would be revisited quickly. That did not happen. If Canada is to enter into a more liberal Open Skies agreement with the U.S., it will again be on the table for negotiation.

Proponents of co-terminalization told the Committee that allowing this would improve efficiencies, potentially lower rates, and improve service times thus providing shipper benefits. It could also provide more traffic to Canadian airports thus improving their revenues base.

Opponents, Canadian all-cargo carriers, have stated that that the Canadian courier/cargo market is more competitive than the U.S. with more air carriers operating here rather than the duopoly that exists in the United States and providing lower prices to Canadian shippers. In addition, Canadian all-cargo carriers benefit from contracts with U.S. carriers to carry transborder cargo beyond the initial gateway. If U.S. carriers could operate beyond the initial gateways, it might result in loss of jobs and revenue by Canadian carriers and in turn impact on their ability to provide economic service to remote areas of Canada.

Concern was also expressed by “transshipment airports” that co-terminalization might adversely impact on their ability to maintain and grow their cargo business. Airports with a transshipment designation (e.g., Winnipeg) enables underutilized airports to receive cargo with a foreign origin and destination, sort and handle it, and then have it transshipped to its final destination.

On the surface, the concept of co-terminalization seems attractive from the shippers and airports perspective – offering more options for shippers and more traffic for airports. However, we require more study to assess the impact this would have on Canadian all – cargo carriers and the effect it would have on cargo service to small and remote regions of Canada. It is vitally important that we examine the U.S. perspective on this issue before issuing a final recommendation.

C. International Air Bilaterals

Scheduled air services between Canada and other countries are governed by the provisions under the applicable bilateral air agreement some being more restrictive than others.

Canada has over 70 air agreements or arrangements with other countries, each of which is separately negotiated. These agreements specify, for example, whether there are any limitations on the number of airlines from each country that may operate and the possible routings and frequency of such services. These limits may have been imposed by Canada or the bilateral partner pursuant to its own air policies. With few exceptions, all agreements specify that countries may refuse to permit an airline (or airlines) designated by the other state to operate the negotiated services unless the airline is substantially owned and effectively controlled by the designating state or its nationals.

The Committee heard from many stakeholders that they favoured an opening up of these bilaterals so that they would be more in line with what Canada has negotiated with the United States and with what may be negotiated with the U.S. in the future. Airports especially, told the Committee that these bilaterals were outdated and had too many restrictions. For example, it was pointed out that many Canadian airports have limited access to foreign carriers – only 40% of Canada’s bilateral aviation agreements allow foreign carriers access to Vancouver while 90% of these agreements allow access to Montreal and 70% access to Toronto. To help redress this situation, many airport authorities felt that they should have representation on the bilateral negotiating team.

In contrast to this opinion some stakeholders told the Committee that a cautious approach to opening up the bilaterals should take place and that this should only be done on a case-by-case basis where true demand is present.

As is the case with the U.S. Open Skies issue, the Committee intends to conduct further studies on the international bilaterals. We have yet to canvass the views of foreign governments, airlines and other stakeholders on negotiating a new approach to international bilaterals. However, it would seem fair to say that the status quo is not serving the needs of the travelling public and the present agreements are too restrictive in nature.

D. Right of Establishment

The Right of Establishment was an issue put forward by some witnesses for further liberalizing Canadian air services. Under this concept, Canadian interests could establish domestic air carriers in the U.S. to feed traffic to their mainline operations at their U.S. gateways. U.S. carriers would have the same right in Canada. Such carriers established in Canada would

use Canadian labour and Canadian registered aircraft and would operate according to Canadian safety regulations. Right of establishment exists in Australia, New Zealand and the EU.

Those in favour of this concept cite the fact that Canadian carriers are currently constrained in their ability to attract capital because of foreign ownership restrictions. They believe the right of establishment could increase equity capital for Canadian carriers and increase the level of domestic competition.

Opponents believe that Canadian carriers should largely be Canadian owned and fear that right-of-establishment carriers would only serve the main markets and threaten the viability of existing Canadian carriers.

The Committee is of the view that it requires more information on this subject and intends to examine the experience in other countries with this concept before making a recommendation.

E. Charter Operators

Charter operators were generally in favour of air liberalization and had the same concerns with airports (in terms of rents and charges) as the scheduled carriers. In fact, we were told that Canada's restrictive charter rules continue to impose onerous administrative obligations on the carriers and that the rules should be completely liberalized.

The Committee believes that, if air liberalization is to take place, the implications for charter services should be taken into account. We wish to further explore this area, especially as it relates to international air bilaterals before making further comments on this subject.

CONSUMER PROTECTION

The demise of Jetsgo has brought the subject of consumer protection to the forefront of debate and the Committee heard testimony regarding possible remedies to deal with this issue. Proposals that were put forward included:

- establishing a financial fitness test for airlines (perhaps having at least six months cash on hand), overseen by the Canadian Transportation Agency (CTA) to ensure adequate funding before granting an operating certificate to a start-up carrier;
- mandating the CTA to require periodic financial tests of a carrier's cash on hand to ensure economic viability; and
- requiring start up carriers to establish a trust fund and/or post bonds as security until flights are completed.

The Committee recognizes that consumer interests are sometimes lost when we speak of air liberalization and the competitiveness of the Canadian airline industry. The question

arises as to how far regulatory oversight should go in protecting the consumer and whether we should go back to some form of regulatory regime before airlines can enter the market.

While the proposals noted above may provide some guidelines in this area, it is the Committee's opinion that more study is required on this subject to assess the impact on the competitive environment in the aviation industry as well as the effectiveness of such proposals in protecting the consumer.

OFFICIAL LANGUAGES

Throughout our hearings, concerns were raised as to the level of usage of both official languages by air carriers operating in Canada. While Air Canada, under the *Official Languages Act*, must provide services to the public in both official languages this requirement does not apply to other air carriers, either domestic or foreign, operating in Canada. The Committee recognizes this discrepancy and intends to carry out more study on this subject. It is our intention to examine what takes place in other jurisdictions (e.g., France, Belgium) and find out how these countries handle service to the public in more than one language before making a firm recommendation in this area.

FUTURE COMMITTEE STUDY

As it's noted throughout this interim report the Committee requires more time to complete its work and release a final report and recommendations. The subjects of Canada-U.S. Open Skies, international air bilaterals, cargo co-terminalization, airport governance, right of establishment, official languages and airport governance among others, requires us to conduct studies in jurisdictions other than Canada to ensure that Canada remains competitive in the global aviation market. While some of this input can be obtained through the review of studies outlining what is taking place in other countries the clearest and most up to date information can only be obtained by hearing directly from the stakeholders in other countries.

It is clear from our hearings across Canada that this is only one part of the equation. We must now seek input from stakeholders in other countries as their actions have a critical impact on Canada's aviation policies. As many witnesses have stated to the Committee, Canada's competitiveness and growth in the aviation market lies in the cross – border and international arenas.

The three largest aviation markets, markets in which Canada must compete if it is to grow and we are to have access to cost-efficient international air transportation, are China, India and the European Union. Our major competitor, the United States is currently in negotiations with China, India and countries within the EU (i.e., the UK and France) to expand their air bilateral agreements. In addition, Japan is seeking expanded service into the United States.

It is critically important that Canada be part of this process and that it ensure that it is up to date with policy directions and elements of negotiations that are taking place in these countries. Therefore it will be necessary for the Committee, in fulfilling its mandate, to hear from stakeholders (e.g., governments, airport authorities, airlines, unions, etc.) in the United States and from other countries that are in the process of negotiating new bilateral agreements with the U.S. to complete the second phase of its study and to make a final report.

LIST OF RECOMMENDATIONS

RECOMMENDATION 1:

The Federal Government immediately reduce airport rents by at least 75%, that rent received by Transport Canada be reinvested in the Canadian airports system and for airports with less than 2 million passengers no rent should be paid.

RECOMMENDATION 2:

The government ensure that airport rental revenues received by Transport Canada be used to increase funding for the ACAP, that the funding is long term and stable and that the process for applying for this program is simplified and less costly.

RECOMMENDATION 3:

The government eliminate the Air Transport Security passenger fee and pay for this service through the Consolidated Revenue fund.

RECOMMENDATION 4:

The government pay for CBSA services at airports that can demonstrate that they have regular transborder and/or international services.

RECOMMENDATION 5:

The government ensure that if downloading of regulations onto small and regional airports result in a significant increase in costs to these airports that such costs will be borne by the government.

RECOMMENDATION 6:

The government, within five years, end its policy and repeal the necessary statutory powers, whereby certain government departments and agencies receive free services from airport authorities.

APPENDIX A - LIST OF WITNESSES

Associations and Individuals	City	Date	Meeting
Air Transport Association of Canada Fred Gaspar, Vice President, Policy and Strategic Planning	Ottawa	07/03/2005	20
Air Canada Jazz Allan Rowe, Senior Vice President and Chief Executive Financial Officer Manon Stuart, Manager, Corporate Communications	Halifax	10/03/2005	
Gander International Airport Authority Inc. Ted Lennox, President, LPS Aviation Inc.	Halifax	10/03/2005	
Halifax Chamber of Commerce Bruce Russell, Chair, Transportation Committee (volunteer) Robert Gaede, Chair, Air Sub-Committee (volunteer) Valerie Payn, President	Halifax	10/03/2005	
Halifax International Airport Authority Peter Clarke, Acting President and Chief Operating Officer Jerry Staples, Director, Marketing and Business Development	Halifax	10/03/2005	
Nova Scotia Department of Transportation and Public Works Honourable Ronald Russell, Minister Brian Gallivan, Director, Policy and Planning Division Charles MacKenzie, Policy Advisor, Policy and Planning Division	Halifax	10/03/2005	
Tourism Industry Association of Nova Scotia Carol Thorn, President	Halifax	10/03/2005	

Associations and Individuals	City	Date	Meeting
Atlantic Canada Airports Association John Buchanan, President Gerry Gallant, Executive Director	Saint John	11/03/2005	
Charlo Regional Airport Sonia Roy, President Adolphe Goulette, Municipal Administrator	Saint John	11/03/2005	
Charlottetown Airport Authority Inc. Michael Campbell, General Manager	Saint John	11/03/2005	
City of Saint John Norman McFarlane, Mayor, City of Saint John Grace Losier, Mayor of Grand Bay - Westfield, Regional Mayors of Saint John Shelley Rinehart, Vice Chair, Entreprise Saint John, Community Economic Development Agency	Saint John	11/03/2005	
Greater Fredericton Airport Authority David Innes, President and Chief Executive Officer Andrew Steeves, Vice Chairman of the Board	Saint John	11/03/2005	
Greater Moncton International Airport Kent Robinson, Chairman Rob Robichaud, President and Chief Executive Officer, Senior Management	Saint John	11/03/2005	
New Brunswick Department of Transportation Doug Johnson, Assistant Deputy Minister, Policy, Strategic Development & Intergovernmental Relations Don Mason, Manager, Passenger Services, Policy	Saint John	11/03/2005	

Associations and Individuals	City	Date	Meeting
Saint John Airport Inc. John Buchanan, President and Chief Executive Officer David Barry, Chairman of the Board of Directors	Saint John	11/03/2005	
Saint John Board of Trade Tony Gogan, Chairman	Saint John	11/03/2005	
St. Leonard Airport Gérald Martin, Chairman, Executive Committee Normand Carrier, Chairman, Study Committee Claude Emery, General Manager	Saint John	11/03/2005	
Aéroport de Québec Inc. Gaëtan Gagné, Chairman of the Board Ghyslaine Collard, General Manager	Montréal	21/03/2005	
Aéroports de Montréal (Dorval and Mirabel) James Cherry, President and Chief Executive Officer Pierre Martin, President, Board of Directors	Montréal	21/03/2005	
Air Canada Yves Dufresne, Vice President, International, Alliances and Regulatory Affairs Alain Boudreau, Director Bilateral, International Regulatory Affairs Lyse Charette, Senior Director, Corporate Affairs Jacqueline Kost, Director, Real Estate Management, Corporate Real Estate	Montréal	21/03/2005	
Air Creebec Inc. Anne-Marie Farrington, Marketing and Operational Support Manager	Montréal	21/03/2005	

Associations and Individuals	City	Date	Meeting
Air Transat Philippe Sureau, President, Distribution, Transat A.T. Inc. Bernard Buissières, Vice President, Legal Affairs and General Counsel - Transat A.T. Inc. George Petsikas, Director, Government and Industry Affairs, Legal Affairs, Transat A.T. Inc.	Montréal	21/03/2005	
Board of Trade of Metropolitan Montreal Isabelle Hudon, President	Montréal	21/03/2005	
City of Montréal Claude Dauphin, Member, Executive Committee Kinh-Sanh Mach, Design Consultant, Transport division	Montréal	21/03/2005	
Comité consultatif communautaire des aéroports de Montréal André Gamache, President	Montréal	21/03/2005	
Conseil des Aéroports du Québec Richard Brouillard, President Jacques-Daniel Pelletier, General Manager	Montréal	21/03/2005	
International Air Transport Association Eugene Hoeven, Director, Risk Management and Insurance	Montréal	21/03/2005	
Société Air France Christian Lahccen, Vice President and General Manager, Air France Canada Gilbert Poliquin, Counsel	Montréal	21/03/2005	
Air Georgian clba Air Alliance Paul Mulrooney, President, Air Georgian Limited	Toronto	22/03/2005	

Associations and Individuals	City	Date	Meeting
Alitalia Diana Khoury, Manager , Marketing	Toronto	22/03/2005	
As Individual Fred Lazar	Toronto	22/03/2005	
Bearskin Airlines Harvey Friesen, President	Toronto	22/03/2005	
Canadian Auto Workers Union Gary Fane, Director, Transportation Department Jim Stanford, Economist, Research Department	Toronto	22/03/2005	
Cargojet Canada Ltd. Ajay Virmani, President and Chief Executive Officer, Head Office Jamie Porteous, Executive Vice President, Sales and Services Pauline Dhillon, Vice President Marketing, Public and Government Relations	Toronto	22/03/2005	
El Al, Israel Airlines Stanley Morais, General Manager	Toronto	22/03/2005	
Greater Toronto Airports Authority John Kaldeway, President and Chief Executive Officer Lorrie McKee, General Manager, Government Affairs	Toronto	22/03/2005	
Greater Toronto Hotel Association Rod Seiling, President	Toronto	22/03/2005	
International Association of Machinists and Aerospace Workers in Canada Louis Erlichman, Canadian Research Director	Toronto	22/03/2005	

Associations and Individuals	City	Date	Meeting
Ontario Restaurant Hotel and Motel Association Terry Mundell, President and Chief Executive Officer	Toronto	22/03/2005	
Purolator Courier Ltd. Robert Johnson, President and Chief Executive Officer William Henderson, Vice President	Toronto	22/03/2005	
Skyservice Inc. Russell Payson, Chaiman and Chef Executive Officer, Airlines Rob Giguere, President and Chief Operating Officer	Toronto	22/03/2005	
Toronto Board of Trade Michael Lauber, Ombudsman and Chief Executive Officer, Banking Services and Investments Michael Chopowick, Policy Advisor	Toronto	22/03/2005	
Tourism Toronto Lyle Hall, Chair, Board of Directors	Toronto	22/03/2005	
Abbotsford Airport Authority Dave Kandal, Chair	Vancouver	14/04/2005	
British Columbia Chamber of Commerce John Winter, President and Chief Executive Office John Garson, Director, Policy Development and Communication	Vancouver	14/04/2005	
Business Council of British Columbia Jerry Lampert, President and Chief Executive Officer Ken Peacock, Senior Policy Analyst	Vancouver	14/04/2005	

Associations and Individuals	City	Date	Meeting
Council of Tourism Associations of British Columbia Allan Baydala, Chair, Airline Industry Monitoring Consortium of BC (AIM BC) Robert Andriulaitis, Director, Transportation and Logistics Studies, InterVISTAS Consulting Inc. William Harding, Project Manager , Airlines Industry Monitoring Consortium of BC (AIM BC)	Vancouver	14/04/2005	
English Bay Realty Consulting George Reilly, President	Vancouver	14/04/2005	
Government of British Columbia Honourable Kevin Falcon, Minister of Transportation, Kathleen Miller, Assistant Deputy Minister, Transportation Planning and Policy	Vancouver	14/04/2005	
Greater Vancouver Gateway Council Robert Wilds, Executive Director	Vancouver	14/04/2005	
Kelowna Flightcraft Barry Lapointe, President Ralph Wegner, Director , Finance Bob Monaghan, General Counsel	Vancouver	14/04/2005	
Prince George Airport Authority David Wilbur, Director Mark Miller, Manager of Operations	Vancouver	14/04/2005	
Tourism Vancouver Steve Talbot, Member, Board of Directors	Vancouver	14/04/2005	
Vancouver Board of Trade Dave Park, Assistant Managing Director and Chief Economist	Vancouver	14/04/2005	

Associations and Individuals	City	Date	Meeting
Victoria Airport Authority Richard Paquette, President and Chief Executive Officer Linda Petch, Chair	Vancouver	14/04/2005	
As Individual Greg Halsey-Brandt, Member Legislative Assembly, Richmond Centre	Vancouver	15/04/2005	
British Columbia Aviation Council Andrew Huige, President	Vancouver	15/04/2005	
British Columbia Progress Board Tim McEwan, Executive Director Herman Driediger, Board Member	Vancouver	15/04/2005	
Cathay Pacific Airways Limited Philippe Lacamp, Vice President, Canada	Vancouver	15/04/2005	
City of Castlegar Shawn Sutherland, Director, Transportation	Vancouver	15/04/2005	
City of Richmond Rob Howard, Councillor	Vancouver	15/04/2005	
City of Vancouver Larry Campbell, Mayor, Office of the Mayor	Vancouver	15/04/2005	
International Association of Machinists and Aerospace Workers in Canada Tanya Canniff, President, Local 764	Vancouver	15/04/2005	
Japan Airlines International Co., Ltd. Yoshiki Mizuno, Vice President and Regional Manager, Canada Turner Maynor, Director, Passenger and Airport Services, The Americas	Vancouver	15/04/2005	

Associations and Individuals	City	Date	Meeting
Vancouver International Airport Authority Larry Berg, President and Chief Executive Officer Graham Clarke, Chairman	Vancouver	15/04/2005	
Calgary Airport Authority Peter Wallis, Chairman Garth F. Atkinson, President and Chief Executive Office Julien De Schutter, Vice President, Airport Marketing	Calgary	18/04/2005	
Edmonton Chamber of Commerce Martin Salloum, President and Chief Executive Officer Rick Hersack, Manager, Government Affairs	Calgary	18/04/2005	
Edmonton Economic Development Corporation Allan Scott, President and Chief Executive Officer	Calgary	18/04/2005	
Edmonton International Airport Jim Meyer, Vice President, Marketing and Business Development Mark Ruel, Manager, Cargo, Marketing and Business Development	Calgary	18/04/2005	
Government of Alberta Honourable Lyle Oberg, Minister, Infrastructure and Transportation	Calgary	18/04/2005	
Regina Airport Authority Murray Westerlund, Chairman	Calgary	18/04/2005	

Associations and Individuals	City	Date	Meeting
Regional Community Airports Coalition of Canada Brian Grant, Chairman, Chief Executive Officer, Grande Prairie Airport Commission Alvin Maier, Vice Chairman, Managing Director, Fort St. John	Calgary	18/04/2005	
Saskatoon Airport Authority Patrick Pitka, Chairman E. Robert Stromberg, Past Chairman	Calgary	18/04/2005	
Team Calgary Bruce Graham, President and Chief Executive Officer, Calgary Economic Development Murray Sigler, President and Chief Executive Officer, Calgary Chamber of Commerce	Calgary	18/04/2005	
WestJet Clive Beddoe, Executive Chairman, President, and Chief Executive Officer	Calgary	18/04/2005	
Destination Winnipeg Inc. Stuart Duncan, President Tim Feduniw, Project Manager, Transportation Sectors	Winnipeg	19/04/2005	
Winnipeg Airports Authority Inc. Barry Rempel, President and Chief Executive Officer Arthur Mauro, Chairman	Winnipeg	19/04/2005	
Winnipeg Chamber of Commerce David Angus, President and Chief Executive Officer Philip Sheps, Chair of the Board	Winnipeg	19/04/2005	

Associations and Individuals	City	Date	Meeting
Air Line Pilots Association, International Kent Hardisty, President, Canada Board Art LaFlamme, Senior Representative, Canada Dan Adamus, Vice President, Canada Board	Ottawa	02/05/2005	24
Canadian Labour Congress Bill Chedore, National Coordinator, Health and Safety Kevin Hayes, Senior Economist, Social and Economic Policy	Ottawa	02/05/2005	24
Canadian Union of Public Employees Richard Balnis, Senior Researcher	Ottawa	02/05/2005	24
International Association of Machinists and Aerospace Workers in Canada Paul Lefebvre, President, Airline Central, Local 2323	Ottawa	02/05/2005	24
Teamsters Canada Phil Benson, Lobbyist Guy Bissonnette, Business Agent, Local 1999 François Laporte, Assistant to the President	Ottawa	02/05/2005	24
Thunder Bay International Airports Authority Scott McFadden, President and Chief Executive Officer	Ottawa	02/05/2005	24
Air Canada Pilots Association Kent Wilson, President David Coles, , External Affairs Committee Andy Wilson, Secretary Treasurer	Ottawa	04/05/2005	25

Associations and Individuals	City	Date	Meeting
Competition Bureau Sheridan Scott, Commissioner of Competition David McAllister, Major Case Director and Strategic Policy Advisor	Ottawa	04/05/2005	25
Canadian Airports Council Jim Facette, President and Chief Executive Officer Howard P. Goldberg, Vice President, Economic Affairs and Policy Development	Ottawa	09/05/2005	26
Canadian Chamber of Commerce Michael Murphy, Senior Vice President, Policy Robert McKinstry, Policy Analyst	Ottawa	09/05/2005	26
Institute of Air and Space Law Richard Janda, Professor, McGill University	Ottawa	09/05/2005	26

Abbotsford Airport Authority
Aéroport de Québec Inc.
Aéroports de Montréal (Dorval and Mirabel)
Air Canada Jazz
Air Canada Pilots Association
Air Canada
Air Creebec Inc.
Air Line Pilots Association, International
Air Transat
Air Transport Association of Canada
Alitalia
Atlantic Canada Airports Association
Bearskin Airlines
British Columbia Aviation Council
British Columbia Chamber of Commerce
British Columbia Progress Board
Business Council of British Columbia
Calgary Airport Authority
Canadian Auto Workers Union
Canadian Chamber of Commerce
Canadian Labour Congress
Canadian Union of Public Employees
Cargojet Canada Ltd.
Cathay Pacific Airways Limited
Charlo Regional Airport
Charlottetown Airport Authority Inc.
City of Castlegar
City of Montréal
City of Richmond

City of Saint John
City of Vancouver
Comité consultatif communautaire des aéroports de Montréal
Competition Bureau
Conseil des Aéroports du Québec
Council of Tourism Associations of British Columbia
Destination Winnipeg Inc.
Edmonton Chamber of Commerce
Edmonton Economic Development Corporation
Edmonton International Airport
El Al, Israel Airlines
English Bay Realty Consulting
Gander International Airport Authority Inc.
Government of Alberta
Government of British Columbia
Government of Prince Edward Island
Government of Yukon
Greater Fredericton Airport Authority
Greater Moncton International Airport
Greater Toronto Airports Authority
Greater Toronto Hotel Association
Greater Vancouver Gateway Council
Halifax Chamber of Commerce
Halifax International Airport Authority
Halsey-Brandt, Greg
Heffernan, Gerry
Hotel Association of Canada
Institute of Air and Space Law
International Air Transport Association
International Association of Machinists and Aerospace Workers in Canada
International Association of Machinists and Aerospace Workers in Canada

International Association of Machinists and Aerospace Workers in Canada
Japan Airlines International Co., Ltd.
Kelowna Flightcraft
Lazar, Fred
New Brunswick Department of Transportation
Nova Scotia Department of Transportation and Public Works
Ontario Restaurant Hotel and Motel Association
Ottawa MacDonald-Cartier International Airport Authority
Prince George Airport Authority
Purolator Courier Ltd.
Regina Airport Authority
Regional Community Airports Coalition of Canada
Saint John Airport Inc.
Saint John Board of Trade
Saskatoon Airport Authority
Skyservice Inc.
Smith, David E.
Société Air France
St. Leonard Airport
Team Calgary
Thunder Bay International Airports Authority
Toronto Board of Trade
Tourism Federation of Ontario
Tourism Industry Association of Canada
Tourism Industry Association of Nova Scotia
Tourism Toronto
Tourism Vancouver
Vancouver Board of Trade
Vancouver International Airport Authority
Victoria Airport Authority
WestJet

Windsor Airport

Winnipeg Airports Authority Inc.

Winnipeg Chamber of Commerce

March 10, 2005

Site visit of Halifax Airport, Halifax, N.S.

March 23, 2005

Site visit of the Border Crossing Peace Bridge, Niagara, Toronto, Ontario

Site visit of Pearson International Airport, Toronto, Ontario

April 4, 2005

Site visit of Ottawa Macdonald-Cartier International Airport, Ottawa Ontario

April 15, 2005

Site visit of the Rocky Mountaineer Train Station, Vancouver, B.C.

April 16, 2005

Site visit of the Border Crossing Peace Arch, Surrey, B.C.

REQUEST FOR GOVERNMENT RESPONSE

In accordance with Standing Order 109, the Committee requests that the government provide a comprehensive response to the report within 120 days.

A copy of the relevant Minutes of Proceedings of the Standing Committee on Transport (Meetings Nos 20, 24, 25, 26, 27 and 28) is tabled.

Respectfully submitted,

Roger Gallaway
Chair

MINUTES OF PROCEEDINGS

Meeting No. 28

Wednesday, May 18, 2005

The Standing Committee on Transport met at 3:32 p.m. this day, in Room 371 West Block, the Chair, Roger Gallaway, presiding.

Members of the Committee present: Raymond Bonin, Robert Carrier, Bev Desjarlais, Hon. Roger Gallaway, Jim Gouk, James Moore, Francis Scarpaleggia, Caroline St-Hilaire and Borys Wrzesnewskyj.

Acting Members present: Brian Jean for Dave Batters.

Associate Members present: Ken Epp.

In attendance: Library of Parliament: John Christopher, Analyst.

Witnesses: Canadian Air Transport Security Authority: Maurice Baril, Chairperson, Board of Directors.

At 3:32, the Committee proceeded to sit *in camera*.

Pursuant to Standing Order 108(2), the Committee resumed its study of Air Liberalization and the Canadian Airports System.

The Committee resumed consideration of a draft report.

It was agreed, — That the draft report, as amended, be adopted.

It was agreed, — That the Chair, Clerk and analyst be authorized to make such grammatical and editorial changes as may be necessary without changing the substance of the report.

It was agreed, — That the Chair present the report to the House.

At 3:42 p.m., the sitting was suspended.

At 3:48 p.m., the sitting resumed in public.

Pursuant to Standing Orders 110 and 111, the Committee commenced consideration of the certificate of nomination of Maurice Baril to the position of Chairperson of the Canadian Air Transport Security Authority which was referred to the Committee on Monday, May 9, 2005.

The witness made a statement and answered questions.

By unanimous consent, it was agreed, — That the Committee approves the certificate of

nomination of Maurice Baril to the position of Chairperson of the Board of Directors of the Canadian Air Transport Security Authority.

At 4:48 p.m., the Committee adjourned to the call of the Chair.

Georges Etoke
Clerk of the Committee