



CHC Helicopter Submission to the House of Commons Finance Committee's 2011 Pre- budget Consultation

CHC Helicopter

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Regarding:
Helicopter Search and Rescue in Canada

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Executive Summary

Recommendation

- The Canadian Government should consider an alternate service delivery model to enhance its helicopter Search and Rescue (SAR) capability, such as the proven models used by the Irish Coast Guard, United Kingdom Maritime and Coastguard Agency, and Royal Australian Air Force.
- An alternate service delivery model is an opportunity to address gaps in the current SAR service, add new capacity in the Canadian Arctic, upgrade technology, and provide better service efficiency while, at the same time, addressing current and future budget needs.

CHC Helicopter at a glance

- CHC and Heli-One are headquartered in Canada, directly providing over eight hundred jobs nationally and employing over 4,400 people world-wide. Indirect jobs numbering in the hundreds are supported for many Canadian suppliers and manufacturers.

The need for SAR

- Canadian SAR systems are currently experiencing some operational and equipment upgrade challenges. The Department of National Defence has been forced to suspend the use of its Cormorant helicopters for operations in Central Canada, leaving a void in its ability to provide timely and appropriate SAR coverage for a large, highly populated area.
- SAR capability and infrastructure in northern Canada and the east coast are underdeveloped when compared to the growing support needs of these areas. The government's Northern Strategy highlights Canada's Arctic as a priority area for investment.

A proven model

- Alternate service delivery models for helicopter Search and Rescue are being used by the Irish Coast Guard, United Kingdom Maritime and Coastguard Agency and the Royal Australian Air Force.
- In Ireland SAR was first outsourced to private sector provision 20 years ago to expand existing capability. Over the next two decades military SAR provision was gradually phased out and today Ireland has a fully civilianized SAR service. This operation maintains the benchmark for world-class SAR performance, yet also provides for an economically optimal solution.

CHC Helicopter

Company overview

- CHC Helicopter is a world leader in civilian Search and Rescue (SAR) services and offshore helicopter transportation.
- With over 60 years in the aviation industry, CHC has experience operating on seven continents, in the harshest of conditions, and in most helicopter service applications.

An unparalleled safety culture

- CHC's dedication to safety is exemplified by an unparalleled safety culture, an industry-leading accident avoidance rate and the highest in safety and quality standards.
- With five-year rolling average of 0.34 accidents per 100,000 flight hours, CHC is comparable to the world's top commercial airlines.
- CHC demonstrates its commitment to the aviation industry through its annual Safety and Quality Summit, hosted in Vancouver, BC. The Summit attracts nearly a thousand delegates from suppliers, customers, and competitors around the world.

World leader in Search and Rescue (SAR)

- CHC offers fully customizable SAR and Emergency Medical Services (EMS) solutions for governments, humanitarian missions, hospital and ambulance services, and offshore Oil and Gas companies.
- CHC's long-term SAR service contracts include:
 - United Kingdom Maritime and Coastguard Agency
 - Irish Coast Guard
 - Australia's RAAF, Victoria Police, New South Wales Ambulance Service, and others
 - Oil and Gas SAR for StatOil and ConocoPhillips in Norway, and Eni/Agip in Kazakhstan

CHC's Heli-One division

- Heli-One is the world's largest helicopter Maintenance, Repair and Overhaul (MRO) business, with headquarters in British Columbia, providing support service to CHC's global fleet, third party operators, and foreign government and military customers.

CHC is headquartered in Canada, providing over eight hundred jobs nationally

- Employing over 4,400 people world-wide
- Approximately 300 employees work in the Vancouver, British Columbia head offices
- Over 500 people located at the Heli-One facility in Delta, British Columbia
- Indirect jobs numbering in the hundreds are supported for many Canadian suppliers and manufacturers.

The need for SAR

The Department of National Defence and the Canadian Coast Guard share responsibility for providing SAR services across Canada. The Canadian SAR system is currently experiencing some operational and equipment challenges.

For example, due to mechanical difficulties, the Department of National Defence has been forced to suspend the use of its Cormorant helicopters for operations in Central Canada, flying out of CFB Trenton, Ontario. CFB Trenton is responsible for a vast area covering the Prairie provinces, Ontario (including the Great Lakes), Quebec, the Northwest Territories, and parts of Nunavut. Although crews at CFB Trenton will be able to use Griffon helicopters for operations, these have reduced range and are underequipped for large rescue missions. The reduction in CFB Trenton's available fleet leaves a void in its ability to provide timely and appropriate SAR coverage for a large, populated area.

The government of Canada highlighted, through its Northern Strategy, four priority areas: asserting Canada's sovereignty in the North, protecting its environmental heritage, promoting its social and economic development and improving and devolving its Northern governance. Response capability plays a key role in asserting national sovereignty, especially in the north. Currently, no SAR services are stationed in Canada's Arctic. SAR services are deployed from either CFB Trenton in Ontario and CFB Greenwood in Nova Scotia for operations in Canada's north and in eastern Canada. Fast response times are imperative to the success of SAR operations and lengthy travel times potentially leave those in the north vulnerable. This is of particular concern as activity in the Canadian Arctic increases with the opening of the Northwest Passage, the expansion of oil and gas exploration and other initiatives the government is supporting through its Northern Strategy.

Response times were also cited as an area in need of improvement by Commissioner Robert Wells in his Offshore Helicopter Safety Inquiry Report (November 2010). He recommended a wheels-up first response time of 15-20 minutes, and although his recommendation was specifically addressed to the Canada-Newfoundland and Labrador Offshore Petroleum Board, the lessons learned from the March 2009 Cougar Helicopter crash should inform service delivery models across Canada, particularly in high traffic areas. The Transportation Safety Board's final report on the causes of the Cougar Helicopters incident demonstrates the increasing demands on offshore helicopter transportation by the offshore energy industry. This additional demand widens the gap between Canada's SAR needs and its capabilities.

These issues highlight the need to review Canada's current SAR system and consider other service delivery options. CHC Helicopter encourages the Government of Canada to consider other service models, such as those employed by governments overseas who work with private sector operators, to fill the gaps in its current system and improve its overall delivery of SAR services.

The Irish Coast Guard and CHC Helicopter

To investigate the economic benefits of a private model, the Irish Coast Guard serves as example for Canada:

History

Search and Rescue was first outsourced to private sector provision in Ireland 20 years ago. Initially this was done as a temporary measure to bring expanded SAR capabilities into service more quickly than possible at the time via military provision. The solution was to outsource to the private sector for a short period to allow the military SAR service to replace an aging fleet of short range SAR aircraft. It was later decided to continue the outsourced service in parallel with military SAR provision as the outsourced service had proved to be very efficient, reliable and robust. Over the next decade military SAR provision was gradually phased out and today Ireland has a fully civilianized SAR service. This operation maintains the benchmark for world-class SAR performance, yet also provides for an economically optimal solution.

Economic performance:

How to achieve a sustained economic recovery in Canada

- The private SAR model removes the requirement for the government to invest significant capital in new equipment, next generation SAR aircraft and SAR bases. All capital investment is provided by the SAR service provider.
- As a general rule, outsourced SAR services are delivered with a more efficient manpower model offering significant savings to the government. As an example, Ireland's helicopter SAR service, which consists of four helicopter bases, has a total establishment of 110 staff. This team provides robust, 24-hour coverage for the country.
- High predictability and a reliable cost model help the government to lower cost and deliver reliability in their budgets.

How to create quality sustainable jobs

- Outsourced SAR creates valuable employment within the community where the services are based; generally speaking CHC staff will live with their families within fifteen kilometres of the SAR base. With staff locally based, significant revenues flow back to the government via direct and indirect taxation.
- Over time an outsourced SAR service becomes self-sustaining by generating highly skilled crews from the community. Our experience in Ireland has almost now delivered a 100% self-sustaining supply of staff from the regions where our services are based.
- In Canada, CHC contributes to hundreds of indirect jobs through partners including the Canadian Commercial Corporation, Export Development Canada, CAE, Skytrac, and L3.

How to ensure relatively low rates of taxation

- Our experience in Ireland's low tax environment has been positive. Given the economic challenges that Ireland has faced and continues to face on a daily basis, every aspect of government-provided services are being examined and re-examined to achieve lower operating costs. The SAR service is no exception and has undergone multiple reviews in recent times; all reviews have continued to support outsourced service provision as the most efficient solution for Ireland's SAR helicopter services. The outsourced service will continue to play its part in helping Ireland to recover by reducing the government's cost of service provision, whilst at the same time removing the need for significant capital investment.
- Another significant feature of outsourced SAR is the fact that the service provider indemnifies the government for the provision of the service. This reduces the government's risk, thereby reducing its insurance burden and associated cost.
- This model also contributes via direct and indirect net flow of taxes back to the government, while removing the long-term burden to support government pensions.

How to achieve a balanced budget

- SAR by its very nature is largely made up of unplanned and random safety related events in which the service intervenes and seeks to alter a negative outcome. In contrast to the nature of SAR the outsourced model offers a highly stable economic model for this service. We consistently provide our customers with costs as predicted without any significant deviations year in and year out.

Operational performance – UK example:

In the UK hybrid SAR system, CHC is responsible for helicopter SAR at four out of twelve total bases. From July 2010 to July 2011, CHC achieved the following performance:

- SAR Service Availability of 99% across all four bases.
- 96% of SAR flights were airborne within 15 / 45 minutes (day / night) from the initial dispatch alert. The remaining 4% was caused by outside influences such as: waiting for a doctor or other medical specialist, planning for extreme range or volcanic ash avoidance, and refuelling between missions.
- 502 people were rescued or assisted within this period.
- Performed 2,178 flights, of which 732 were SAR missions and 1,446 were training missions; including a nine hour SAR mission of over 1,799km.
- Logged over 3,522 flight hours on SAR and training missions.

Recommendations

The Canadian Government should consider an alternate service delivery model to enhance its helicopter Search and Rescue capability, such as the established and proven models used by the Irish Coast Guard, United Kingdom Maritime and Coastguard Agency, and Royal Australian Air Force. An alternate service delivery model is an opportunity to address gaps in the current SAR service, add new capacity to new regions like the north, upgrade the technology and provide better service efficiency while at the same time, addressing the current and future budget pressures facing the government.