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Chair

Mr. Randy Hoback

Standing Committee on International Trade

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• (1530)

[English]

The Vice-Chair (Mr. Don Davies (Vancouver Kingsway, NDP)): We'll call the meeting to order.

Welcome to the Standing Committee on International Trade. This is meeting number 46, and we are conducting a study into the positive effects of the global markets action plan, with a focus on the air transport agreements.

We have with us today two outstanding witnesses. From the Canadian Council of Chief Executives, Ms. Campbell, and from the Canadian Manufacturers and Exporters, Mr. Myers. Welcome to the committee. You'll each have 10 minutes to make your opening statements, and then we'll have questions from the committee.

We'll start with you, Ms. Campbell. Thank you for being with us.

Ms. Ailish Campbell (Vice-President, Policy, International and Fiscal Issues, Canadian Council of Chief Executives): Thank you so much, Mr. Chairman and committee members, for this invitation.

Before I begin my remarks, let me tell you a little about our organization. The Canadian Council of Chief Executives is a not-for-profit, non-partisan enterprise composed of the CEOs of 150 leading Canadian firms. Members collectively administer \$6 trillion in assets, have annual revenues in excess of \$850 billion, and are responsible for the majority of Canada's exports, investments, R and D, and training.

[Translation]

We engage in an active program of public policy research, consultation and advocacy. CCCE is a source of thoughtful, informed comments from a business point of view on issues of national importance to the economic and social fabric of Canada.

[English]

As I noted to this committee in testimony on the global markets action plan, or GMAP, last year, promoting Canadian commercial interests is critical to our nation's competitiveness and standard of living. This includes policies to support exporting and importing firms, the rule of law to facilitate two-way investment flows, and encouraging the people linkages that develop new customers for Canadian products. Total Canadian exports in 2013, including goods and services, were \$530 billion in a \$1.9-trillion economy.

For 2014, the Department of Foreign Affairs, Trade and Development has reported that two-way merchandise trade—in other words, not including services—has for the first time in Canadian history surpassed the \$1-trillion mark at just under \$1.1

trillion. This milestone was reached in 2014, despite the fact that as the year wound down the sharp decline in crude oil prices significantly decreased the value of Canada's top export product.

The continued resilience of the Canadian economy in the face of global headwinds is a result of the drive and ingenuity of Canadian firms, the support of Canadian government policies, and open markets, in particular to our largest trading partner, the United States. The partnership approach to success in battling protectionism in global markets, in which business and government are aligned and execute on opportunities and challenges, is at the core of the global markets action plan.

Today I'd like to table four key points on the importance of Canada's air transport agreements and their alignment with the global markets action plan. These points reflect the Canadian Council of Chief Executives' views on how to measure the success of GMAP's implementation.

Priority one for us is a strong and positive commercial relationship with the United States and a renewed North American partnership. The U.S. is Canada's primordial trading partner. According to trade data from Statistics Canada and The Conference Board of Canada, the U.S. is responsible for about 73% of Canada's exports and the source of almost 50% of Canada's overall international airline traffic. Other nations fall far behind, such as Mexico at 5.8%. On this point, Canada's air access to the U.S. is excellent, and competition for customers, both cargo and passengers, is fierce. Canada has an open skies treaty with the U.S., which effectively grants unlimited access to U.S. airports so long as the airline can obtain a slot at the airport in which they wish to operate. However, the cost of travel in Canada remains high relative to the U.S. due to U.S. government support for involvement in the air transport sector, including subsidies, direct and indirect ownership, favourable tax treatment, and loan guarantees. In contrast, Canadian carriers operate in a deregulated, user-pay aviation system.

The World Economic Forum's "Travel and Tourism Competitiveness Report 2013", which I would commend to this committee, rated Canada number one in the world in 2013 out of 140 countries for its air transport infrastructure, but 136th for its ticket, taxes, and airport charges. Again, let me just contrast that number. Number one in airport infrastructure, and number 136 in costs and charges. Costs at Canadian airports on travel, ranging from security fees to the Ontario aviation fuel excise tax, should therefore be examined.

More broadly in North America, the agreement with Mexico will be open for direct services to and from Canada once ratified by Mexico. I would note that Mexico has not concluded a full open skies agreement with any country, not even the United States. The key issue to facilitating improved air travel between Canada and Mexico is the elimination of the onerous visa requirements for travellers from Mexico. As a first step, Canada could begin by announcing it will waive the visa requirements for Mexicans who already hold valid U.S. visas. In 2008, Mexican tourists spent \$365 million in Canada. In 2012, that number fell below \$200 million. Canadian airlines have had to eliminate or reduce planned routes, and it's virtually impossible for a Mexican to arrange travel to Canada on short notice, whether for business or tourism purposes.

To summarize, while Canada's air transport agreements to the U.S. and Mexico provide excellent market access, fees and taxes that add costs to travel, and Canada's visa regime for Mexican travellers, require action.

Priority two for us for the GMAP and how to assess its implementation, as well as the effectiveness of other aligned policies, is the implementation of the Canada-EU comprehensive economic and trade agreement, noting here that the CETA is not yet ratified, but is an important and top priority for the Canadian Council of Chief Executives.

- (1535)

It's also not the main vehicle for air transport sector market access. Rather, this is the blue sky agreement that's already been negotiated with all 28 members of the European Union. Kudos again to the Canadian negotiators for securing this agreement, which will facilitate business and tourism. However, again we're looking at the same types of issues on the cost of travel. This committee may wish to examine the support that EU member states provide to airport hubs.

Priority three, I would suggest to you, is a strategy for Asia. Looking at our air transport agreements with Asia, in 2012 Canada officially joined the Trans-Pacific Partnership, which has now expanded to include 12 countries with a combined GDP of nearly \$22 trillion. Of course, the negotiations have not yet been concluded.

Outside of the U.S. and Mexico, of the TPP countries, Canada has open skies agreements only with New Zealand and Japan for direct services. Modernization of the agreement with Australia is therefore commended as a priority. For other TPP nations, such as Vietnam and Malaysia, while market access varies, improvements could be negotiated if there is mutual interest and if there are concrete commercial plans on both sides.

More broadly in Asia, an open skies agreement is in place with South Korea, Canada's first free trade agreement partner in the

region. On China, the Canadian Council of Chief Executives has recommended the launch of a bilateral free trade agreement. Again, as distinct from the FTA process, Canada already has in place an air agreement with China. However, slot issues are a constraint on this rapidly growing market in Beijing, Shanghai, and Guangzhou. Notably, again this is not a Canadian problem. This is an infrastructure challenge on the Chinese side.

Priority four, and the final point, is the growth of Canadian exports to emerging markets. There is a large number of emerging markets that the GMAP correctly identifies as markets with great potential because of their growing middle class and their need for Canadian products, and because of established firms and supply chains. New agreements we would recommend for negotiation in terms of air transport agreements would include emerging markets in Africa and Latin America, such as Nigeria, Ghana, Ecuador, and Belize, which again would allow for future growth.

Again, the point here is that in addition to market access, facilitation of travellers, tourists, and business visitors is critical to the growth of the air transport sector. Looking at Canada's visa policies is required in order to make most effective use of these air transport agreements.

In conclusion, the CCCE commends Minister of International Trade Ed Fast, Minister of Transport Lisa Raitt, Canada's chief air negotiator, Bruce Christie, the executive director of air policy, Mark Rioux, and their teams for the excellent work they've done to open up air market access. Their work ensures competition to benefit consumers and opportunities for Canadian airlines to grow and for the overall sector to enlarge.

Still, while the air transport agreement process is working well, more can be done to modernize agreements, as I've suggested, and expand agreements to new markets. We have every confidence that this will be done. Priority now needs to be given to examining the overall competitiveness of the Canadian air transport sector and key supporting government policies, and in particular, Canada's visa regime for business travellers, tourists, and in-transit passengers.

Thank you.

The Vice-Chair (Mr. Don Davies): Thank you, Ms. Campbell.

Mr. Myers, you have 10 minutes.

Mr. Jayson Myers (President and Chief Executive Officer, Canadian Manufacturers and Exporters): Thank you very much, Mr. Chair.

[Translation]

I am very pleased to comment this afternoon on the positive effects of the Global Markets Action Plan.

[English]

My comments are going to be a little more general, about the objectives of the markets action plan and what we've seen since the adoption of the plan. In many ways I agree with what Ailish Campbell has presented; if anything, it ties the issues around our air agreements more broadly to policy or trade negotiating objectives and to the interests of business as well as to other activities and initiatives and policy programs across the government.

I'm pleased to be here to comment not only as the head of Canadian Manufacturers and Exporters but also as a former member of the advisory committee for the Minister of International Trade in the formation of the GMAP.

I think the plan has accomplished a number of the objectives that we set out for it. First of all, it clearly emphasizes the importance of exports and of international business more generally and sees these as a critical engine of growth for the Canadian economy and a mainstay of competitiveness for Canadian business.

This is an important point, because we're not just talking about imports and exports any more. Business today is global in nature. Our agreements recognize that more than ever. The CETA, for example, sets a standard for 21st century trade agreements, I think, but it addresses an awful lot of issues other than import and export tariffs, issues such as the movement of people, standards, services, and investment. This is critical today.

The key point here is that business depends on the movement not only of cargo but of people, and those people are moving internationally today. As we assess the progress we're making on our air transport agreements, it's important to put that progress in the context of the global nature of business and of how important it is.

Second, the GMAP identifies the geographic and sectoral markets that are the most promising for Canadian companies as well as the support strategies that are most appropriate for the government to pursue in each case. The plan has been criticized by some on the grounds that it sets too many priorities. I don't see that. I think it responds to the changing nature of business and to business priorities that businesses set themselves.

Certainly, as Ailish was pointing out, the United States will continue to be Canada's most important trading partner, business partner. It is the world's largest, richest, most dynamic economy, one of the riskiest of all markets to do business in. It's the economy in which Canadian businesses are most integrated in terms of their supply chains, their investment relationships, and also their personal relationships. We need a specific strategy for our economic relationship with the United States. That, I think, is clearly articulated in the global markets action plan.

Canada's economic and trading relationships with other countries, though, will be shaped by changing risks and opportunities, and they are continually evolving. GMAP identifies a number of priority markets based on input received from the business community, and it

sets out a plan to better align the government's trade policy initiatives and trade support services to those business priorities.

The third and very important positive impact of the GMAP is alignment: the alignment of our trade negotiating objectives and the support services offered by government with business priorities themselves. Of course I would never want to say that business has one set of priorities, and it is always an art to try to align all of this. But I think the GMAP presents a very good framework for doing so.

That alignment has in turn, I think, brought about a far greater degree of coordination than I've ever seen between the Department of Foreign Affairs, Trade, and Development and other departments and between DFATD and the government's trade agencies—the Trade Commissioner Service, Export Development Canada, the Business Development Bank, and the Canadian Commercial Corporation.

• (1540)

Each of these agencies provides valuable and unique services to Canadian companies doing business in international markets, particularly to our small and medium-sized enterprises. Those are the companies that often lack the expertise, the experience, the resources themselves to tackle international markets profitably on their own. Far too often, these agencies are some of our best kept secrets here. The GMAP has shone a spotlight on the services they offer and the activities they undertake. That's one reason I'm glad that CME is partnering with all of these agencies in 20 forums across the country, bringing in small and medium-sized companies to promote not only the global markets action plan but also the business services that each of these agencies offers.

Finally, the GMAP sets an example for other organizations involved in supporting the international success of Canadian business. My organization is a good example. With the support of the Trade Commissioner Service, EDC, and the National Research Council, CME has launched the Enterprise Canada Network. This is an online service helping Canadian companies identify qualified leads for business and technology partnerships in international markets.

ECN works off a database of about 20,000 opportunities, offers, and requests that are posted on the site by small businesses in about 54 countries around the world. It's a pretty effective tool for Canadian companies to be able to identify qualified business opportunities. Since the launch in September, we've recorded about 26,000 visitors, have over 600 Canadian companies that have registered their interest in receiving these opportunities and we've already concluded 32 international partnerships.

It's not only with Europe. Actually, the United States is not really a very effective partner in this network and the network was established really to do business with Europe. I can tell you there's an awful lot of interest not only with Europe but with some of the other emerging markets that Ailish has already spoken about: Malaysia, Indonesia, certainly South Korea, Turkey, and Israel. These are good opportunities for business. More than ever before, Canadian companies are looking at taking advantage of those opportunities. Again, a network of their agreements that recognizes that interest response to that, I think, is crucial.

In order to grow, Canadian companies need to assess and take advantage of international business opportunities. I think the GMAP recognizes this and sets out a coordinated plan, not only to open markets and support Canadian businesses. It is a coordinated plan that allows for this continual review and continual alignment and coordination. There's a lot of work to be done. For instance, there needs to be better alignment of government departments with the objectives of our global markets action plan, making sure that government services continually evolve in line with the changing needs and challenges that businesses are facing.

From my perspective, the most important contribution of the GMAP is the focus it places—and quite correctly in my view—on the customer, on those Canadian businesses that are actively seeking new opportunities in international markets. To ensure that those priorities, in terms of the needs of business, are effectively communicated, not only within the department of international trade but in any other departments and other agencies across the country, is one mark of the success that we've already seen in the GMAP.

Thanks very much.

• (1545)

The Vice-Chair (Mr. Don Davies): Thank you, Mr. Myers.

We'll now go to our first round of questions starting with Monsieur Morin.

[*Translation*]

You have 10 minutes.

Mr. Marc-André Morin (Laurentides—Labelle, NDP): Thank you, Mr. Chair.

Ms. Campbell, it would appear that signing ATAs cannot on its own guarantee increased air traffic and economic benefits. Some internal factors also play a part, including our airlines' competitiveness, available infrastructure, connectivity of minor airports, and so on.

You talked about taxes that increase the cost of transportation and about the support the European Union provides to its airlines and airports.

Is there a way to take into account the magnitude of a continent-sized country? Wouldn't it be in our interest to apply a strategy that also takes local air traffic into account?

Dr. Ailish Campbell: Thank you for the question.

[*English*]

Let me make a couple of points.

First of all, regarding taxes, these are not always federal tools; in some cases these are provincial tools, provincial costs. The aviation fuel tax, which will rise to, I believe, 6.7%, will make Ontario the most heavily fuel-taxed jurisdiction for international flights in North America. I'm happy to be corrected on that point, but that is my understanding—when it rises to its full scope.

I would note that this does add to the cost of travel. Perhaps Toronto can bear it—that's the theory—but I would commend to this committee a Conference Board of Canada study that shows a great number of flights with a value of about \$200 million now going to U.S. border airports because of the cost of travel. Particularly those people who have more time, let's say the family traveller, such as my husband and me, perhaps travelling with two children, might have the time on our holiday to travel down to a U.S. border airport and fly down somewhere in the southern United States, whereas a business traveller may decide that the full end costs are worth it to go to Toronto.

I would note that British Columbia, in implementing its revenue-neutral carbon tax, chose not to act in this particular area, again, worried about the disincentive that it would provide between Washington and the Vancouver airport in British Columbia. I think that was a smart decision, because we want to keep that business activity in Canada.

The second point is on infrastructure. I think you make an excellent point about examining airports inside the full logistics network of Canada. The Canadian Council of Chief Executives recently released a report called "Made in North America", improving our North American relationship, specifically with the United States and Mexico, our primary trading partners. We recommended a review of the North American logistic system, which includes connectivity between airports, and then into our major highways and ports. And it depends on the cargo. I know that many of our Canadian Council of Chief Executives members with high-value but low-density cargo—for example seafood products, biopharmaceuticals, chemical products—do want to ship by air and in many cases are getting over the U.S. border and then using U.S. airports, again because of costs.

Taking a look at that again, I think this government did a fantastic job on the Asia gateway initiative, our port in Halifax. We have excellent assets there. But taking a look at how that connects globally, I would also point out that when it comes to the facilitation of business travellers, mass transit, connectivity into airports remains an issue. Toronto has to be one of the only airports in the world, Jay, that a business traveller goes into and cannot take a public transit option, and that's about to change. We're thrilled to see the federal and provincial governments aligned on creating that kind of infrastructure.

Again, regarding Vancouver, I would argue you shouldn't have to win the Olympics to get mass transit to your airport. You shouldn't have to get the Pan Am Games, which has become, somehow, part of the narrative as to why that connectivity piece was put into place in Toronto. These are our largest cities. To have that connectivity is a huge part of Canada's global value proposition to attract investment and business travellers. Let's not make it so you have to win some international sporting competition—with due respect to anyone who wins a gold medal—to get mass transit that makes sense for cities.

It's an excellent question. I think that's another area for study to commend to this group.

• (1550)

[Translation]

The Vice-Chair (Mr. Don Davies): Mr. Morin, you have two minutes left.

Mr. Marc-André Morin: Ms. Campbell, you are talking about infrastructure. Would you agree with me that some airports have bottlenecks in customs or security services, and that there are staff shortages and overly limited facilities?

[English]

Ms. Ailish Campbell: That's a good question. I'm not familiar with the data on that point, so I wouldn't be able to answer.

[Translation]

Mr. Marc-André Morin: Thank you.

Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP): Ms. Campbell, thank you very much for your testimony.

You briefly touched on some countries with which we could increase our air transport agreements. You mentioned Australia, Vietnam and a few others.

Do you think there are situations where an air transport agreement would not be in Canada's general interest? As far as your organization's members are concerned, are there any countries with which it's simply not worth negotiating agreements?

[English]

The Vice-Chair (Mr. Don Davies): A very quick answer, please.

Ms. Ailish Campbell: A quick answer is that I think the Canadian capacity is there and there is interest in, for example, modernizing our open skies agreement for direct service with Australia. But they have their own unique approach to these agreements. With Vietnam, there would have to be a commercial interest, I think, that is not yet there because transit often happens to these nations through other hubs. I think the capacity and the willingness is there on the Canadian side. We need to find the commercial interest and a willing partner.

• (1555)

The Vice-Chair (Mr. Don Davies): Thank you.

Mr. Gill, for seven minutes.

Mr. Parm Gill (Brampton—Springdale, CPC): Thank you, Mr. Chair.

I also want to take this opportunity to thank our witnesses for taking the time to come out and appear before the committee.

My question is, from your perspective, how does Canada stack up against some of our competitors, some of the other countries? Do you feel that with this policy we're moving in the right direction? Are there areas of opportunity that you feel we need to identify?

Mr. Jayson Myers: Let me say first of all, around our air transport agreements, I think we stack up very well in terms of our agreements. I think our negotiators are actively in touch with the business community. We've had several meetings with them asking where the priorities are. What markets should we be focusing on? So the issue is not so much the negotiating capacity. It's whether there's enough volume and enough interest on the part of a potential partner there to take advantage of it. Maybe I will get back to how it's tied into other opportunities and other assets and resources.

When we look more generally at the resources that we have in Canada to support our exporters—our companies that would be doing international business—I think we have some very unique services and some that are very highly valued. In fact, other companies model their services on ours.

I know that was the case in Australia when they were looking at the Canadian trade commissioners. I want to say that the first Canadian trade commissioner was actually a predecessor of mine, a former president of the Canadian Manufacturers Association who retired to Australia. That was how—

Ms. Ailish Campbell: —how they found out about her.

Mr. Jayson Myers: I think the financial services that EDC is now providing internationally, in terms of some of their pull strategy, to provide opportunities for Canadian companies to connect with larger companies, are unique. I can tell you the U.S. Ex-Im Bank is fighting for its life, let alone for the development of services that respond to the issues that their members face.

Canadian Commercial Corporation is unique in the world. There's no other organization like this, and it is one of the best kept secrets. The ability of the Canadian government to contract directly, not only in the defence and aerospace fields but in major infrastructure projects, again, is unique. It provides a tremendous opportunity for Canadian companies to take advantage of that.

I don't think we're necessarily behind in our strategy, certainly not in terms of our negotiations. CETA sets the standard for international negotiations. I don't think we're behind in the services that we offer. What we are lacking, I think, is an engagement strategy with some of the smaller companies, and that's not just a matter of culture. It's a matter of being able to help them manage risk, de-risk what is going on in their businesses in international markets. That, frankly, is a service that some agencies provide. We have a lot of work to do in the preparation for Canadian exporters, and both our organizations are looking at that. That, if anything, is where we tend to fall behind, and maybe in one other area, which is getting out and championing how darned good Canada is as an investment location, how good our products and companies are, and how good the Canadian brand is.

I speak to one of our members who has a great business strategy. One of the fastest-growing sectors in Canadian manufacturing is our textile sector, all high-end, really good materials and great design. They've got a great business model. They can gain more customers internationally and increase their price just by saying they're Canadian, and that is indicative of our presence around the world. If the federal government could focus on anything, it's how, even in air agreements, we improve the brand that Canada presents and hook that up to the commercial opportunities that are already there.

• (1600)

Mr. Parm Gill: Thank you.

Ms. Campbell.

Ms. Ailish Campbell: I'll just echo Jay's comments quickly with three points.

I think the Brand Canada point is really interesting. I know that was a passion of former finance minister Jim Flaherty, and there was a Brand Canada initiative in budget 2012 or 2013. It would be interesting to know where that stands. Again, the idea is to make the most of that kind of market recognition, as Jay is saying.

I have a fascinating little update from a publication that I enjoy, *Monocle*, run by Canadian Tyler Brülé, located out of London. It rated Canada number nine or 10 in the world in soft-power brand recognition, the positive feeling people get when they see the maple leaf, which is incredible.

To the extent that we can all buy that down and then use it to add value to Canadian products, I say absolutely why not? I'd echo Jay on Export Development Canada, and that whole facility. What he's talking about is identifying high-value large companies, particularly in Asia, which has a different capitalist formation, where you have chaebols and very large organizations that represent multiple sectors.

Tata would be an example of a whole facility with EDC bringing them in, identifying what some of their market needs are, and then using EDC to buy down the cost of getting that information to Canadian companies, and in particular, to small and medium-sized enterprises.

We should be even more aggressive in what we see as the markets of the future, particularly India where we hope we can conclude a foreign investment protection agreement. I think, again, that's not on our side. That's up to the Indians. I hope they will meet us halfway on that important agreement, because I know...for example, we've seen the Canada Pension Plan Investment Board, which manages all our pensions, make some interesting forays into that market. Fairfax announced its own India fund of \$500 million on the TSX at the end of last year. This is like the United States in the 1800s, with huge potential market growth, and Canada has to be well-positioned there. I would say the same thing on China, where I would encourage us to get over our fear factor and conclude a free trade agreement as Australia and New Zealand have, with the result that they've seen their exports in agriculture grow fivefold since concluding that bilateral agreement.

Thank you.

The Vice-Chair (Mr. Don Davies): Thanks. I'm sorry to cut you off, but we're out of time.

Ms. Freeland, for five minutes.

Ms. Chrystia Freeland (Toronto Centre, Lib.): Thank you very much, and thank you, Ms. Campbell and Mr. Myers, for some great presentations.

I'd like to start with Ms. Campbell and pick up on your China point. I have two questions about China. What would it take to conclude exactly that sort of bilateral agreement, and to what extent is the lack of a reciprocal 10-year visa deal, like the one the U.S. has with China, an obstacle to Canada doing business?

Ms. Ailish Campbell: Let me first recognize your attendance at the committee. It's wonderful to see you here, Ms. Freeland.

I would note in 2014 I attended this committee when there was not a single woman on this committee, and so I would like to commend Ms. Liu, Ms. Grewal, and Ms. Freeland. It's nice to see you all here. I felt like I was in an episode of *Mad Men* at one point.

But here we are in 2015....

Ms. Chrystia Freeland: Sorry to interrupt, but it's great to have a woman witness. We should make a point of having more of those.

Ms. Ailish Campbell: I believe in participation on the basis of excellence, but it's great to see a number of women members of Parliament here today.

On your point on China, first of all, a bilateral agreement is complex. It is a very different market than Canada, but we have seen economies very similar to Canada, namely Australia and New Zealand, identify the market potential there and take the plunge.

This won't be an agreement necessarily that matches perfectly our other FTAs, such as with the United States, which is a perfectly comparable capitalist market economy. There may be more, shall we call them, managed trade items to this. Approved visa status, as we have seen for Canada, has increased Chinese travellers. So it is going to be different. It does involve educating the Canadian public, learning more, and involving SMEs and large firms that have had success in that market to bring those lessons back to Canada, but the potential is huge.

Now we have a model agreement with an apples-to-apples economy, Australia, that has recently concluded. We don't want to be further behind because Australia provides, in some cases similar products to ours. Why not have that market access?

The lack of a 10-year visa is something we should take a look at, as well as the issue of transitioning students who come to Canada much more quickly for residency and citizenship. The whole visa regime is something that, as you point out, deserves a look. We want to keep pace, particularly with the United States, on those important people-to-people links.

•(1605)

Ms. Chrystia Freeland: I saw you nodding, Mr. Myers, as I asked about China. I'd like to give you a chance to pitch in. In particular if Canada were to get to a bilateral agreement with China ahead of the United States would the companies you represent see that as a competitive advantage for them?

Mr. Jayson Myers: I think they would in many respects, like the European trade agreement. I agree with Ailish that the agreement with China would need to be precise and targeted. One of the key components of any successful trade agreement, or air or transport agreement for that matter, is a good trade remedy system.

Trade agreements or economic agreements are all about rules. It's important that rules are followed and that rules are implemented. This is an important component of a free trade or a free open market agreement; that we have compliance with rules and that we have sufficient investigation and sufficient adjudication powers here in Canada to make sure that's effective.

I think that would be an important part of any agreement with China and something our members would be focused on.

Ms. Chrystia Freeland: We have 60 seconds left. Ms. Campbell, I was really struck by your emphasis on the U.S. trade relationship and describing it as primordial; great adjective.

You talked about Buy America, which I think is a real issue for a lot of us. I'm happy for Mr. Myers to take this quickly also. What specifically should we be doing to get past that?

Ms. Ailish Campbell: Jay, you take that. It's Buy America.

Mr. Jayson Myers: It's a bit like whack-a-mole right now. The first thing is to make sure we're fighting every state's Buy America, like New Jersey's, and trying to overcome that. The only way we can put pressure on the United States is to show that if they implement Buy America it hurts American business. That's what we're trying to shine a light on.

We're trying to make sure that is a part of the TPP negotiations. I think it would be very important in that context, but it's a very difficult file. It's politically attractive to both parties right now in the United States. Our best defence is an offence, but right now it's keeping the problems under control.

The Vice-Chair (Mr. Don Davies): Thank you.

We'll go to Mr. Cannan for seven minutes.

Hon. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair, and once again thanks to Ms. Campbell and Mr. Myers, who are no strangers to our international trade committee over the years.

I want to start off with our global markets action plan and the air transport agreements. We have about 112 to date, and the number is growing.

Have you been consulted by the ministers' offices as the GMAP and ATAs are being developed? Have you had good consultation?

Mr. Jayson Myers: Yes, we have, both from the point of view of where the main markets of interest are as well as, from the air negotiators themselves, in terms of whether capacity exists and

whether there is much interest in pursuing these agreements and what the specific terms are.

Hon. Ron Cannan: Ms. Campbell.

Ms. Ailish Campbell: Yes, we have. I would commend the department of trade for the outreach both on GMAP and between trade and transport departments. The outreach on the air transit agreements has also been excellent.

Hon. Ron Cannan: Mr. Myers, you mentioned the word capacity. We've had some of the airlines recently testify; Air Canada, for example, was here on Monday. Earlier in the month we had the chief air negotiator, who indicated that we would have 112 agreements but that there would be air carriers not using the rights provided by the ATAs to full capacity.

Do you see potential additional opportunities for your members?

•(1610)

Mr. Jayson Myers: I do, but our members are going to go where they see the business opportunities. It's a really good example, that even though you have an agreement, they may not take advantage of it right now. For air service, you need the capacity—they have to make money on their routes. It doesn't surprise me that rights are not being taken up to the maximum extent they could be, but I think it's a good thing that they have the ability to do so once the capacity is there.

This is the question that the air negotiators and the department keep asking us: when will the capacity build up? This, frankly, is the reason it's important for them to keep asking this and to keep their finger on where the opportunities in the business community are.

Hon. Ron Cannan: Do you want to add anything to that?

Ms. Ailish Campbell: Sure. Let me give you an example.

Canada has an air transport agreement with India, which is a really exciting emerging market. But exactly to your point, the capacity is not fully being used. There is only a once-a-day direct service by jetBlue through Toronto. We'd like to see far more, but that's because we'd like to see far more trade generally between Canada and India.

In this case, the leading indicators will probably be things such as a foreign investment protection agreement, such as India's addressing some of its tax dividend issues or increasing foreign ownership limits to bring in Canadian companies. One CCCE member, Sun Life, has been in India for more than 100 years, working with Indian partners providing insurance and financial services products to the Indian middle class. This is something they would like to see expanded.

I think Canada is in a healthy position, and we want to work with our international partners to get some of those leading indicators, such as investment agreements, in place. And absolutely we want a trade agreement. India is a very complex market, particularly, as Jay was saying, on the implementation piece. We want just basic things, such as trade facilitation and ensuring consistency in the application of rules.

When we see those pieces falling into place, and they will happen in some sectors.... I would note very healthy two-way R and D and investment work between Canada and India in ITC, in the telecom and IT and service provision world, which we think is very positive.

Those are the leading indicators, and then the commercial airline piece will follow when there are more business travellers.

Hon. Ron Cannan: You mentioned FIPA, and there was discussion about China. We have the Canada-China FIPA now. Business wants certainty, predictability, and stability.

Does that FIPA help your members expand into China?

Ms. Ailish Campbell: Absolutely, it has given them more assurances. There have been many myths around that FIPA. It is more than China had ever offered to any other country. It doesn't map perfectly onto our FIPA agreements with other, what I would call perfectly commercial markets, but it is still a fantastic opportunity for Canadian investors.

We also have in that FIPA a ratchet clause, which essentially means that should China conclude a deal such, for example, as it is now negotiating with the U.S. or the EU, Canadian investors will benefit from whatever improvements are negotiated to those agreements with the U.S. and the EU.

Hon. Ron Cannan: I have one last question, about the WTO. I was just reading a speech that was presented about the Trade Facilitation Agreement and our trying to expand the markets within it. What sectors of air transport do you see growing fastest in the future? Would it be both passenger and cargo? What opportunities are there in Canada? What do you see as the growth patterns for the future?

Mr. Jayson Myers: Air transport on the cargo side is going to be particularly important for the transport of more specialized types of products or products that have to get to market very quickly. There's a whole Asian market that will open up very quickly for everything from seafood to other food products, agricultural products that can be transported over there. More generally, on the technology side we're already shipping high-tech products around the world by air. That's extremely important.

The other thing is that it's important for us and maybe it shows how other economic and commercial opportunities feed into a Canadian perspective. We often look at our economic relationships bilaterally or regionally between Canada and other parts of the world. There's a real opportunity for Canada to position itself as a logistics hub here. This is not just about Canada and China. It's about Chinese product coming into North America, and North American product going into China. Or, how do we connect Canadian technology with European multinationals procuring out of the United States to do business in China and leverage our airports as the

hub for doing that, and the logistics? This is really some of the thinking behind what Winnipeg is trying to do right now.

There's a tremendous opportunity in not seeing our airports and air services as passive, but rather working with them so that they become air hubs that are themselves drivers of economic development and so that we're developing the infrastructure and the services around that. That just speaks to the need to get all levels of government aligned behind some of these new opportunities.

• (1615)

The Vice-Chair (Mr. Don Davies): Thank you, Mr. Myers.

[*Translation*]

Ms. Liu, the floor is yours. You have five minutes.

Ms. Laurin Liu: Thank you very much, Mr. Chair.

Ms. Campbell, I really liked what you said about the importance of having a public transit option for getting to airports. That was especially insightful, as airports represent a fairly significant economic contribution for urban centres. The same applies to the regions. In the Sherbrooke region and other Canadian ridings, regional airports are very important for the local economy.

The Sherbrooke airport has asked to be added to the list of airports designated by the Canadian Air Transport Security Authority Act. Over the past few years, several dozen airports have also requested to be placed on that list and to be approved by the federal government. So far, they have still not been approved or designated by the government.

Do you think it would be advisable to add those regional airports to the federal government's designated list?

Dr. Ailish Campbell: Unfortunately, I don't know why the federal government has not given its approval. I am not familiar with that process. However, I have to say that infrastructure is economically important for airports. It's not very complicated. The entire business community should participate in the assessment of an airport's request for approval.

Ms. Laurin Liu: Mr. Myers, have you carried out your own study to assess the impact of air transport agreements on your association's members? Have you produced any relevant reports you could submit and share with the committee members?

[*English*]

Mr. Jayson Myers: I think it's really difficult to assess the impact of a particular agreement there. The only way of assessing it is, does it actually lead to more international business, more flights, more travellers, and more cargo that is being shipped? At the end of the day, that's the key performance indicator, I think.

But the other problem here is that there are so many factors that could lead to whether that agreement is being used to the maximum extent that it could be, and not just commercial.... There are two areas I'd like to flag that I think are right now operating as major constraints on air travel, both cargo and passenger. The first is the security and the regulations around security. The second area, which is tied to that, is the rules around business travel and business visas, both of which are probably more problematic today than they were five years ago.

I'm always surprised when I have a business audience and I ask how many people are travelling on NEXUS. A lot of people put up their hands. Then I ask how many people travelling on a NEXUS card go into secondary inspection. It's amazing how many people put up their hands. Then I ask how many of the people who are not on NEXUS go into secondary inspection, and hardly any of them put up their hands.

The immigration inspectors are stopping people to see if they're compliant with a regulatory program that is supposed to let them enter a country with no holdups at all. We need to focus on what's important here on the security. Unfortunately, we're in a process right now where we've lost the risk management side of that.

• (1620)

Ms. Laurin Liu: That's actually an issue that we've heard about from a lot of witnesses. What kinds of models would you suggest Canada look at to modernize this visa system?

Mr. Jayson Myers: I think a trusted traveller program and a trusted shipper program are really very important to make sure that people can do business.

These are global enterprises today. I got a call when the head of engineering at Boeing was disallowed at the border coming into Canada because he didn't have a university degree. Another example of that is—unfortunately, these are on both sides of the border—BlackBerry. BlackBerry does all of its training in Buffalo, not because it likes Buffalo, but because it's so difficult to fly people into Canada to do training in Canada.

These are some of the problems.

The Vice-Chair (Mr. Don Davies): Thank you, Mr. Myers.

Mr. Boughen, you have five minutes.

Mr. Ray Boughen (Palliser, CPC): Thank you, Chair.

Let me add my voice of welcome to the panel for taking time out of your busy schedule to visit with us.

First of all, I have a comment. I'm looking at your handout. The part that deals with Canadian Council of Chief Executives says it has \$6 trillion in assets and an annual revenue that exceeds \$850 billion, and it's a non-profit organization. What are you doing with all the money?

Voices: Oh, oh!

Ms. Ailish Campbell: Let me make the distinction clear: our small, not-for-profit business, which employs about 12 people, represents 150 CEOs whose companies are responsible for that \$850 billion in revenue and \$6 trillion in assets.

Mr. Ray Boughen: You have a contractual agreement with the companies?

Ms. Ailish Campbell: The CEOs themselves are our members.

Mr. Ray Boughen: Okay.

Ms. Ailish Campbell: John Manley is our CEO and president of the board.

Mr. Ray Boughen: I'm an old math teacher and big numbers always excite me.

Is it continuing to grow? On the fact that you're getting more business, will those numbers exponentially continue to increase?

Ms. Ailish Campbell: Let me tell you the good news story. The good news story is that the—

Mr. Ray Boughen: Oh, I think that's a good news story. I don't—

Ms. Ailish Campbell: Yes, absolutely. The good news is that the Canadian economy of course does continue to grow and, I would note, is redistributing that value across the Canadian economy and Canadian society with absolute numbers of average incomes rising steadily and with our quality of life.

Unfortunately, our membership is capped at 150 CEOs. One of our real goals is to present thought leadership that helps more small and medium-sized companies become the large Canadian companies that are already our members. We'd love to see as many high-growth firms take their place amongst those large market-cap companies that are our members.

Mr. Ray Boughen: Good.

Ms. Ailish Campbell: The more the merrier.

Mr. Ray Boughen: Has our government helped facilitate that growth? Would you say the factors there were influenced by government?

Ms. Ailish Campbell: I would say an unequivocal yes and the business environment in Canada has consistently over decades been rated among the best in the world.

That relates to some fundamental factors that have been very stable. Those are: the rule of law; an excellent public service that has incredibly low levels of corruption, which companies frankly face in other jurisdictions; an excellent business tax structure, an income tax structure that taxes the right things, which are consumption and after-profit income, and really puts an emphasis on job creation.

Again, consistently over time we've seen successive Canadian governments and certainly Prime Minister Harper's government committed to opening new markets.

The Canada-EU trade agreement would be emblematic of that. It is, of course, not yet ratified by our Parliament nor the European Commission, European Parliament, and member states. For us that's the focus, for example, over the next 18 months, to see that agreement get over the goal line.

Right now it's theoretical. Just like NAFTA presented a huge opportunity to us two decades ago, we see Canada as having really done the hard work on knitting together what could be a trans-Atlantic marketplace given that Mexico has a free trade agreement with the EU. It needs to be brought up to the Canadian standard and then we can help our American friends with their agreement with the EU.

•(1625)

Mr. Ray Boughen: Just let me finish off.

Ms. Ailish Campbell: Isn't that a nice business story?

Mr. Ray Boughen: What sectors of air transport do you see growing fastest now and in the future?

Ms. Ailish Campbell: Which industries?

Mr. Ray Boughen: I was asking about the sectors of air transport, the whole air transport system. Where do you see it growing? Is it growing faster? Is it coming on stream right away? Are there some hiccups along the way?

Ms. Ailish Campbell: The Canadian airport infrastructure has made leaps and bounds over the last 20 years. There's a lot to commend in our deregulated system. I mean, you could eat off the floor in some of our Canadian airports. They're absolutely pristine. They're just beautiful and make a fantastic first impression.

We have to ensure we're moving as many people into them, that we're moving people quickly through them. Right now, it's intriguing to see some of the security costs, in fact, that are put on airline tickets, as far as I know actually returning a profit, if you will.

They've become almost like revenue-generating aspects. I'm referring to CATSA and other security aspects. These should be fee-for-service aspects of an airline ticket. Again that visa piece, just making sure that we're as aligned as possible, for example, for in-transit travellers, making it as easy as possible for them to use Canadian airports, so we don't lose that business to the United States.

The Vice-Chair (Mr. Don Davies): Thanks, Ms. Campbell, I have to stop you there.

Thank you, Mr. Boughen.

On behalf of all committee members, thank you to both Ms. Campbell and Mr. Myers for your always helpful testimony.

Committee members, we're going to suspend for four or five minutes while we get the next panel set up.

•(1625)

(Pause)

•(1630)

The Vice-Chair (Mr. Don Davies): Thank you, colleagues, we're going to get the second half of our meeting going.

We have with us from the Greater Toronto Airports Authority, Mr. Howard Eng, president and chief executive officer; and accompanying him is Ms. Lorrie McKee, the director of public affairs and stakeholder relations.

Welcome to both of you. Thank you for coming to our committee. As you know, you have 10 minutes to make your presentation and then we'll open up to questions from the committee members.

Mr. Howard Eng (President and Chief Executive Officer, Greater Toronto Airports Authority): Thank you, Mr. Chairman, members of the committee. Thank you for the opportunity to address you today on the global markets action plan and air transport agreements. This is an important discussion. We have had a tremendous amount of dialogue in recent years about how the proliferation of free trade agreements will have a positive effect on Canada's economy.

Today we have the opportunity to delve into the details of how trade actually happens, how goods and the people trading these goods actually move across borders. This discussion is an opportunity for us to think big and to think long term. We know that public policy has an impact on our business and its growth.

Open skies, airline deregulations, and indeed the establishment of current airports model in Canada, are all examples of how public policy innovations have led to significant new opportunities and growth for our economy. I would like to take you through some of our thoughts on this.

Today, business is global. Last year, Toronto Pearson carried almost 39 million passengers. By 2033, this number is forecast to reach 62 million. Of the 39 million passengers served in 2014, more than 12 million were to destinations outside North America. Toronto Pearson serves 31 Canadian cities, 44 American cities, and 96 international destinations. These cities are served on 65 different airlines with more than 400,000 flights annually.

Toronto Pearson is second in North America in number of international travellers and the fastest growing airport in North America for the years 2010 to 2014. Our airport alone facilitates \$35.4 billion, or almost 6% of Ontario's GDP, and supports 277,000 jobs. By 2030 these benefits will grow to \$62.1 billion in economic value, which is 7% of Ontario's GDP, and 478,000 jobs. Almost 450,000 tonnes of cargo was transported via Toronto Pearson in 2014.

As a leading global hub for the movement of people and goods, Toronto Pearson competes with other global jurisdictions, so we must have policies and the right legislative environment to support our economy's demand for aviation service to support this important economic engine. We, too, play a part in economic diplomacy as discussed by the Minister of Trade in the global markets action plan.

The airport is not only the first impression of Canada to most people coming into this country, but we are the gateway through which a tremendous amount of our trade and investment flows.

The global markets action plan and Canada's blue sky policy, which includes air transportation agreements, have been key drivers in this growth. As of January of this year, Canada has signed agreements with 44 countries that cover approximately 71% of Canada's international passenger traffic.

The government should be congratulated for the number of air service agreements that have been signed or modernized, many of which have helped Toronto Pearson support the greater Toronto area's economy, indeed Canada's economy. Canada has also concluded open sky agreements with countries collectively, representing about 91% of Canada's overall international two-way trade.

Toronto Pearson is actively involved in the international air policy process, contributing as a key stakeholder in the prioritization of target countries for bilateral talks and providing market insights and considerations in the development of negotiating mandates for the government.

Government has been very responsive to industry input and we are pleased with the results. As we develop our priorities for new and expanded air services, we often find that our priorities are aligned with those of government. This is particularly evident with respect to the Asian countries, such as China and India, where growth in air transportation is exponential. We need to maintain a focus on this region of the world to ensure that Canada captures its share of the enormous growth of the middle class in these emerging markets.

• (1635)

But we must not forget and must also address the needs and desires of passengers. They would like to have direct flights and increased frequencies—if not direct, then one-stop with fast connections—and a choice of fares and products.

To be truly competitive as an international hub that delivers economic benefit to Canada, we need to deliver on four key areas that improve access and flow at Toronto Pearson: getting people through the airport more quickly and more efficiently, which I call hassle-free flow; ensuring passenger security is a priority, while balancing the need to improve efficiency; attracting carriers and providing routes for passengers and cargo that maximize the airport's economic contribution to the region and country; and ground transportation, as the airport is never a person's final destination. We need efficient interconnectivity, not only to other airports but also to our Ontario and regional ground transportation infrastructure.

These factors will allow us to maximize our value proposition to the Canadian economy. Yet, there is significant competition for global hub status. To realize our potential for the benefit of Canada the airport must remain competitive with other major hub airports in the world. Anything that creates delays or unnecessary costs for international travellers hurts our ability to compete and must be examined and addressed. That means the processes by which we clear passengers through security. That means the processes by which passengers get through customs or U.S. pre-clearance. That means evaluating the effectiveness and efficiency of CATSA in providing screening. There cannot be any sacred cows if we want to be the best and make an optimal contribution.

Airports are economic engines for their communities. They generate and underpin jobs, investments, and commerce. For example, York University reports that it has students from 165 countries and 288 partnerships with universities around the world. Expenditures by international students in Canada were more than \$8 billion in 2010. According to the president and vice-chancellor at York, "Toronto Pearson, as a globally connected airport, helps make this a reality."

Airports are the conduits through which we realize the benefits of free trade relationships, something that has been a priority for this government. We know we need to continue to adapt to an ever-changing world and we believe we have been doing that. We also understand the importance of having continued dialogue on policy. From trade policy to security policy, safety, multimodal transporta-

tion infrastructures, and our partnerships with federal agencies, all need to work in a way that best serves us all.

With that, I would like to thank you, Mr. Chair, for the opportunity to appear before your committee today, and I would be happy to answer any questions you have.

The Chair (Mr. Randy Hoback (Prince Albert, CPC)): Thank you very much.

We'll start off with Mr. Davies.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you, Mr. Chair. Welcome back.

Thank you both, for being with us here today.

Mr. Eng, I wonder if you could help this committee understand a little bit about how the finances work between airports and airlines, and the charges.

Could you explain to us briefly and as simply as you can, what are the costs to an airline for having access to a particular airport?

Mr. Howard Eng: The relationship between an airport and an airline is a really close partnership. We provide what I call the intermodal infrastructure, where we take people from the car, from the ground transportation, through our facility onto an aircraft, and the airline takes them to their final destination. In terms of charges, taking Toronto Pearson as an example, I have a charge, what I call aeronautical charges, which provide charges for the service the airline uses at an airport. I also have a charge called AIF, which I charge the passengers to pay for the infrastructure that is in an airport the passenger is using. I have a last source of revenue which comes out of non-aeronautical, which are other retails and concessions and so on.

In terms of aeronautical charges, I think what an airline pays is a small portion compared to what they pay for fuel, for staff, and for their own financing of aircraft. Our charges are probably a smaller percentage compared to those other costs they bear.

• (1640)

Mr. Don Davies: If you can, could you give this committee some idea of where Canada stands in comparison to other countries regarding airport costs that we charge to airlines?

Mr. Howard Eng: It is not an easy answer, and not because I don't want to answer. A lot of times airport charges in different parts of the world are based on different premises.

It may be best for me to explain how we set up our airport charges. We try to set it based on the costs to deliver our services to the airlines: the capital costs, financing costs, and operating costs.

To make members aware, over the last seven years, we have lowered our aeronautical charge by almost 30%. In 2013, we again dropped our aeronautical charge by another 10%, and we committed to the carriers that we'll hold that steady for a three-year period. They have certainty. They know what it costs them to fly to Pearson Airport, and with that they can make their plans accordingly for the route they want to do.

Mr. Don Davies: I don't know if you were in the room and had a chance to hear the previous witnesses who testified, but if I understood the evidence of Ms. Campbell from the Canadian Council of Chief Executives, she said there's an aviation fuel tax of about 6.7% presently in Ontario. She thought that may be one of the highest taxes in the world. She said there could potentially be a competitive reaction to that, where flights might be moving to U.S. border airports.

Do you have any comment on that to help this committee?

Mr. Howard Eng: That's the charge or the tax that the Ontario provincial government put into the budget. I understand that it is going to be increased over a four-year period. Certainly that's a purview of a government; that's a taxation policy.

We are working both with other airports in Ontario and with the airlines, looking at the impact. The key is that we want to address the whole issue in terms of the cost structures of airfares and the cost structures at the airports. As I say, we are looking at how we, as an airport, and with the costs under our control, can best support our business partners.

Mr. Don Davies: From a capacity point of view, the purpose of open skies agreements, as I understand, is to encourage airlines from around the world to fly to Canada and increase the business at airports.

Can you give us a feeling of the capacity at Pearson Airport? Do you have room to attract more airlines? What kind of capacity utilization are you at right now?

Mr. Howard Eng: We have the ability, and as you can see in our submission, we're forecasting that we'll be at over 60 million passengers at Pearson by 2030. We have the capacity to handle that volume of passengers and the aircraft movements.

But again, we've been finding out recently that even with a passenger increase, that does not mean the number of flights have increased proportionately. What we've been finding in the industry, both manufacturing and airlines, is that they have been substituting smaller aircraft for larger aircraft. So while our number of passengers has increased—last year our number of passengers grew by over 6%—actual aircraft movement has grown by about 1%.

We expect that kind of substitution will continue to happen, especially for international flights where you need the larger aircraft.

• (1645)

Mr. Don Davies: We also heard that Pearson does not presently have a public transit option, and it appears that would be a necessary piece of infrastructure.

Can you tell us if and when a public transit option is scheduled to be built at Pearson Airport?

Mr. Howard Eng: I could maybe correct that.

There is public transit today at Pearson. The Toronto Transit Commission has a bus that comes to the airport.

Mr. Don Davies: I think I meant mass public transit.

Mr. Howard Eng: You're talking about the train type of operation.

Mr. Don Davies: Yes.

Mr. Howard Eng: As far as I understand, the Union Pearson Express will be starting operation at the airport in early May of this year. It will provide a direct connection between the airport and downtown Toronto. That will be in operation this year.

Mr. Don Davies: Thank both of you for being here today. I really appreciate your testimony.

The Chair: Thank you, Mr. Davies.

We're going to now move to Mr. Allen.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you very much, Mr. Chair.

I appreciate the opportunity. Being a little rural boy from New Brunswick, it's hard for me to grasp, other than the times I have to travel through the Toronto airport and run from one place to another. There are only a handful of gates in the airport that I fly out of most of the time.

I'm just trying to understand. You talked about your number of passengers and your growth to 2030. Can you also talk about what your projected growth is in cargo and where you think you're going to be in three, five, and maybe even in 10 years. That's one of the things we just talked about with our last set of witnesses, the cargo business.

Mr. Howard Eng: As I mentioned earlier, we do about 500,000 tonnes of cargo a year. We project that to probably grow in 20 years time to over 758,000 tonnes. Again, I think there is a lot of opportunity for that sector, for the simple reason that what we're finding in the world today is dedicated freighters are becoming fewer and fewer. More and more cargo is being moved in the belly of wide-bodied aircraft because those aircraft have tremendous capacity underneath there.

Again, to all the colleagues, taking my experience, you're aware that I worked in the Hong Kong International Airport for 17 years, from 1995 to 2012, and I saw the growth in cargo there. In 1998, I would say in the Hong Kong airport 60% of the cargo was carried through freighters, and 40% in the belly of the wide-bodied aircraft. Last year they handled almost four million tonnes of cargo, and they found a shift to 60% in the belly, and 40% in dedicated freighters.

With that additional capacity available on those wide-bodied aircraft, it actually creates an environment that allows for very competitive pricing. The volume is there, the plane is going as part of a passenger flight, so that actually creates capacity, which then I think creates opportunities for people who want to ship by air to have a more affordable means using air freight.

I look at Pearson in particular, with additional long-haul flights coming in that are all wide-bodied, which is again where the international trade goes. I think having an environment where there are a lot of direct flights, greater frequency to some of these centres where we want to trade, will allow more capacity. With more capacity it will probably allow for better pricing, and better pricing will probably encourage more of that activity in the future.

Mr. Mike Allen: When you look at the 500,000 tonnes that you're actually carrying now, what is the nature of that freight in general?

Do you see any logistical issues? It seems to me, as you increase and ramp your freight up, there's the whole logistics process of getting the freight to the airport and dealing with congestion, getting it into clearing houses and logistical areas, and getting it on the planes. What kinds of problems do you foresee in infrastructure issues that you're going to have to deal with as an airport authority?

Mr. Howard Eng: I think you're correct. I think we carry all sorts, again anywhere from.... I was assuring a shipper from Halifax about a month ago when he said, we just sold in one day through one of the Internet sites 5,000 lobsters to Shanghai. Can you assure me that the lobster will go through your airport safely and get to Shanghai, because in two days we sold 5,000? I said, great, we will assure you. So we have live seafood,

We have manufactured products, both ways. Obviously, there are things being manufactured in China, Vietnam, and those places, coming to Canada, so it's a mixed cargo. I can provide you with more specific data exactly, but I don't have it off the top of my head right now.

This is why I said in my presentation earlier that you cannot just think about airports and the air sector as air alone. As I said earlier, both cargo and passengers do not come to an airport because that's their final destination. We have been working with both the Ontario government and the city around the airport to say, how can we ensure that there's enough infrastructure in place so that people can effectively go from the airport to their final destination, which is what you're saying. Yes, I think the most critical thing is efficiently, effectively, getting to the final destination.

● (1650)

Mr. Mike Allen: I'm sorry to interrupt you, but you're going to have mass transit for people going into Toronto, and that makes a heck of a lot of sense. At the same time you're going to have trucks and other kinds of things. Do you see that as a constraint?

Mr. Howard Eng: Well, when I look at mass transportation, it's not just for the airport alone. I think we need to improve mass transit. That's why I say government policy has to encourage improvement of mass transportation so we can take some of the cars off the road, which will allow the roadways to be used for things like trucks, buses, tour buses, and so on. That's what I mean by mass transportation not just reserved for the airport.

Mr. Mike Allen: Okay, thank you for clarifying that.

One of the comments that was made by Ms. Campbell in the last panel was about one of the challenges that we have with our relationship with the U.S., which is actually getting landing spots in the U.S. She also commented on China, getting slots being an infrastructure issue. As part of our two-way trade and as part of our open skies type of policy, do you see getting slots as a challenge at

Pearson, and for your people who operate at Pearson getting slots in other airports?

Mr. Howard Eng: At this point, Pearson itself is not a slot-constrained airport. Obviously it does have some issues at the very peak hours but otherwise we have capacity. I think there is capacity at other airports. Taking China as an example, Beijing has a current airport that is handling 85 million passengers. They are going to grow to over 100 million. They have already put in place the building of a second airport to handle more, which will be completed in five years. You hear about Dubai, which is building a new airport that can handle up to 120 million passengers. I think most countries that we trade with do have plans in place to enhance their infrastructure to provide more capacity.

The Chair: We're going to have to end it there, I'm afraid. His seven minutes are up.

Ms. Freeland.

Ms. Chrystia Freeland: Okay, well thank you very much, Mr. Eng and Ms. McKee, for joining us. I'm the MP for Toronto Centre, so you are incredibly important to my constituents.

Mr. Eng, I hope you're feeling comfortable speaking before this committee because, as it turns out—although neither of us represents Edmonton—your two vice-chairs today both have Edmonton roots.

Mr. Howard Eng: Oh, okay.

Ms. Chrystia Freeland: So, we all have that in common.

I thought your presentation was terrific and I really was delighted to hear both your ambitions about Pearson being the premier North American airport and the global context in which you see those ambitions. That is terrific, and it's our responsibility to do everything we can to help you.

Mr. Howard Eng: Thank you.

Ms. Chrystia Freeland: I'd like to start with a very specific question. We heard from Calgary airport some concerns about CATSA and real concerns that the airport was building up the infrastructure to move, in a hassle-free and quick way, lots of business travellers, but that CATSA staffing was simply not up to it. We heard real concerns about underfunding of CATSA and, in particular, that we're going to hit a bottleneck in the summer. Does that ring true to your experience?

•(1655)

Mr. Howard Eng: Yes, I think I can say that there are lineups in CATSA. To me, as I said earlier, hassle-free is the flow through the whole airport. One departure bottleneck is certainly the security screening process. Another one is certainly in the arrival process. Sometimes we also have immigration and, similarly, the U.S. pre-clearance. So again, to be a transfer hub especially, we need to ensure that all these processes are running as smoothly as possible.

It's even more important for connecting passengers because for connecting passengers, again, normally when they are sold their product by the travel agency, most people necessarily want minimum time for their connection. The whole computer system is set up to display it that way. Especially if you take the example of international travel transferring to a domestic or U.S. airport, if through that process they have a long wait coming into Canada, a long wait going through security or going through U.S. pre-clearance and security, then all of a sudden what they call minimum connect time becomes longer and longer. The longer that becomes, the less competitive that particular route is when it's displayed. So yes, that is a concern.

I think there is in some way a resource or staffing issue with CATSA. But again, we as a group are working with government and the ministry to look at both efficiency and other means in order to try to speed up the process. For example, we're working with them to ensure the effective redeployment of the CATSA staff from international screening to domestic screening, from terminal 1 to terminal 3. We look at all those efficiency ways in order to try to enhance the capacity. We understand the issue that you don't want to have a lot of staff sitting around doing nothing. Again, we're working with them to best redeploy; we're getting information for our airlines on the load coming in and where they are going, so that we can redeploy staff as effectively as possible.

Ms. Chrystia Freeland: Of these bottlenecks that you've referred to, which is the biggest problem for you? What should we be focusing on to try to help fix this for you?

Mr. Howard Eng: I think as one of my key customers in travel; all of you probably travel through my airport quite a bit. I think certainly the most common point where people encounter an issue is obviously security screening. That's the first point. That's harder to resolve than other areas.

Ms. Chrystia Freeland: We have 30 seconds, so a quick question. Given your Hong Kong experience, what can we do to improve especially business connections with China?

Mr. Howard Eng: I think the best way is more direct flights and more connections to more destinations. I think the market there is huge. The propensity to travel there in five years' time is going to go from 0.5 to 1. That's 1.2 billion trips, of which 200 million will be going outside China. The total number of trips in Canada is at 100 million. If we can even capture a portion of that.... In order to make sure we capture that, let's make sure our infrastructure and our flights are there to bring people in a very easy, hassle-free manner to Canada.

The Chair: Thank you, Mr. Eng.

Ms. Freeland, thank you very much.

Colleagues, we have about four minutes left before we're done and we do have some committee business, so I think I'm going to go in camera here. I will suspend the meeting at this point in time just to allow the room to clear. Then we will go in camera and finalize what we're going to do next week.

I want to thank the witnesses for their testimony and we appreciate their time here today.

[Proceedings continue in camera]

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