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# Standing Committee on Transport, Infrastructure and Communities

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EVIDENCE

**Monday, May 2, 2016**

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**Chair**

**The Honourable Judy A. Sgro**



## Standing Committee on Transport, Infrastructure and Communities

Monday, May 2, 2016

• (1530)

[English]

**The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)):** Good afternoon, everyone. I call to order the Standing Committee on Transport, Infrastructure, and Communities, according—

[Translation]

**Mr. Alexandre Boulerice (Rosemont—La Petite-Patrie, NDP):** Point of order, Madam Chair.

With respect to the current study, I simply want to draw to the committee members' attention that the NDP put forward a motion to extend the committee's consideration of the bill and to allow it to hold meetings outside Ottawa.

[English]

**The Chair:** Mr. Boulerice, I'm sorry, but we don't have you signed in yet and so you're not part of the quorum. You'll have to wait until you're signed in. We will get the meeting started, and when your whip comes in and files the appropriate papers, then we'll continue on.

We'll start again. Welcome, everybody, to this meeting of the Standing Committee on Transport, Infrastructure, and Communities of the 42nd Parliament, first session. Pursuant to the order of reference of Wednesday, April 20, 2016, we are studying Bill C-10, an act to amend the Air Canada Public Participation Act and to provide for certain other measures.

We're joined by the parliamentary secretary, Ms. Kate Young, and of course, by our Honourable Minister of Transport, Marc Garneau, and his two staff, Catherine Higgins, associate assistant deputy minister, policy; and Daniel Blasioli, senior counsel.

Welcome. We appreciate very much having you here today, and I will turn the floor over to you, Minister Garneau.

**Hon. Marc Garneau (Minister of Transport):** Thank you very much, Madam Chair, and thank you to the members of the committee for organizing today and for allowing me to provide testimony in relation to Bill C-10.

[Translation]

I am very pleased to appear before you today, as part of your study on Bill C-10, An Act to amend the Air Canada Public Participation Act.

[English]

Bill C-10 will grant Air Canada the flexibility to be competitive in the face of a constantly evolving air transport sector. At the same time, this bill continues to support Canada's aerospace sector by reinforcing the government's expectation that Air Canada will undertake aircraft maintenance in certain parts of the country.

[Translation]

The bill seeks to amend paragraph 6(1)(d) of the act, which currently imposes on Air Canada the obligation to include, in its articles of continuance, provisions to maintain operational and overhaul centres in the City of Winnipeg, the Montreal Urban Community, and the City of Mississauga. The proposed amendments would replace the reference to the City of Winnipeg, the Montreal Urban Community, and the City of Mississauga with a reference to the provinces of Manitoba, Quebec, and Ontario

The bill also seeks to amend the reference to the operational and overhaul centres, and replace it with a reference to aircraft maintenance activities, which would include maintenance relating to airframes, engines, components, equipment, or parts.

The bill also specifies that Air Canada is not under any obligation when it comes to the type or volume of the aircraft maintenance activities it undertakes, either directly or indirectly, in Manitoba, Ontario, or Quebec. Nor is it under any obligation as to the level of employment it must maintain.

This change ensures that Air Canada's aircraft maintenance work will continue to be performed in these provinces, while giving the airline the flexibility to keep up with the changing aviation sector and to organize its activities accordingly.

[English]

This is important because it allows the company to compete in an aggressive global marketplace. If Air Canada were not able to derive the best possible value for money, the result would be higher costs for the company, and ultimately, for the travelling public and shippers.

[Translation]

On February 17, 2016, Air Canada announced that, following the acquisition of up to 75 Bombardier C Series aircraft, it will partner with the Government of Quebec to establish a centre of excellence in aircraft maintenance. According to the Quebec government, the centre of excellence could generate as many as 1,000 jobs for Quebec's aerospace sector, in addition to the resulting manufacturing jobs.

In light of this development, the Government of Quebec and Air Canada announced an agreement to discontinue the litigation over Air Canada's compliance with the Air Canada Public Participation Act, once the purchase of the Bombardier aircraft was finalized.

•(1535)

[English]

On March 14, 2016, Air Canada announced an agreement with Manitoba to create a western Canada centre of excellence in that province. This centre will result in the creation of 150 new jobs in the aircraft maintenance sector as of 2017, with the potential for additional jobs in the future.

[Translation]

Given all these positive developments, we believe this is the perfect time to modernize the Air Canada Public Participation Act to give the airline the flexibility to better respond to changing market conditions.

[English]

For Air Canada to be competitive into the future, it must be able to adapt its supply chain to manage its costs and remain competitive, as all of its competitors are doing. Bill C-10 will allow the carrier to do this while ensuring that it remains committed to undertaking aircraft maintenance activities in three communities. This is consistent with Canada's policy to maintain a robust and competitive air transport sector well into the future while also supporting the employment of highly skilled workers in the aerospace sector.

Members of the committee, I now welcome your questions.

[Translation]

Thank you very much.

[English]

**The Chair:** Thank you very much, Minister Garneau. We appreciate that very much.

We now go over to Ms. Block for six minutes.

**Mrs. Kelly Block (Carlton Trail—Eagle Creek, CPC):** Thank you very much, Madam Chair.

Thank you once again, Minister, for joining us and speaking to this piece of legislation.

I do have a number of questions, so I hope I'll be able to get through them in the six minutes I have.

Minister, when did you first get the idea to introduce this legislation? What precipitated this legislation needing to be introduced at this time? Would you be willing to submit any briefing notes from your department that would have perhaps recommended this move?

**Hon. Marc Garneau:** The idea of modernizing this law had been raised, I think, probably prior to my arrival there. Given the fact that the Quebec government, with the Government of Manitoba as an intervenor, was in a process with Air Canada, it was felt that we would wait until there was some kind of conclusion to that. Then it was felt—and I supported this—that it would be an ideal opportunity for us to modernize the act, to clarify it, in the hopes of avoiding litigation in the future. As you know, the Quebec government and

the Manitoba government had expressed their intention to do this as a result of Air Canada working with both those governments.

**Mrs. Kelly Block:** Would you have introduced this bill if Air Canada had not made a firm order for the C Series aircraft?

**Hon. Marc Garneau:** We certainly would have followed that process, which was under way, and which, as you know, would have potentially reached the Supreme Court, and we would have waited and certainly not done anything at that point.

**Mrs. Kelly Block:** Given that it's one of the first pieces of legislation that's been debated in this Parliament, why wasn't this need to modernize the legislation included in the election platform?

**Hon. Marc Garneau:** I can't speak to that, but there are a lot of things that are in the election platform, and there are things that you will no doubt see us do in the course of the next four years that may not have been in the election platform. It's the nature of government that you can't put absolutely everything in that you're going to do during the next four years.

**Mrs. Kelly Block:** That's fine. Thank you.

In response to my question during the debate, I questioned the Emerson report and the ways that Air Canada could be supported that wouldn't affect jobs in Canada during the bill's second reading. The parliamentary secretary to the Minister of International Trade said, "We did not accept every suggestion. We picked the ones we thought were the best".

I'm wondering what other options were considered before you decided this was the best one. Do the parliamentary secretary's comments mean that this exercise of consulting over and over on the Emerson report is a sham and that you've actually made up your mind on which recommendations you're going to support and which ones you're not?

•(1540)

**Hon. Marc Garneau:** I spoke at the Economic Club of Canada last Wednesday and outlined the plan ahead of us with respect to the Canada Transportation Act review undertaken by Mr. Emerson. There are, as you know, some 60 recommendations in there. I've outlined that on five different themes—safety, trade corridors, green transportation, our coasts in the north, and innovation—we will be undertaking a number of critical stakeholder consultations this spring, this summer, and into the early fall. That's a separate process.

With respect to this bill and modernizing it, as I've said repeatedly, the fact that Quebec and Manitoba, as a result of agreements that they negotiated with Air Canada, intend to let the litigation go provided us with an opportunity to do two things. The first is to clarify the act to prevent the possibility or minimize the possibility of litigation in the future. The second, as I said in my opening remarks, is that we also want to allow Air Canada, which is an international carrier—it's competitive, it has 25,000 employees—to compete in a very competitive marketplace not only for domestic flights but for international flights. Its competitors are not given specific restrictions with respect to things like where they must do their maintenance. We wanted to level the playing field a little more for this company in the process while also recognizing the need to continue maintenance in the three provinces that we've mentioned, but not with the same constraints.

**Mrs. Kelly Block:** I'll follow up on my first question.

Would you be willing to provide this committee with any recommendations that would have come from the department in terms of modernizing Bill C-10, or modernizing the act?

**Hon. Marc Garneau:** I think the recommendations that came from the department have made their way into the act as it is proposed and which you are studying at this committee at the moment.

**The Chair:** Thank you very much, Ms. Block.

Six minutes over to Mr. Hardie.

**Mr. Ken Hardie (Fleetwood—Port Kells, Lib.):** Thank you, Madam Chair.

I'll be splitting my time with some of my colleagues here. I actually have just one question.

The arrangement with Air Canada was established for a reason, and it brought forward aircraft that had previously been crown assets, plus other things. Are there any ongoing benefits conferred in that original agreement with Air Canada that give Air Canada now a competitive advantage over the other airlines in Canada?

**Hon. Marc Garneau:** Historically, the act that we're amending at the moment is an act that was instituted back in 1989 under the Conservative government of Prime Minister Mulroney. The decision was made to privatize Air Canada, which previously was with the government. Essentially, there were four broad requirements, strings that remained attached to Air Canada. One is the requirement with respect to maintenance, which we're discussing now. But it also had three other obligations imposed upon it. One was that its headquarters had to be in the urban community of Montreal. Another one was that it had to implement the Official Languages Act on its flights. The third one, which actually applies to all Canadian airlines, was a limit of 25% on foreign ownership. Those three that I've just named, the last three, headquarters, official languages, and the 25% limit, remain in place. They are not touched by this act. They are not, apart from the 25% limit, imposed on Air Canada's competitors.

• (1545)

[Translation]

**Mr. Angelo Iacono (Alfred-Pellan, Lib.):** Good afternoon, Minister.

We were all disappointed when Aveos declared bankruptcy in 2012. Many workers lost their jobs.

Could you explain to us how Bill C-10 will help create new jobs, especially in Quebec and Manitoba?

**Hon. Marc Garneau:** Thank you for your question.

I, too, have a lot of sympathy for those Aveos workers who lost their jobs in 2012. It's always unfortunate when any worker, in any field, loses their job.

The job outlook today, however, is promising. As you know, Air Canada has committed to purchasing between 45 and 75 aircraft and to making sure the maintenance of those aircraft is performed in Quebec. As soon as those aircraft start flying, they will be maintained in Quebec for a period of at least 20 years. That's certainly positive news as far as job creation is concerned.

What's more, as I mentioned, the Manitoba government and Air Canada reached an agreement that will result in at least 150 new jobs in that province, with the potential for more in the future. I realize that doesn't entirely offset the jobs lost in 2012, but I think it represents a solid commitment on Air Canada's part to create jobs in Quebec and Manitoba.

I would just like to add that the Province of Ontario was not involved in the litigation between the airline and the other two provinces because of the tremendous number of people Air Canada already employed in Ontario. The airline has made a serious commitment to create jobs in Quebec and Manitoba.

[English]

**The Chair:** Mr. Badawey.

**Mr. Vance Badawey (Niagara Centre, Lib.):** Thank you, Madam Chair, and thank you, Minister, for being here this afternoon.

Minister, airlines such as Air Canada, Delta, WestJet, United, etc., have smaller aircraft that feed their hub airports, and then they have the larger aircraft that move people around the country as well as the globe.

Over the past 10 years, has there been an increase in the number of smaller aircraft operating in Canada with the growth of Porter, the creation of WestJet Encore, and Air Canada Express?

Would that growth in the number of smaller aircraft mean more maintenance jobs serving those airlines as well as those aircraft?

**Hon. Marc Garneau:** I'm afraid I don't have specific numbers for you in terms of small aircraft and what they're defined as—how many passengers, what size to what size—but definitely there are more passengers today, and more flights today than there were three decades ago. So yes, potentially there are more employment opportunities for maintenance with respect to the growing number of aircraft.

Some of these maintenance jobs are done in different parts of the country, including places like Vancouver and Kelowna and other places that have some capability with respect to maintenance, and some of it is done abroad. Overall the picture is good in terms of the increase in the number of people and the number of aircraft flying today in Canada and, as we predict, for the coming decades.

**The Chair:** Thank you very much.

Mr. Boulerville, you have six minutes.

[Translation]

**Mr. Alexandre Boulerville:** Thank you, Madam Chair.

I'd just like to take this opportunity to say how eager I am to discuss the NDP motion seeking to extend the committee's consideration of Bill C-10. The motion also seeks to allow the committee to travel and meet with people who were affected by the decision in communities across the country.

Minister, thank you for being here today.

Unfortunately, Bill C-10 will only fuel the anger and cynicism of a large segment of the population. It wasn't that long ago that the current prime minister was protesting on Parliament Hill alongside Aveos workers and chanting in solidarity with them. Today, we see that he has changed his tune.

What's more, at the time, a Liberal MP criticized the federal government at a press conference for failing to live up to its obligation to enforce the Air Canada Public Participation Act, which stated very clearly that the airline had to keep maintenance operations in Montreal, Mississauga, and Winnipeg.

Mr. Garneau, you were the one who made those comments in 2012. The workers were right. The Superior Court of Québec sided with them, the Appeal Court of Québec sided with them, and the Supreme Court would have sided with them. I'd like to know what you have to say to the 2,600 families who were counting on you to stand up for their jobs.

• (1550)

**Hon. Marc Garneau:** Thank you, Mr. Boulerice.

You are right. I made those comments in 2012. Unfortunately, the government of the day did nothing about the situation. It is now four years later, and the landscape has changed. I realize that, unfortunately, workers lost their jobs and were not able to get rehired by other companies. Some, however, were. What we have to do, though, is deal with the situation in 2016 and acknowledge that Air Canada reached agreements with the governments of Quebec and Manitoba. Those provinces chose to drop their lawsuits because they believe that things are going to improve and that the formal agreements they intend to sign with Air Canada will generate new jobs in the long run. Given that both Quebec and Manitoba have decided to accept the agreements worked out with Air Canada, this is a great opportunity to clarify the act.

**Mr. Alexandre Boulerice:** It's a shame that you are choosing to pit the aircraft manufacturing sector against the aircraft maintenance sector. Those people have a right to keep working, and it is imperative that the aircraft maintenance work remain here so that those jobs are protected. Bill C-10 does not set out any requirements as to the type or volume of maintenance activities that must remain in the country, or the level of employment in those activities. The government is literally giving Air Canada carte blanche under the pretense of flexibility. The government is telling the airline that it can do what it wants when it wants.

How many aircraft maintenance jobs will stay in Canada once Bill C-10 becomes law?

**Hon. Marc Garneau:** I am certainly not trying to pit the manufacturing sector against the maintenance sector. When I said that Air Canada had committed to performing the maintenance of between 45 and—fingers crossed—75 C Series aircraft, I was referring to the maintenance, and not manufacturing, sector. The C Series aircraft being manufactured in Mirabel—and I hope hundreds upon hundreds will be made—is outside the scope of our discussion today. We are talking about creating jobs in Quebec in connection with the maintenance of between 45 and 75 aircraft, and at least 150 jobs in Manitoba.

**Mr. Alexandre Boulerice:** Are you prepared to accept amendments that would strengthen and improve Bill C-10 by imposing

conditions on the level of employment and requiring Air Canada to keep a minimum number of aircraft maintenance jobs in the country?

**Hon. Marc Garneau:** We introduced the bill we wanted to, and you are looking at it. Decisions on amendments are up to the committee. The committee is free to use its independence to deal with the legislation as it sees fit. I wouldn't deign to speak on the committee's behalf.

[*English*]

**The Chair:** You have a minute and a half.

**Mr. Alexandre Boulerice:** I have a minute and a half.

[*Translation*]

Great.

In Transport Canada's document on the proposed amendments to the act, it says that Quebec anticipates the establishment of a centre of excellence expected to create jobs. Having a labour background, I tend to view that as good intentions; no guarantees have been made, no numbers have been laid out, and no targets have been set. We are talking in theoretical terms about potential jobs stemming from the maintenance of the C Series aircraft, and it will be years before heavy maintenance work, similar to that previously performed on Air Canada's Boeing and Airbus aircraft, is necessary.

Some 2,600 jobs were lost, and the government hopes to create more but has no idea as to how many. Those aren't reassuring words from a government that claims it wants to foster job creation.

• (1555)

**Hon. Marc Garneau:** As someone who has examined the matter closely and had an opportunity to see what Air Canada intends—or has indicated its intentions are—in Quebec and Manitoba, I have no doubt the jobs will materialize. In Manitoba, we will start to see them in 2017 and, in Quebec, shortly after that. It will depend on the delivery of the aircraft and the work will continue for at least 20 years.

**Mr. Alexandre Boulerice:** Do you realize that those 2,600 job losses were illegal and that all the legislation you are proposing today does is legalize layoffs that were previously illegal?

[*English*]

**The Chair:** Thank you very much, Mr. Boulerice.

The minister wants to give a very fast answer to that question, otherwise your time is up.

[*Translation*]

**Hon. Marc Garneau:** I'd like to point out that that is precisely why the government waited to see whether Quebec and Manitoba were willing to drop their lawsuits.

[*English*]

**The Chair:** Thank you, Minister Garneau.

Mr. Berthold, you have six minutes.

[*Translation*]

**Mr. Luc Berthold (Mégantic—L'Érable, CPC):** Thank you, Madam Chair.

I'd like to start by thanking you, Mr. Garneau, for visiting Lac-Mégantic last week. Most of the community really appreciated your visit.

Since we don't have much time, I'm going to get right to the subject at hand, Bill C-10.

I'm going to pick up on what you just said about the Quebec government. At a press conference, the Quebec minister for the economy, science, and innovation was forced to say that the easing of the requirements on Air Canada to keep its maintenance activities in Quebec could hurt the creation of a centre that the air carrier is supposed to establish.

Did you discuss that with Ms. Anglade?

**Hon. Marc Garneau:** I didn't speak with Ms. Anglade. My chief of staff spoke with her after those comments were made. My understanding is that Ms. Anglade will be submitting something to the committee and will therefore have the opportunity to share her views on the subject.

Ms. Anglade and I are on the same page. We understand the situation. Bill C-10 is making its way through the parliamentary process, which has a number of stages. The bill will not become law after second reading, and today is proof of that. The committee is holding meetings to study the bill and hear from witnesses, after which, the bill will be referred back to the House of Commons for third reading.

**Mr. Luc Berthold:** I know how the process works, Mr. Garneau. But it's very rare for a provincial government, in this case, the Quebec government, to make comments to the media at this stage in the game, clearly calling on the government to put an end to the process because it is going to have a detrimental effect on its agreements and discussions.

The agreement that was reached was subject to a final agreement. The first news release stated that an agreement had never been reached. And yet, since the beginning, you haven't stopped saying that Air Canada and the Government of Quebec reached an agreement. I haven't seen that agreement. The Government of Quebec hasn't seen that agreement, because it hasn't been finalized yet.

Why are you rushing ahead? Why do you insist on putting an end to the discussion with this bill?

**Hon. Marc Garneau:** As I mentioned, the Government of Quebec intends to drop the suit, because of an agreement with Air Canada. In the meantime, we feel confident that all of this is going to be respected. The parliamentary process takes some time. It has begun and it will most certainly follow its course.

We are on the same wavelength as Ms. Anglade.

**Mr. Luc Berthold:** Yes, but what the Government of Quebec is saying is that by introducing this bill, you have deprived it of its negotiating power, as there is no longer any incentive for Air Canada to come to an agreement with Quebec, since the new law will free it from any legal proceedings. So Quebec has no more leverage.

You also mentioned that you have a serious commitment with regard to Air Canada jobs. I am concerned by this serious

commitment on the part of Air Canada, since it did not even respect the law.

What makes you think that there is a serious commitment?

**Hon. Marc Garneau:** My discussions lead me to think that they are very serious, and the commitment is firm.

**Mr. Luc Berthold:** Do you have a written commitment from Air Canada? Do you have a letter of intent you could table with the committee, so that we too may be reassured about this serious commitment?

You would like to see this bill pass quickly. In fact, this is the first time your government has limited debate, and for a bill that is rather short. We don't understand why this is so urgent. The Government of Quebec is telling you that this is not the right time to do this.

In addition, we have nothing but the bill to study. You said that the recommendations from Transport Canada were in the bill. They are only one page long; there aren't many recommendations here, Mr. Garneau.

• (1600)

**Hon. Marc Garneau:** Let me clarify something for you, Mr. Berthold. There is no agreement between us and Air Canada. The agreement is between Air Canada and the Government of Quebec on the one hand, and between Air Canada and the Government of Manitoba, on the other.

**Mr. Luc Berthold:** I am happy to hear it; I just wanted that to be clarified.

In fact, my next question was whether there is an agreement with Air Canada concerning Bill C-10, to have the legislation withdrawn.

**Hon. Marc Garneau:** It has always been clear. Perhaps some people misunderstood. We do not have an agreement with Air Canada. Air Canada is a company that functions independently. Its dealings are with the provinces.

**Mr. Luc Berthold:** My question is all the more pertinent.

You said in your presentation that the idea had been raised before you took over the department. Who brought back the idea of passing Bill C-10? Who suggested that it be passed so quickly?

**Hon. Marc Garneau:** It was the discussions between Air Canada and Quebec, and Air Canada and Manitoba, that led to this being put back on the agenda.

**Mr. Luc Berthold:** Very well.

So your point is that this is an agreement between the Government of Quebec and Air Canada. The discussions they held brought this to the fore once again. This means that someone in your entourage or at Transport Canada pointed out that certain matters were being discussed and that it would be a good idea, in order to facilitate things, to announce that these obligations would no longer be imposed on Air Canada.

**Hon. Marc Garneau:** We observed the discussions that took place between Air Canada and the two provinces. As I already said, our department has for some time wanted to clarify provisions in Bill C-10 in order to minimize the possibility of legal action. The right time came up after decisions were taken regarding the intentions of Quebec and Manitoba.

[English]

**The Chair:** I'm sorry, Mr. Berthold, but your time is up.

Thank you, Mr. Garneau.

There's sufficient time for another round.

Mr. Sikand.

**Mr. Gagan Sikand (Mississauga—Streetsville, Lib.):** I have two quick questions.

In regard to the aerospace industry, are we the only country that stipulates or requires a carrier to have their operations set somewhere?

**Hon. Marc Garneau:** It's a good question. I don't have the answer to that. Certainly we did have the specific strings attached to Air Canada for almost 30 years and they're still officially attached.

I'll turn to my colleagues. I don't know whether other countries have similar.... There are state-run airlines in other countries, but in terms of independent carriers I don't know the answer to the question. I suspect it's probably unusual.

May I ask my associate deputy minister to speak on that?

**Ms. Catherine Higgins (Associate Assistant Deputy Minister, Policy, Department of Transport):** I'd be pleased to.

We're not aware of any other country that has similar requirements. We would be happy to look and to return with that information to the committee.

**Hon. Marc Garneau:** Thank you.

**Mr. Gagan Sikand:** I think I heard you say, Minister, that Air Canada employs 25,000 people?

**Hon. Marc Garneau:** That's correct.

**Mr. Gagan Sikand:** Potentially that's the number of people who could be at risk if that company fails to be competitive on the global scale?

**Hon. Marc Garneau:** There's no question that the airline world is extremely competitive and Air Canada has to compete out there with everybody else. It's a big picture and with Air Canada the maintenance activities are a significant portion of its financial obligations.

It obviously has to maintain the airplanes so that they remain safe and continue to provide all the flights that it advertises. How they do the maintenance and where they do the maintenance is a factor that all airlines consider. Certainly in Canada at the moment Air Canada is the only one that has the constraints of Bill C-10.

**Mr. Gagan Sikand:** Thank you, sir.

Madam Chair, I'll be splitting my time.

**The Chair:** Mr. Fraser.

**Mr. Sean Fraser (Central Nova, Lib.):** Thank you very much, Minister, for joining us today.

Building on the theme of Air Canada's competitiveness, the CTA review indicated that in a major international market that is very competitive that's the direction Air Canada would need to go in to experience growth. Do you agree that we do need to reach into the

international markets and is labour a relevant factor in gauging the competitiveness of Air Canada?

• (1605)

**Hon. Marc Garneau:** Certainly Air Canada operates not only domestically but internationally and for it to grow it has to continue to build those markets. There are opportunities for it to build markets internationally.

With respect to the question of labour, could you tell me a little bit more about what you meant?

**Mr. Sean Fraser:** It seems to me that under the existing legislation the locations that you can recruit the labour force in are restricted. I'm wondering if you can expand on the impact that that restrictive nature has on Air Canada's competitiveness to branch out into these new markets.

**Hon. Marc Garneau:** It's a good question. It's one I would have to get back to you on. I think it's a big, serious question and I don't have the answer at my fingertips, but we'll look into that.

**Mr. Sean Fraser:** Sure. Turning the page a bit, legislation is obviously one tool that's available to encourage growth, but I don't believe it's the only one. Could you highlight potentially some other things that Air Canada could explore to experience growth?

**Hon. Marc Garneau:** This allows me to bring up the fact that the "CTA Review—Report", tabled on February 25, makes certain suggestions that the government may wish to look at. One issue, which I'll bring up as an example, is increasing foreign ownership to 49%. The argument that is brought forward by the "CTA Review" is this would encourage the creation of other companies to come into the market and would make the whole business more competitive for the consumer.

We're going to be looking at them and all the other recommendations related to air passenger transport that are contained in the "CTA Review" during the course of the spring, summer, and fall.

**Mr. Sean Fraser:** Thank you very much.

If there's time left, I'm happy to give it to Mr. Iacono.

**The Chair:** Mr. Iacono, you have a minute and 15 seconds.

[Translation]

**Mr. Angelo Iacono:** Thank you, Mr. Chair.

In your opinion, Minister, how can we protect Canadian jobs and also allow Air Canada to modernize and remain competitive on the North American market?

**Hon. Marc Garneau:** That is the dilemma we are facing. Air Canada had some very specific obligations under the previous act or under Bill C-10 in its current form.



In 1989, Mr. Mulroney's government privatized Air Canada and gave it its independence and the opportunity of integrating the airline world. He asked them, however, to respect four requirements, one of them being to keep its aircraft in three specific cities. Now, in addition to clarifying the act, we recognize that Air Canada has to compete with other carriers in a world that is fiercely competitive, and we feel that we have to give it more leeway with regard to decisions about maintenance.

[*English*]

**The Chair:** Thank you, Minister Garneau. The time is up.

Ms. Watts, you have six minutes.

**Ms. Dianne L. Watts (South Surrey—White Rock, CPC):** Thank you very much, and thank you for being here again.

I need some clarification on a couple of things. You're saying the bill is introduced based on the litigation between Air Canada and the provinces.

**Hon. Marc Garneau:** It's introduced as a result of our getting an indication that the Quebec government and the Manitoba government, which was an intervenor, said very clearly that they intended to drop their litigation with Air Canada.

**Ms. Dianne L. Watts:** So it was based on the provinces?

**Hon. Marc Garneau:** Yes.

**Ms. Dianne L. Watts:** I need to understand because I know you, your staff, and the PMO have had nine meetings with Air Canada since December 15, and another meeting two days before you announced this Air Canada Public Participation Act.

Was this act discussed in those meetings?

**Hon. Marc Garneau:** I did not meet with Air Canada or discuss this matter.

**Ms. Dianne L. Watts:** Your staff would have, I'm assuming.

● (1610)

**Hon. Marc Garneau:** You would have to show me what your referring to in terms of meetings. You say there were a number of meetings. We would have to look at that.

**Ms. Dianne L. Watts:** Sure. December 5, January 8, January 22, January 27, February 3, and then February 15, two days before this was announced.

I'm just trying to understand in terms of coming to an agreement and resolving things if it's based on the province and future litigation. I'm wondering if we have some information here, some briefing notes, or whatever it is that this committee could have a look at in how that supports the bill and how Air Canada was involved in that process.

**Hon. Marc Garneau:** Could you give us the dates that you mentioned formally?

**Ms. Dianne L. Watts:** Yes.

**Hon. Marc Garneau:** I have met with Air Canada to discuss other things, but I have not met with Air Canada to discuss this act.

**Ms. Dianne L. Watts:** Okay.

I'll turn over the balance of my time to Kelly.

**Mrs. Kelly Block:** Thank you.

Minister, on the one hand you stated the law needed to be modernized to ensure this carrier would be able to compete in a progressive global marketplace, and yet in answer to one of your colleague's questions you stated you didn't have any idea what the economic benefits to Air Canada would be.

What was the compelling argument that was brought forward to you to introduce this bill to change the Air Canada Public Participation Act now, if you don't know what the economic benefits to Air Canada will be as a result?

**Hon. Marc Garneau:** Let me be clear again. The reasons we are modifying this law are: first, we want to avoid litigation in the future; second, we recognize that Air Canada has to operate in a very competitive environment, and therefore we want to allow it a greater margin of manoeuvre.

I'm not sure about the economic benefit to Air Canada argument that you're bringing up. Could you explain that to me?

**Mrs. Kelly Block:** I believe my colleague across the way asked what sort of economic benefits there would be to Air Canada. How would this change actually—

**Hon. Marc Garneau:** I'm sorry. Let me be a little more explicit on that.

A company that operates hundreds of airplanes has to maintain them. Those are considerable costs. If we're to make sure that Canadians feel, when they get on an Air Canada airplane, that it's safe, there are considerable costs involved with making sure that those airplanes are safe. Those are considerable costs for a large company like Air Canada.

If it has more leeway in deciding where it's going to do that maintenance, I think that allows it to achieve a more optimum, if you like, financial situation as opposed to being constrained to be in specific locations.

I hope you understand what I was trying to say.

**Mrs. Kelly Block:** Could you tell us what the costs are currently?

**Hon. Marc Garneau:** No, I can't tell you what the costs are now, but I can say that if a company is given the leeway—like WestJet is, or Porter, or Transat, or any other company that operates in Canada—of going out and saying, look, I need this aircraft maintained, and everybody who wants to maintain it can come out and bid for it, they can usually get the best possible deal financially, rather than if they are in a situation where they are more constrained in terms of their choices.

[*Translation*]

**Mr. Luc Berthold:** Mr. Garneau, as Minister of Transport, you have just said that doing aircraft maintenance in Canada is not competitive. Shouldn't this be a source of concern for our country?

**Hon. Marc Garneau:** I'm not the one who said that.

**Mr. Luc Berthold:** No, but you are implying that we will go to foreign markets and that this will make that possible. It implies that due to its current obligations, Air Canada is not in the best position to provide this.

**Hon. Marc Garneau:** Let me reassure you, Mr. Berthold.

Our airline companies know that their future depends on the quality of their maintenance, and that this is crucial. As you may have suggested, the point is not to find the company that will do this for the lowest cost. The quality of maintenance is of primordial importance, because when there is an accident, there are consequences for the airline. I am sure that there is a great deal of aircraft maintenance expertise in Canada and that Air Canada is very well aware of this.

•(1615)

[English]

**The Chair:** Thank you very much.

Over to Mr. Badawey.

**Mr. Vance Badawey:** Thank you, Madam Chair, and thank you, Mr. Minister.

Minister, what might some of the impacts be on Air Canada, its employees, and Canadian travellers if the legislation is not updated to reflect today's market realities?

**Hon. Marc Garneau:** I make no secret of the fact that Air Canada and its public—because they've made it public in the past—have not been overly pleased with the fact that they had specific constraints imposed upon them, and they often invoked the fact that this did not allow them to be as competitive.

Obviously the better a company is doing financially, the more services it can offer, the more it can expand.

I make no secret of the fact that Air Canada has in the past spoken about some of its other obligations that remain there, and wish that they didn't, but those have not been changed.

But with respect to the issue of maintenance, which is a considerable cost for a company, they have wanted for a long time to change things. If they have that leeway I believe it helps their bottom line and ultimately helps the consumer, but I can't give you specific numbers at this point.

**Mr. Vance Badawey:** Thank you, Minister.

I have a second question, if I may, Madam Chair.

Minister, in your view, the Mulroney government, back a few decades ago, privatized Air Canada. Was it the right thing to do, and how does this bill, Bill C-10, fit into this logically?

**Hon. Marc Garneau:** In hindsight, and hindsight is 20/20, I think that ultimately it is in principle a good thing to privatize certain companies. However, in a sense the Mulroney government only went halfway. They couldn't quite make the break. I don't know if it was because there was some sentimental attachment to Air Canada or some political factors came into it but they said Air Canada was on its own but it must do this. If you're going to privatize a government-run organization I think you wait until you're ready to go the whole way. In that sense it's something that perhaps is a lesson for us in any potential decision in the future for Canada to privatize anything.

**Mr. Vance Badawey:** Thank you.

[Translation]

**Mr. Angelo Iacono:** Minister, earlier you mentioned four obligations that accompanied the privatization of Air Canada. Can you tell us if the company fulfilled those obligations?

**Hon. Marc Garneau:** We know the history as to maintenance, but with regard to the three others, its head office is still in Montreal.

Regarding official languages, the Commissioner of Official Languages drafts reports from time to time on Air Canada's respect or lack of it for official language requirements. The commissioner has sometimes criticized the company and continues to be vigilant in this regard. Air Canada has in the past been criticized on the issue of official languages.

As for the third point concerning foreign property, this has not changed, from the beginning. This is not something contentious at Air Canada at this time. The same requirement applies to all the other airlines in Canada, that is to say a 25% maximum.

**Mr. Angelo Iacono:** Thank you.

[English]

**The Chair:** Thank you.

Mr. Hardie, you have one minute and 15 seconds.

**Mr. Ken Hardie:** Thank you, Madam Chair.

I have to go back to my first question because you gave me a different answer.

I was talking about the benefits that Air Canada got when it was set up. It had aircraft given to it, route rights, and slots at major international airports. The aircraft are long gone of course but the others were worth a considerable amount of money especially for an air company just starting out.

Are there ongoing benefits from that original deal that give Air Canada an advantage over its competitors?

•(1620)

**Ms. Catherine Higgins:** Thank you for the question, and I'll attempt to respond to the benefits.

The act was put in place as a framework for the privatization of Air Canada to move it from a crown corporation to a viable and competitive private entity. That has occurred while Air Canada has maintained aircraft activity in Canada. The purpose of the initial privatization has led to an air carrier that is competitive but that is subject to requirements 30 years later under the current act but that are not made applicable to its competitors, either domestically or internationally. While it has achieved the benefits of the ACPPA this is an obligation that could impact on its competitiveness going forward.

**Mr. Ken Hardie:** I'm sorry, that is still not the answer.

Are they getting an advantage that the other airlines are not getting from the original deal, i.e., the international routes and the access to those other airports?

**The Chair:** Give a short answer, if possible.

**Ms. Catherine Higgins:** Canada has a very competitive air sector policy that relies on competition and competition on its international routes, and where possible, open access for competitors to provide the best service level and costs for travellers and for Canadians. In that sense, it does not have a residual benefit from the privatization.

**The Chair:** Thank you.

Mr. Berthold.

[Translation]

**Mr. Luc Berthold:** Thank you very much.

Minister, I am happy that we can continue our conversation.

Earlier you mentioned that I suggested that the maintenance of Air Canada aircraft might be of inferior quality. That comment was inspired by a statement made right here, on Parliament Hill. If I may, I will quote it: “[...] while the government refuses to invest in what has made this country strong, and thousands of Canadians who travel every day are being put at risk with potentially lower-quality maintenance; it's not right.”

Mr. Garneau, Mr. Justin Trudeau made that statement in the past when speaking to Aveos workers on Parliament Hill. I simply wanted to let you know why I am concerned that our maintenance may be of poorer quality. If I understand correctly, this does not concern you.

**Hon. Marc Garneau:** I would say that the situation has changed since 2012.

**Mr. Luc Berthold:** What has changed exactly?

**Hon. Marc Garneau:** We didn't know exactly what was going to happen. Today, four years later, the picture is clearer.

**Mr. Luc Berthold:** What has changed exactly since 2012? The same proceedings are before the court, and the same workers are still waiting for answers.

**Hon. Marc Garneau:** What has changed—

**Mr. Luc Berthold:** The Government of Quebec told you not to move. That is what has changed. The Government of Quebec does not want us to change the law.

**Hon. Marc Garneau:** I do not agree with your interpretation of what the Government of Quebec is telling us. Quebec is very well aware that we are all moving forward in this dossier. It indicated clearly that it intends to drop the suit when Air Canada signs the contract.

I think Ms. Anglade was invited to come and testify before this committee.

**Mr. Luc Berthold:** She is on the list of witnesses who have been invited to appear.

[English]

**Hon. Marc Garneau:** Madam Chair, has—

**The Chair:** Yes.

[Translation]

**Hon. Marc Garneau:** Whether Ms. Anglade comes to testify or not, I think she will send you a document. I would encourage you to put this question to her.

I am sure that Ms. Anglade understands very well that we decided to amend this law because we were aware of the Government of Quebec's intent. All of these things take a certain time, as I said.

**Mr. Luc Berthold:** Before Ms. Anglade appears before the committee, I am going to quote her. She said this:

What we want is that this be kept in Quebec, generally speaking [...]. As for the change they are proposing, we don't want this to interfere with the agreement we have with Air Canada and the fact that we are in court.

The correspondence the Supreme Court received came from the plaintiff, Air Canada, and the defendant, the Attorney General of Quebec. There was an agreement between the parties to postpone the decision to request leave to appeal. There is no agreement aside from the request to postpone the decision on the appeal.

While we wait for Ms. Anglade to come and answer our questions, I think it would be relevant to contact the Government of Quebec to find out exactly what measures it would like Ottawa to take. We don't want to interfere with the creation of the maintenance centres. You are proud of this, as are we. We want these things to be done here, but things should not be done in a rush and hinder the establishment of these centres.

● (1625)

**Hon. Marc Garneau:** The situation is clear to me. There is no confusion between our position and the steps we will be taking with regard to Bill C-10. I think that Ms. Anglade will shed light on these matters. You will see that we are both on the same wavelength.

I would like to go back to the quality of maintenance, which you mentioned in the beginning. As you know, this is regulated in our country. It is a part of our responsibilities.

**Mr. Luc Berthold:** Mr. Garneau, it was Mr. Trudeau who flagged the danger posed by the quality of maintenance. It was not me.

**Hon. Marc Garneau:** I can only say that that is regulated. It is one of the primordial responsibilities of Transport Canada.

[English]

**Mrs. Kelly Block:** Minister, you mentioned a few times that the reason for the introduction of this amendment to ACPPA was to ensure that we would avoid litigation in the future. I'm wondering if you could tell us if you've thought about what may be required, perhaps future amendments, to ensure that stakeholders could take legal action should Air Canada not fulfill its commitments concerning the promised centres of excellence. What recourse will stakeholders have if commitments made in terms of a centre of excellence aren't met?

**Hon. Marc Garneau:** The new law is clearer than the previous one because there was some difference of opinion between the parties that went to court. What we really wanted to do was to make it much clearer. I believe it is clearer now. With respect to the new content of the law, I'm quite confident that there will not be any misinterpretation of what that says. I think it is clear.

Previously, some of the disagreement with respect to what was intended by it had to do with the definition of “maintenance”. I think we've made that clearer in this new version of Bill C-10.

**Mrs. Kelly Block:** I want to point out that my colleague asked about meetings with Air Canada. If you go to the lobbying registry it's all registered there, who meets with whom and so that would be where we understood there were meetings between you and Air Canada or lobbyists from Air Canada and other members of your staff.

**Hon. Marc Garneau:** I'm very much aware of that, Mrs. Block. We meet with Air Canada all the time. We meet with the whole transport sector all the time.

It doesn't necessarily reflect what we're there to meet. There is a whole bunch of issues. You're asking for specifics related to this, so allow us to get back.

I will turn it over to my ADM on the ministry side.

**The Chair:** I'm sorry, the time is up.

Thank you very much for meeting with us today and enlightening the committee on a variety of the challenges facing C-10. Minister Garneau and your officials, we appreciate very much your being here today.

We will suspend for two minutes until we get hooked up for our teleconference.

**Hon. Marc Garneau:** Thank you.

**The Chair:** Thank you.

•(1625) \_\_\_\_\_ (Pause) \_\_\_\_\_

•(1630)

**The Chair:** I call the meeting back to order. Would members take their seats, please?

We have with us now Mike Tretheway, chief economist and chief strategy officer, InterVISTAS Consulting Group, by video conference from Vancouver.

Also, Peter Wallis, president and chief executive officer, Van Horne Institute, Calgary.

Welcome, gentlemen, to both of you.

Mr. Tretheway, would you like to commence?

**Mr. Mike Tretheway (Chief Economist and Chief Strategy Officer, InterVISTAS Consulting Group, As an Individual):** My name is Mike Tretheway and I'm the chief economist and chief strategy officer of InterVISTAS Consulting. We're a Canadian-founded aviation, transportation, and tourism firm. We now have offices in Canada, the United States, Europe, and Latin America. We employ about 90 people. We're an important services export for Canada. I have a Ph.D. in economics. I taught for 14 years in the transportation faculty at the University of British Columbia and I continue to have an adjunct position there.

I'd like to disclose any clients I have where there may be a conflict that might be perceived. I don't think I have a conflict. Air Canada is a past client, but so are WestJet and Air Transat and Porter Airlines and almost every airport authority in Canada, the Competition Bureau, Transport Canada, and the Canadian Transportation Agency. We've worked broadly throughout the sector and I think I bring a balanced perspective.

I only have a few opening remarks and I'm happy to address any questions. I was asked to appear. I did not solicit an appearance.

First, I note that there have been 30 years since the legislation was introduced and for me that's interesting, because in that period of time not only did I—or my wife, more technically—have a child, but I also have grandchildren now. So we're actually two generations past this legislation.

I make that point because the world in aviation is really different. We no longer see government-owned airlines in any meaningful way as we did 30 years ago, and this is especially important in the maintenance industry. This industry today is very unlike the maintenance industry of 30 years ago. This industry has evolved into huge economies of scale and specialization.

To give you an example, Air Canada's currently re-equipping with 787s. They're wonderful aircraft. They have 29 on order and I think they already have 17 delivered. When you project ahead when they're going to have heavy maintenance that will have to be done to repair and overhaul these aircraft, there's going to be an intensive period of about three years replicating the current flow-in of aircraft into that fleet right now. So going out 10 to 20 years you've going to have these waves of three years where there's going to be intensive maintenance that will need dedicated 787 specialists in parts and so forth. Then there will be years where there will be nothing to do.

What's happened throughout the world is that maintenance is now specialized. You get a range of specialists in 787s maintenance so they can even the flow out. They'll do Air Canada 10 years from now and that'll be followed by Delta Airlines or somebody else.

I view this legislation as perplexing in some ways. I'm not sure why we continue to take a carrier that two generations ago happened to have been owned by the government and it has different restrictions on it than airlines that emerged in that period of time.

I think this is a win-win situation in that this legislation will allow Air Canada to have greater competition and choices for its maintenance. If you're concerned about safety, then focus on safety regulations and don't do it by forcing a buying solution on one particular carrier. The other win is in Canada where this legislation will create incentives to build and expand Canadian-based maintenance.

I'm particularly enthused about the recent Air Canada order for the CS-300 aircraft. I personally believe this is a game-changing aircraft. It just hit the market at the wrong time and we have seen in the last few weeks two major orders being placed, one of which is Air Canada, but the largest order is Delta, which is the third largest airline in the world. They're going to be shopping maintenance on that and I think this legislation will create the incentives for building a Bombardier aircraft-type maintenance operation in Canada. I don't see a downside from this legislation. If anything, it perhaps doesn't go far enough in levelling the playing field between carriers in Canada.

I'll stop my remarks here and I'll be happy to answer any question you have after Peter's comments.

•(1635)

**The Chair:** Thank you very much, Mr. Tretheway.

Mr. Wallis.

**Mr. Peter Wallis (President and Chief Executive Officer, Van Horne Institute, As an Individual):** My name is Peter Wallis. I'm the president of the Van Horne Institute, which is a transportation institute based at the University of Calgary. The institute works very closely with industry, governments, and other stakeholders to develop programs at the post-secondary and the secondary school levels in transportation supply chain and logistics. We also do a large degree of public policy research in these fields, and it could include anything from high-speed, high-frequency rail, to aviation policy, to the movement of western Canadian bitumen by rail from Fort McMurray to Valdez via a combination of both rail and pipeline.

I'll give you a bit of information about me. I have studied aviation law for a number of years, have a degree from the University of London in aviation law. I've worked for the Canadian Transport Commission as a legal counsel in all modes of transport. I was seconded as chief of staff to two federal ministers of Transport. I worked for Pacific Western Airlines, which subsequently became Canadian Airlines, which in turn acquired CP Air and Wardair to form the major airline Canadian Airlines. My responsibilities included government relations, regulatory affairs, public affairs, and security. Government affairs included working with the Government of Canada on international aviation bilaterals. I've had the honour to serve on the board of the Calgary Airport Authority, five years as chair, and I'm now currently on the board of CATSA.

With respect to this legislation, I'm delighted to have the opportunity to be here with you. I was asked to appear. As Mike has, I should indicate that as members of the Van Horne Institute, we have Air Canada, WestJet, a number of other transportation carriers, airport authorities. The opportunity to give you some views on this legislation is a positive one. As I read this legislation, it is one step in releasing Air Canada from being bound to being able to participate unfettered in the world economy, as other carriers can.

When you look at the Emerson report, which I'm sure will be before this committee shortly, Emerson was very clear that our international airlines must have the freedom to create supply chains in and out of Canada that allow it to compete with the biggest and the best in the world, and to do so they have to be able to control their costs. Costs are one of the main components that any airline has that must be addressed. Indeed, costs are very much tied up in maintenance. Maintenance costs are around 10% to 15% of any airline's cost structure.

When I look at this legislation, I'm looking very carefully to see the degree of fettering—if that's the correct word—the degree of holding Air Canada back from being a truly competitive air carrier on the world stage, which I think we should all be searching for.

Thank you.

•(1640)

**The Chair:** Thank you very much, Mr. Wallis.

We will start now with the committee's questions, with six minutes for Ms. Block.

**Mrs. Kelly Block:** Thank you very much, Madam Chair. Thank you as well for joining us today.

I want to start off with a question that was asked of one of Minister Garneau's department staff. It was about the residual benefits, if any, that Air Canada may have from its legacy status. I'm wondering, Mr. Tretheway, if you might be able to comment on that. Do they continue to have any residual benefits from their legacy status?

**Mr. Peter Wallis:** Perhaps I could take a quick run at that one.

I think that at the outset there were significant legacy benefits. They were identified by one of the honourable members. These benefits included unfettered aircraft balance sheets, completely free of debt, and indeed some of the proceeds coming from the offering to Canadians of those shares. I think all of that is behind us now, and I don't see any residual benefits that might be identified from that particular venture many years back—I think it was in the Mulroney government.

**Mrs. Kelly Block:** Okay. Perhaps we could drill down a little bit and talk about the weekly slots that Air Canada has at a number of major airports. Do you not see that as a residual benefit?

•(1645)

**Mr. Peter Wallis:** When I worked with Canadian Airlines we actually worked with Air Canada, at the recommendation of the Honourable John Crosbie, to sit down and try to determine, on behalf of the country, which carrier would be the best operator of services into different countries in the world. We were able to do that, so the slots basically continued from that particular initiative.

So I'm not entirely sure I would say that there is any real residual, other than what was agreed upon at that time.

**Mrs. Kelly Block:** Okay. Thank you.

Mr. Tretheway.

**Mr. Mike Tretheway:** First of all, slots are complicated. Often if you have a major carrier at an airport, their adding a flight actually creates more connectivity than a totally new carrier. That's why at most airports the slot rules are: for any new slots, half the slots go to the incumbent because of the benefits there, and then half go to new entrants into the market to create competitive access.

We have to remember that Air Canada did go through bankruptcy and in that process they reduced service at Toronto, which opened a lot of slots. In fact, that was the time when WestJet made its major move from Hamilton. They still have a presence in Hamilton, but they developed a major operation at Pearson Airport because they utilized freed-up slots.

On the slots issue, also, there are other aspects. If we look at Toronto Island, for example, Porter Airlines there has the overwhelming majority of slots. With any new slots that become available, Air Canada would presumably get access to half, but an agreement between the federal government, the city, and the port authority has strictly limited the number of operations at the island. Porter got those slots originally. I can't speak for Air Canada but my understanding is that they would actually like to get in there.

If I can just make one last comment about the previous question, as an economist I always think in terms of things like depreciation rates, and so forth. I'd suggest that after 30 years if there were any benefits to Air Canada they have probably fully depreciated. In terms of any benefits to their shareholders from the aircraft or whatever, as has already been observed, those aircraft are long gone and Air Canada went through bankruptcy so the original shareholders frittered away their benefits, shall we say. They're long gone and I think we have to look at the way the world is today.

**Mrs. Kelly Block:** Thank you very much.

I do want to follow up on another comment that was made by you, Mr. Wallis, in regard to the Emerson report. You talked about the numerous recommendations that are in the Emerson report. I think there are 66 recommendations for the air sector. I would make the observation that this measure of amending the act was not recommended by Air Canada or any other carrier for that matter. You also suggested that this act, Bill C-10, doesn't go far enough in levelling the playing field for air carriers in Canada in general.

I would like you to have an opportunity to comment on the fact that Air Canada didn't make this recommendation as something that would help them become more competitive, and on what you meant by this amendment not going far enough.

**Mr. Peter Wallis:** I think what I was saying is that this particular amendment, given a wide reading, would allow Air Canada to enter into that wider competitive environment that it's going to find itself in when it comes to having to seek out the best possible price—which Mike talked about—for the maintenance of its airframes, and the maintenance of the very intricate and delicate avionics that come with all of the new generation equipment, including the Bombardier series of airplanes. That's really to what I was referring.

You're going to have to hear from Air Canada on this as to how they plan to work within the clauses—it's been revised and added to—to ensure that it can remain competitive, but at the same time deal with the specific provisions that one might say could be construed as an encumbrance.

**The Chair:** Thank you very much, Mr. Wallis.

Mr. Badawey, you have six minutes.

**Mr. Vance Badawey:** Thank you, Madam Chair, and thank you, gentlemen, for being with us this afternoon.

Gentlemen, how do most airlines handle their maintenance? Is it done in-house or are there centres of excellence where they'll work on one type of aircraft?

• (1650)

**Mr. Mike Tretheway:** I think there's a dichotomy. Many of what we call the legacy carriers continue to do their maintenance in-house.

Carriers that have been newly created in the past 30 years almost never do their maintenance in-house. They seek a more efficient, specialized solution.

Even among the legacy carriers we're seeing a strong movement to contracting out, especially the heavy maintenance, Qantas, for example. Australia is a bit smaller country than Canada, but geographically it's similar. We're colder, and Australia is tipped on its side. Most of the activity is on the east coast. Qantas now does almost all its heavy maintenance through outsourcing, some of it in Australia and some of it elsewhere.

**Mr. Vance Badawey:** Just to follow up on that question and to dig a bit deeper, what type of maintenance is usually done by the airline today, and what type is contracted out, in particular to a centre of excellence?

**Mr. Mike Tretheway:** Typically, heavy maintenance is one that will be contracted out. Line maintenance, or things that come up flight to flight, will often be done by the maintenance staff of the newly created carriers.

This is a complex area. One of the big issues is inventories of spare parts. It's very expensive for an airline like WestJet or Air Canada, given the hundreds of points they fly to, to keep a complete set of spare parts. That's one of the reasons why this industry has evolved. We're seeing more and more contracting out, even these days, of some of the line maintenance, simply because if you contract out all the line maintenance of one airport for a particular aircraft type you probably will have the needed trained staff as well as the spare parts.

**Mr. Vance Badawey:** Thank you.

Finally, how does Air Canada's maintenance operations in their programs compare to other competitors throughout North America?

**Mr. Mike Tretheway:** I don't have any benchmarking information to share.

**Mr. Vance Badawey:** Peter.

**Mr. Peter Wallis:** I don't have any information on that either. Sorry.

**Mr. Vance Badawey:** Thank you.

Madam Chair, I'm going to pass to Mr. Iacono.

**Mr. Angelo Iacono:** Thank you for being here today. My question can be addressed to both individuals.

According to media reports, work previously done for Air Canada by Aveos is now split among companies in Quebec, United States, Israel, and Singapore.

According to you, is the aircraft maintenance sector growing in Canada, and why or why not?

**Mr. Peter Wallis:** There are pockets of maintenance expertise in Canada, which have grown and waxed and waned over the years. To answer your question as to whether it is growing or not, I don't think I can give you any information that would be of value.

**Mr. Angelo Iacono:** Mr. Tretheway?

**Mr. Mike Tretheway:** Again, this is a really complicated issue. There are aspects of maintenance that have grown in Canada and other aspects that haven't. The sense I have overall is that we used to be number three in the world in terms of aerospace, including aircraft production. We're likely around number five at this point.

One of the complications in this is that a big aspect of aircraft maintenance is engines. Engines today are incredibly reliable, so reliable that we have almost no aircraft flying that have more than two engines. Again, if you go back 30 years, most of the intercontinental aircraft had three or four engines. Today there are 777s, 787s, A330s, and so forth, and these are all two-engine aircraft. The A340 and the 747-8 are exceptions.

As engines have become more reliable, maintenance throughout the world has been reduced, because we have fewer and much more reliable aircraft.

The overall sense I have is that we have declined somewhat, largely in aircraft production. It's starting to come back now as the C Series takes orders.

•(1655)

**Mr. Angelo Iacono:** Is the only way to protect maintenance jobs by legislation? What else can be done to encourage companies like Air Canada to perform maintenance in our country?

**Mr. Mike Tretheway:** I don't think we protect by legislation.

Go ahead, Peter.

**Mr. Peter Wallis:** I was just simply going to say that I don't think you protect jobs by legislation. I think like in any marketplace companies have to step up and show value, and by doing so you create centres of excellence. With the Bombardier C Series being built in Montreal and with the orders that appear to be starting to be flowing in as a result of the Air Canada and the Delta orders, it seems clear to me that centres of excellence and maintenance of that particular equipment, both the avionics and indeed the airframes, is not a sure bet, but it's a good opportunity.

**The Chair:** Thank you very much.

**Mr. Mike Tretheway:** Tax incentives on investments that are required are important.

**The Chair:** Okay.

**Mr. Mike Tretheway:** Tax incentives for the type of equipment.

**The Chair:** Thank you, Mr. Tretheway, maybe you can get your point on someone else's questions.

Mr. Boulerice, you have six minutes.

[Translation]

**Mr. Alexandre Boulerice:** Thank you very much, Madam Chair.

I thank the two witnesses for being with us here today.

First, I would like to point to the peculiarity of this bill, which authorizes the loss of 2,600 jobs in our country, legalizes this and makes some vague promise that we may some day have a centre of excellence which would do the maintenance on the 45 C Series aircraft, if ever Air Canada really purchases them.

Let us understand each other; we are not talking about the same thing at all. Let's talk about Montreal. In 2012, before Aveos went

bankrupt, 300 planes were maintained each year by qualified people in the Montreal area, whereas here we are being promised that there may be work maintaining 45 airplanes, some time in the future.

I would also like to mention to the witnesses that people may be concerned about the quality of the work to be done offshore.

There is a document from Innovation, Science and Economic Development Canada that mentions that Canadian aircraft manufacturers pay higher initial costs in order to integrate global supply chains, but they also accept higher risks. That sets off alarm bells.

Do you know what kind of risk we are talking about? What is it that Canadian aircraft manufacturers are putting at risk in global supply chains? In your opinion, what are the risks we are talking about?

[English]

**Mr. Peter Wallis:** Perhaps I could just venture a start to the answer. I'd just like to point out to the honourable member that when we're talking about sending this work offshore we're talking about sending it to companies like Air France Industries, to Airbus, to Boeing, to British Airways Engineering, GE Aviation, Hong Kong Aircraft Engineering, Lufthansa. These are all companies that have great reputations for maintenance on the world scale. I think that type of information should give you some encouragement that any aircraft that are maintained by these companies, including Rolls-Royce engines, is going to be not only world class but it's also going to be entirely acceptable by the Canadian authorities.

[Translation]

**Mr. Alexandre Boulerice:** Mr. Tretheway, what do you think?

[English]

**Mr. Mike Tretheway:** I really don't have much to add to that. If the concern is about safety then safety should be regulated rather than forcing operations to be at any particular location. I think you address the issue head-on through safety regulation and safety management systems and oversight.

[Translation]

**Mr. Alexandre Boulerice:** Thank you.

This is a unique case. A company, Air Canada, was privatized at the end of the 1980s, in 1988-1989, and this came with certain conditions. One of them was that certain jobs had to remain in this country. The company also had to ensure a certain level of services regarding the maintenance of Air Canada airplanes. This allowed our society to keep some good jobs. These jobs provided a livelihood for communities. People paid taxes and all of this was protected by law.

We are talking about a case where the company stopped complying with the law and caused 2,600 people to lose their jobs. And yet in the initial agreement, these jobs were supposed to be kept here. The workers turned to the courts and they won. They won their case in the Superior Court of Quebec and they also won in the Court of Appeals in Quebec because they were right. The law was clear on this.

The new Liberal government is now going to authorize Air Canada, retroactively, to do what it did not have the right to do in 2012.

Put yourself in the place of the citizens concerned. Do you think the government is acting responsibly by authorizing illegal activities by a company, and the illegal decisions this company made four years ago? Is it responsible to say that that is all well and good, and there's no problem? What message are you sending citizens with regard to respecting the laws of this country?

Take your time before you answer me.

• (1700)

[English]

**The Chair:** Either one of you gentlemen has one minute left in Mr. Boulterice's time.

**Mr. Peter Wallis:** Thank you very much. I'll start on that one and then ask Mike to comment.

You brought both Mike and me together to talk to you about some of the policy issues as they relate to aviation policy as opposed to dealing with rather complex issues that are more in the political and the legal framework in the province of Quebec, so I'm not entirely sure that it's a fair question to both of us.

**The Chair:** Mr. Tretheway.

**Mr. Mike Tretheway:** If I can add a few remarks, this has been 30 years and in that 30 years we have seen new important airlines created and grow, whether it's WestJet and Porter Airlines, or Air Transat and so forth, and government, rightly or wrongly, decided to use competition. I would suggest that airlines would go bankrupt and typically after the second round of bankruptcy there is no more airline. That's not protecting jobs.

I don't fully understand the question. It sounds like it's a political question. If you choose to have a competitive environment as the basis for your policy, there is a range of competitive issues there, and maintenance is one of the important ones because it's such a large portion of aircraft cost, and you have one airline that has to compete with other airlines that don't have these restrictions.

Again my advice is to focus on safety and tax policy to create incentives for these jobs to be located in Canada as well as manufacturers. Where the manufacturers are you tend to get a lot of jobs clustered around them. That is very important.

**The Chair:** Thank you very much, Mr. Tretheway.

We're now on to Mr. Fraser.

**Mr. Sean Fraser:** I will be sharing my time with Mr. Hardy, so I'll try to keep my questions brief, gentlemen.

One of these questions we posed to the minister, who wasn't quite sure of the answer.

You mentioned government-owned airlines, Mr. Tretheway, are the exception. Are you aware of any other jurisdiction where they actually regulate the location where maintenance work or a corporate headquarters must exist?

**Mr. Mike Tretheway:** I know that places where they used to, like Australia, no longer do that. I don't believe the U.S. has any

regulations on that. I confess I don't know the details for Germany, but Lufthansa Technik has actually grown into a global maintenance group and I don't believe that Lufthansa is actually required to utilize them. But I confess I don't know the details on that. I'd say the norm throughout the world is no restrictions on where maintenance has to be done.

**Mr. Sean Fraser:** As a follow-up, in a jurisdiction like Australia that has made the change, what has been the impact on the aviation industry in maintenance work on their continent?

• (1705)

**Mr. Mike Tretheway:** Australia has I believe grown in total maintenance jobs, but not so much on the heavy checks. They tend to move offshore into much larger plants where they can even out the flow of maintenance. Qantas has got 12 A380s and they can't possibly justify a maintenance line for the heavy checks for that aircraft. However, as that market has grown overall because they've become more competitive, we see more of the line checks.

I'm optimistic for Canada because we have aircraft production here, not just in Montreal but also in Toronto, and I see the opportunity for us to build a bigger maintenance base than a country like Australia could.

**Mr. Sean Fraser:** Mr. Wallis, you focused a bit on the sort of fettered discretion of the airlines in your opening comments and you mentioned that a typical airline will have 10% to 15% of its costs eaten up by maintenance.

Are you aware of any analysis of the actual costs that the current legislation has in respect of Air Canada?

**Mr. Peter Wallis:** No, I don't have any information on that.

**Mr. Sean Fraser:** I just have one quick open-ended question before I pass it on to Mr. Hardie.

Mr. Tretheway, you mentioned that in some respects the legislation may not go far enough to level the playing field. Do either of you have recommendations on how an amendment to the existing legislation could make Air Canada more competitive?

**Mr. Mike Tretheway:** I find it hard to understand why we have a 25% foreign ownership limit in the Air Canada Public Participation Act when the Canada Transportation Act has exactly the same limit applicable to the same airline. It just strikes me as being peculiar that this is the case.

**Mr. Sean Fraser:** Thank you.

**Mr. Ken Hardie:** I'd like to turn this on its head a little bit.

You both now have been engaged by the aircraft maintenance industry, and short of suggesting that we do a race to the bottom with local wages versus the wages that they're competing against in other countries, what advice would you give to Canada's maintenance industry in order to maintain good paying jobs and a robust presence here in the country?



**Mr. Peter Wallis:** I don't think anybody's suggesting that there isn't a robust presence in this country. There are a number of maintenance operations across Canada that continue to thrive in maintaining a number of different aircraft types. I can tell you that here in Calgary at the SAIT, which is the Southern Alberta Institute of Technology, Aero Centre, they have graduates coming out in the area of avionics, airframes, and other areas of maintenance and they're all getting jobs coming out of that centre.

It seems to me that this industry is really quite robust.

**Mr. Mike Tretheway:** If I could add here I do think the key success factors are things such as investment in training and sometimes that's in educational institutions. Peter made a reference to here in Vancouver where we have the B.C. Institute of Technology, and again their graduates seem to get placed into jobs. But it's also training incentives, for example, in Newfoundland Bonding & Composites, as more and more parts of the aircraft are composite materials and it takes about two years to train somebody to work in that.

Also, the tax incentives are extremely important. Maintenance facilities require a lot of investment in equipment and parts.

I think a combination of tax incentives and training incentives is absolutely critical for this.

**The Chair:** All right.

There are 30 seconds left.

**Mr. Ken Hardie:** Just quickly then, how close are we then to having ideal conditions to ensure that that industry continues to be, as Mr. Wallis says, pretty robust and has growth potential? How close are we to that?

**Mr. Mike Tretheway:** I think we have a way to go.

When I look at some other countries, for example, I run an annual conference in Europe and most of the time we're in Germany and when I look at the education programs there and the funding they have for both trades education as well as a higher maintenance engineering type of education, Canada's a long way away from the types of incentives to get people to major in the hard aspects of our economy: trades, engineering, and so forth.

I think we're also pretty far behind in terms of incentives on the taxation side for investments in transportation generally, not just specific to air transport. I think it's a general problem in Canada that Dr. Emerson actually identified as well.

•(1710)

**The Chair:** Thank you very much, Mr. Tretheway.

Mr. Iacono.

**Mr. Angelo Iacono:** Gentlemen, in your view was privatizing Air Canada the right thing to do? How does Bill C-10 fit into this logically? Might this encourage Air Canada to do more maintenance outside of Quebec, Manitoba, Ontario?

**Mr. Mike Tretheway:** I think that privatizing Air Canada was a very enlightened thing to have done. As I said, the rest of the world now has private airlines. Where you still have government-owned airlines are exceptions, and problems are often associated with that. Air Canada faced a lot of challenges to become a truly private

airline. I think that since 2003, and especially in the most recent years, we've seen some tremendous changes there. At the same time, we've also been able to grow other private airlines.

We often forget. I remember prior to Air Canada's being privatized, in 1985 dollars it would cost me, for economy class, \$2,900 to travel from Vancouver to Ottawa. We didn't have discount fares. We had very high-cost airlines. The most recent trip I took, I think was \$399 return. We can go further, but I think this has served Canadians well.

**Mr. Peter Wallis:** I'd like to echo that. If you'd asked me that question a number of years ago, when I was an officer of Canadian Airlines, my answer may have been slightly different, relative to the benefits of privatizing Air Canada. In the fullness of time, it was the right decision. I think the economy of the country has benefited from it.

**The Chair:** You have four minutes left, if any of you want to share that time, or we will move on to Ms. Watts for six minutes.

**Ms. Dianne L. Watts:** I'm going to share it as well, we'll take their other four.

You mentioned that Australia has some facilities in Australia and elsewhere, and that some other countries are more competitive outside Canada. You mentioned Germany, which is in the forefront. Can you give me an understanding of where those centres are, and why they're top in the world?

**Mr. Mike Tretheway:** Certainly Germany, France, the United Kingdom, Singapore. In Singapore's case, tax differences have definitely encouraged the type of investment you need in the modern high economies of scale, high specialization. Singapore has picked up a lot of the work, specifically from Australia. The list goes on.

There certainly are developing countries that have picked up some of this: Brazil is an example. We have to remember that Brazil is also a manufacturer of aircraft. Bombardier is now competing with Boeing and Airbus, but its main competitor until recently has been Embraer aircraft. They make wonderful aircraft that see service here in Canada. Brazil's been much more aggressive in its training programs and tax incentives for investing in modern aircraft maintenance.

**Ms. Dianne L. Watts:** What about Mexico? Is there anything on that front?

**Mr. Mike Tretheway:** I confess I'm not as familiar with Mexico. They don't have a manufacturing sector there. They have severe constraints in their airports. I confess I can't think of any examples of aircraft from Europe or North America or Australia that go to Mexico for maintenance. They certainly maintain Mexican aircraft, all the big airlines in all of their new low-cost groups.

•(1715)

**Ms. Dianne L. Watts:** What about China?

**Mr. Mike Tretheway:** China is increasingly developing both aircraft manufacturing—they have products that compete with Bombardier now. They assemble A320s and other aircraft in China. I'm expecting they are going to become very aggressive in entering the aircraft market.

The good news is 30,000 narrow-bodied aircraft are expected to be built in the next 20 years. The world does not have enough capability. China's going to fill that, but I think Canada can do that with the right policies and incentives. I think this bill is positive in that regard.

**Ms. Dianne L. Watts:** Okay, thank you.

Peter.

**Mr. Peter Wallis:** I'd like to add that I don't know anything about Mexico's capacity. I wasn't able to find anything when I was researching for this appearance, but clearly Air China Technics and Ameco in Beijing are two of the up-and-comers when it comes to the whole area of aircraft maintenance.

**Ms. Dianne L. Watts:** That's perfect, thank you.

Go ahead.

[Translation]

**Mr. Luc Berthold:** Thank you very much.

You are probably going to need the simultaneous interpretation.

You have raised an interesting point. In the beginning of your presentation, you pointed out that no other country obliges airline companies to do the maintenance of their aircraft on their territory. However, Mr. Tretheway, you just raised the following point. In Singapore, the tax regime encourages investments. So, if I am not mistaken, the state does intervene and encourages the maintenance of aircraft in Singapore. There is a cost involved for the taxpayers of Singapore.

[English]

**Mr. Mike Tretheway:** I will answer what I think the question is. Certainly state intervention is important, and not just in aviation maintenance but in the film industry—there are lots of industries. My own opinion as an economist is that state intervention through forcing carriers to have to compete to do things a certain way is not the way to go. If state intervention is there, it should be in the form of incentives for education and incentives for investment, and that's what they've done very successfully in Singapore.

[Translation]

**Mr. Luc Berthold:** Mr. Wallis, do you have something to add on this?

[English]

**Mr. Peter Wallis:** No, thank you.

[Translation]

**Mr. Luc Berthold:** I am raising this question because the legislation protected jobs. We are talking about 2,600 jobs here, in Canada, that do not cost taxpayers one penny. I think it's important to mention it.

Do you know how much the state invests in Singapore to create conditions that make airlines choose to go there? I think that

regarding aircraft maintenance, Canadian engineers and the engineers in Singapore are equally competent. However, I must say I have a small bias in favour of our own.

I will let you answer the question.

[English]

**Mr. Mike Tretheway:** I don't know the number in Singapore. I do know that aviation is one of their strategic sectors. They don't have mining and forest industries, for example, so aviation is one of the most important sectors they invest in.

I agree. I have a preference for Canadian engineers and maintenance as well, but I am concerned about the focus on only the 2,600 jobs in maintenance. Remember that airlines operate with about a 2% profit margin. It's one of the thinnest profit margins of any transport industry, and we can and do see airlines go bankrupt. We've had 60 airline bankruptcies in Canada, and Air Canada itself has gone through one bankruptcy.

We have to focus on the bigger issue and that is the health of the air carrier. We want to make sure they have safe maintenance, but in the end we're going to generate more jobs by creating incentives for competitive maintenance and competitive air carriers that are healthy and grow.

**The Chair:** Thank you very much, Mr. Tretheway.

We'll move on to Mr. Fraser.

**Mr. Sean Fraser:** Thank you very much.

I'll pick up where I left off earlier. You'll have to forgive me. One of you mentioned both the recent Air Canada purchase and the major Delta purchase as well. Can you describe to me the impact you think this may have in terms of a ripple effect in the industry and whether we may see an increase in maintenance work in Canada as a result?

• (1720)

**Mr. Mike Tretheway:** I would like to take a crack at this. As I said, this is a magnificent aircraft. The market appreciates it. Lufthansa, Delta, Air Canada are major global airlines that purchased this aircraft. I think the sales of this aircraft will grow quite significantly.

At the same time, there is an enormous opportunity because nobody is maintaining this aircraft. It's a brand new aircraft, and because we already have 350 orders, which will probably grow eventually into the 1,000 range, somebody, somewhere in the world is going to find the opportunity to develop a heavy maintenance operation line for that aircraft. It would be natural to put that here in Canada. We have to make sure that instead of forcing Air Canada to do things a particular way in the government's wisdom our policy has incentives for investors to build those facilities in Canada, to train Canadians to do this maintenance, and then Lufthansa and others will take advantage of that because this will be the place it can be done. There is no place in the world that's maintaining this aircraft right now.

**Mr. Sean Fraser:** Mr. Wallis, do you have any input on that question?

**Mr. Peter Wallis:** No, I agree with that answer. As I said a little earlier, the opportunity to create a centre of excellence in Montreal as the location for maintaining this new series of airplanes is a huge one. I'm sure I'm not the first to have mentioned that.

**Mr. Sean Fraser:** That's excellent.

Shifting gears a little, Mr. Tretheway, you mentioned the razor-thin margins in the aviation industry. Do you see the existing legislation having an impact on aviation or air travel costs for Canadians?

**Mr. Mike Tretheway:** I think it'll have an impact on air travel costs for people flying Air Canada. It will help them get better competitive choices to maintain the high safety standard that Canada requires of them. As they become more competitive that I think will get translated, not just for their customers, but customers of the other airlines they compete with, both Canadian airlines like WestJet and Porter as well as foreign carriers that fly in and out of Canada.

**Mr. Sean Fraser:** Mr. Wallis, I see you nodding in agreement. I take it you accept that answer as your own, or do you have further input as well?

**Mr. Peter Wallis:** No. I'd very much like to associate myself with that answer.

**Mr. Sean Fraser:** That's great. I'll give you a chance to take a crack at this one first because I put it to Mr. Tretheway in the previous round.

He mentioned Bill C-10 may not go far enough, and he mentioned the foreign ownership restrictions in his answer.

Do you see any opportunities that are not covered by Bill C-10 that we could take advantage of to make Air Canada more competitive?

**Mr. Peter Wallis:** I've looked at it, and I've given the legislation the widest, most beneficent reading. As I said at the outset this legislation gives Air Canada the opportunity to continue to carry out maintenance in the three centres identified in the legislation, in the three provinces now identified in the legislation, but it does not restrict Air Canada from taking the opportunity to move into world markets to get some maintenance done in other parts of the world where it's to their cost advantage to do so.

I think the legislation as it's written will create circumstances for those who are concerned about the loss of maintenance jobs to be less concerned. Line maintenance is still going to continue. I'm sure a wide range of maintenance services will continue to be provided by Air Canada in those locations and locations across Canada.

I read that legislation in the widest and most beneficent way.

**The Chair:** I'm going to have to call an end to our witnesses and thank them both very much for their testimony today. We appreciate very much your taking the time and sharing your tremendous knowledge with the committee.

We have committee business coming up for the remaining five minutes of our meeting.

Mr. Fraser.

• (1725)

**Mr. Sean Fraser:** Thank you, Madam Chair.

I think you will find if you check with the clerk I submitted a motion last week that I would like to bring to the committee's attention.

I don't know if you would like me to proceed with reading the motion now, or should we give everyone time to get it out?

**The Chair:** I believe everybody has received the motion.

**Ms. Dianne L. Watts:** That's the one that went out?

**Mr. Sean Fraser:** Yes, it's the same motion.

**Ms. Dianne L. Watts:** Did you change it?

**Mr. Sean Fraser:** No, I'm not that sneaky.

**The Chair:** Mr. Sikand.

**Mr. Gagan Sikand:** I'd like to go in camera.

**The Chair:** Mr. Sikand has suggested we go in camera.

**Ms. Elizabeth May (Saanich—Gulf Islands, GP):** Madam Chair.

**The Chair:** All those in favour?

**Ms. Elizabeth May:** If you go in camera, I won't have a chance to say a single word. This motion directly affects my rights.

**The Chair:** What is the wish of the committee? All those in favour of going in camera?

It's not going in camera.

Everyone has Mr. Fraser's motion. I'm concerned about time; another committee is coming in here at 5:30.

We have a motion before us. Ms. May has asked to speak to this motion. In order for Ms. May to speak to it, someone on the committee needs to give her their time. Is there someone on the committee who is prepared to give Ms. May their two minutes or so to be able to speak to the motion?

[Translation]

**Mr. Alexandre Boulerice:** Madam Chair, I am going to donate my two minutes to Ms. May.

[English]

**The Chair:** Thank you.

Ms. May.

[Translation]

**Ms. Elizabeth May:** Thank you very much, Mr. Boulerice. I am very honoured that you have given me your speaking time.

[English]

I've been through this before and I've had a very difficult experience since fall 2013 when an identical motion to this one was pushed through every committee by the previous Conservative majority for the sole purpose of depriving me of my right to put forward substantive amendments to legislation at report stage.

A brief history to this is that in the past all members of Parliament could put forward amendments at report stage, either substantive or deletions. In 1999 the Reform Party used their opportunity at report stage to put forward about 700 amendments, most of them trivial and deleterious, to slow down adoption of the Nisga'a Treaty. As a result of that misuse of report stage, a new procedure was adopted by the majority Liberal government at the time—it took a couple of years to make the change—that members of Parliament who'd had the right at committee to make substantive amendments could not make them later at report stage.

This created only one group of MPs who still had the right to make amendments at report stage: members of Parliament whose parties have fewer than 12 MPs. They did not have the right to sit in committee as a member of a standing committee: members of the Green Party such as me, the Bloc, or any Independent MPs. We were the only ones left who had the right to put forward substantive amendments at report stage because we weren't members of committee.

This was an invention of the previous Conservative majority, because they, as a majority party, disliked even one MP being able to bring forward substantive amendments at report stage.

While it looks on the face of it as though it's giving new rights or new opportunities to members of Parliament who are not in

recognized parties of more than 12 MPs, it is in fact removing rights from smaller parties, discriminating against MPs such as me who have precious few rights in this place as it is. I would urge and beg you not to pass this motion. This will mean that I'll be coming to your committee at every clause-by-clause and I will be allowed to speak to my amendments for 60 seconds, if history is any guide; not allowed to respond if people suggest friendly amendments; not allowed to explain; not allowed to vote; and certainly not allowed to bring forward a substantive amendment at report stage.

Report stage happens only once, once a day. Clause-by-clause can happen simultaneously in many committees.

**The Chair:** Thank you very much, Ms. May. My apologies, but we are tight for time given the fact there is another committee coming right in behind us, so we have to vacate the room.

We have a motion before us from Mr. Fraser.

Is there any further debate?

(Motion agreed to)

**The Chair:** Thank you all very much.

Meeting adjourned.

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