



The Association of Canadian Travel Agencies

Input To Canadian Transportation Act Review

Prepared for:

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Preamble

The Association of Canadian Travel Agencies, which represents approximately 1,500 travel agencies and more than 18,000 travel agents across the country, is pleased to have the opportunity to present its comments to the Canadian Transportation Act Review. The purpose of this brief is to put forward, for Government's consideration, suggestions designed to eliminate barriers and ensure the optimal development of the Canadian travel and tourism industry.

ACTA represents and defends the interests of retail travel professionals and, by extension, those of travel consumers. Our members, Canadian travel agencies, are in the trenches, acting as intermediary between buyers and sellers of travel products and services. Consumer-centric relationships that are based on loyalty and trust are the cornerstone of our industry. As travel agents, we have a responsibility to represent both our customers and suppliers in a non-biased way in order to add value to our clients' shopping experience.

Background

The Canadian travel and tourism industry has experienced difficult times in recent years. The existing regulatory and fiscal framework needs to be adjusted to keep pace with a fast changing business environment that, in itself, constitutes a sizeable challenge to all the industry players. Retail travel professionals, whose interests ACTA represents, play a crucial role in this industry. They, together with the other value chain players, are rethinking their way of doing business in the face of external market pressures and relentlessly evolving client needs. At the same time, externalities in the form of worldwide crises and calamities have compounded the very real challenges that this industry faces. Dramatic events like international terrorism, wars, the threat of pandemics and other major health risks, have only served to compound the extraordinary problems faced by this industry. With airlines in the world experiencing financial hardship or facing bankruptcy, and how the traditional way that travel products are distributed is changing, travel agencies have had to remodel and re-engineer their business model.

In the face of this, government has no choice but to review and realign its public policies, its statutes and its regulatory framework in order, not only to keep up with this fast changing environment, but to ensure that its laws, regulations and fiscal regime adequately support and promote this vibrant sector of the Canadian economy.

Proposal

What is government expected to do in such circumstances? ACTA suggests that the Review consider points under the following areas of concern:

1. Security
2. Canadian Tourism as an Economic Driver
3. Strengthening of Consumer Protection/Passenger Rights

1. Security

Improved CATSA service: Security is a necessary fact of life and in the air transport industry, it is even more evident. ACTA receives many complaints from consumers, often via our travel agency members, about the experience going through the CATSA security line. Since enhanced security measures in airports and aircrafts benefit all Canadians and not only the airline passengers, the costs of providing this service should be paid out of general tax revenues and not borne by the air passenger in the form of the **Air Travellers Security Charge (ATSC)**. While we support the elimination of the ATSC, we also recognize the need that increasing CATSA's security line would help alleviate a lot of stress related to both passengers and airlines. There is nothing more frustrating than passengers arriving two to three hours in advance of a flight and not knowing if they will make their flight due to CATSA overload. This service needs to be properly funded to address the continual backlog at most of the major airports. Furthermore, investment in advanced baggage screening and tracking technology in order to streamline cumbersome customs and baggage issues at transborder hubs would also alleviate some of the backlog problems.

Harmonized "Trusted Traveller" program: If Canada were to implement a "Trusted Traveller" program that harmonizes with the US program, this would reduce both the strain on Canada's security infrastructure as well as make the country a more attractive place to travel on business and vacation trips. The December 18, 2014 announcement by Transport Minister Lisa Raitt of the unveiling of a new initiative aimed at making air travel to the US easier is certainly a step in the right direction to improve the backlog at security screening.

2. Canadian Tourism as an Economic Driver

According to the World Economic Forum's Travel & Tourism Competitiveness Report, in 2013 Canada ranked first out of 140 countries for its air transport infrastructure but sadly it ranked 136 for its ticket taxes and airport charges. Kristine Owrarn from the Financial Post stated in her September 13, 2014 article, Canada's airport want to join the big leagues – but are government fees holding them back?, "with a ranking that dismal, it's no wonder that roughly five million Canadians a year choose to save money by flying out of U.S. border airports, according to a recent study by the Conference Board of Canada. The reason is cost, pure and simple. While American airports receive subsidies from the government, Canadian airports have to pay governments for a whole host of services — everything from security to air traffic control to the ground they sit on — and these costs are generally passed on to the airlines, which pass them down to passengers."

Encourage Airport Development – With the recent "amendment to the Aeronautics Act which permits the transport minister to make an order prohibiting the development or expansion of a given aerodrome, if in the Minister's opinion the proposed development, expansion or change is likely to adversely affect aviation safety or is not in the public interest" (Delahanty, Airport Veto Gets Federal Okay, Blacklock's Reporter, November 28, 2014), ACTA is concerned that this move may discourage airport development. Instead, ACTA strongly encourages the need to

shape CTA policies to encourage further development of major airports such as Toronto (YYZ), Vancouver (YVR), Calgary (YYC) and Montreal (YUL) as international hubs. There is untapped potential for Canada and for Canadian airlines in attracting more international hub air traffic. Many countries (e.g. Singapore, Netherlands) with lower populations than Canada's attract more air traffic than Canada does, and they benefit from all the economic spin-off that entails.

At the same time, greater retail and other economic activity at these key airports should be encouraged to offset and consequently lower airport fees in order to make them more competitive with other international hubs.

A substantial reduction in the rents paid by airports to the federal government – In 2011, the federal government took in \$266 million a year in airport rents from the eight largest airports in Canada, or about 10% of their total revenue, according to Mr. Fred Lazar, an economist at York University's Schulich School of Business. By comparison, the nine largest U.S. airports received US\$423-million in capital contributions, grants and land transfers from the federal and state governments in the same year, according to Mr. Lazar's report. Toronto's Pearson International Airport has been coined the most expensive in the world at which to land a plane and this is largely due to the fact that they pay so much in ground rent and also consequently the reason why the airport loses so much in cross border leakage to Buffalo. In the previously mentioned Owrap Financial Post article, Daniel-Robert Gooch, president of the Canadian Airports Council talked about how the ground rent formula was changed in 2005 to be based on revenue but suggested that the formula be changed again so certain types of revenue, such as that generated by retail and hotels on airport property, could be exempted. ACTA believes that the federal rents should be reduced to the level of expenditures made by the federal government on airports.

The elimination of the aircraft fuel excise tax – currently the federal and provincial governments collect \$231 million a year in special fuel excise tax. This tax was originally instituted in the 1980's as a special deficit reduction measure. Provinces including B.C., Alberta and Quebec have since eliminated their jet fuel taxes but Ontario has chosen to increase this tax to a whopping 148% from current levels. ACTA is a member of the Coalition for a Competitive Ontario, a large group that has come together with one voice to call on the Ontario government to eliminate Ontario's tax on aviation fuel used for flights to the United States and other international destinations. Our arguments prove that there will be an economic benefit to eliminating this tax altogether which should be done by all levels of government.

Electronic Travel Authorization (ETA) – While we acknowledge that visas are a valuable security screening tool for visitors to our country, ACTA also recognizes the importance of ensuring that an efficient visa program is in place; one that is not onerous and a possible deterrent to Canadian tourism. The proposal to amend the Immigration and Refugee Protection Regulations to introduce an electronic travel authorization (ETA) requirement is looking to implement a \$7-dollar background check on visitors to Canada with the exception of U.S. and transiting international citizens. Instead of the potential that this new cost prevents entrants to Canada, the government should consider the ETA as an alternative to the current requirement for foreign nationals from lower risk countries (e.g. Brazil) to obtain a full visa.

Examine Airline Ownership Rules – ACTA recommends to the CTA Review that in the interests of achieving additional competition in, and further liberalization of the aviation market for the benefit of Canadian consumers, that:

- the necessary steps be taken to further implement the provisions of the Canada EU Comprehensive Air Transport Agreement as contained in Annex 2 and relating to the ownership and control of airlines and the progressive availability of traffic rights;
- that, if possible, Canada become a party to the Accord entered into at Montebello, Québec in November 2009 and entitled “The Statement of Policy Principles regarding the Implementation of Bilateral Air Services Agreement.”

3. Strengthening of Consumer Protection/Passenger Rights

Extension of Transparency in Airfare Advertising - ACTA was a vested stakeholder in the consultation and implementation of the recent changes to the federal airfare advertising regulations. Although we support the need for transparency in advertising, we believe that the rules should be extended to charter airlines and tour operator packages. We know that one such tour operator, WestJet Vacations, is in favour of this extension. Some tour operators weight more pricing into taxes and fees, making the base prices artificially low and difficult for consumers to make accurate comparisons. We echo WestJet’s interest in working towards honesty and accuracy in travel advertisements. Consumers deserve to be able to travel with confidence in their travel suppliers and with disclosure of full information for intelligent decision-making. While tour operators continue to hide their fees and charges in the “tax column”, governments should determine what ‘taxes’ really are and forbid companies to mislabel other fees and surcharges as taxes if they are not. This is false advertising.

In response to ACTA’s concerns about the growing issues with respect to the display of prices for package tours, the CTA referred us to Section VI of their Interpretation Note which states that “the Agency considers such bundled services, where the air service cannot be purchased separately, to be excluded from Part V.1 of the ATR.” It is in this area where ACTA's efforts are focused. The exclusion cited is the source of the issue. ACTA believes that vacation packages containing an air component should not be exempt from the regulations.

Air Travel Complaints Commissioner – In 2006, Bill C-11 included the elimination of the Air Travel Complaints Commissioner and folded it into the responsibilities of the CTA. As ACTA is on the front line of receiving complaints direct from the public and also via the travel agency community, we believe that there either needs to be a return of this position or that there needs to be greater marketing and awareness that this customer service still exists. ACTA believes that Canadian travellers are one of the most vulnerable groups of consumers. Next to buying a home or purchasing a motor vehicle, travel service can be one of the most expensive items that a consumer purchases throughout the year and why it is necessary that there is proper funding in place to ensure an apparent recourse for consumers should they encounter a problem.

Passenger Rights – In many jurisdictions around the world, a strong Passenger Bill of Rights exists and is enforced. In 2008, the Government of Canada introduced Flight Rights Canada (FRC), an air passenger rights initiative that included a voluntary code of conduct for airlines. Unfortunately this is only a voluntary code. In an October 8, 2013 CBC News article titled An air passenger bill of rights await takeoff, by Mark Gollom, Marc-André O'Rourke, the director of the National Airlines Council of Canada said that a new passenger bill of rights would have the advantage of offering consistency to the industry. He stated that what has been happening recently has been a patchwork framework because the CTA has issued decisions here and there which is not good for anybody. It's not good for passengers and it's not good for airlines.

ACTA believes that:

- the CTA should resist airline's efforts to weaken the CTA policies on Passenger Rights, and
- there needs to be greater clarity of compensation to the travelling public in the case of overbooking and/or non-weather related delays.

National Passenger Protection Plan - Legislation governing the retail travel industry exists in three provinces, British Columbia, Ontario and Québec. Each has a travel act that governs licensing and trading regulations between consumers, travel retailers and tour operators, and that provides some form of traveller protection against supplier failure. Other provinces are currently unregulated, with no consumer protection or trading rules. ACTA believes this is not good enough for one of Canada's major industries. The federal government needs to bring about consumer protection programs across Canada and should not be left to the prospect of 12 different, potentially non-reciprocal provincial arrangements, or to the courts. The former would be inefficient and ineffective given the nature of the travel industry for which political boundaries are more of a hindrance than a help. The latter would be harmful to the industry's image and to consumers who might not be inclined or able to afford to avail themselves of legal remedies.

In conclusion, ACTA appreciates the opportunity to provide input on the Minister of Transport's statutory review of the Canadian Transportation Act. We look forward to providing additional information should you have any questions or concerns to the points our organization has made.

Respectfully submitted,



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