



**Submission to the
Canada Transportation Act
Review Panel
by
the Canadian Business Aviation
Association**

December 2014



Introduction



The Canadian Business Aviation Association (CBAA) welcomes this opportunity to provide input into the deliberations of the Canada Transportation Act Review Panel and to demonstrate the catalytic and unique role business aviation plays in bolstering Canada's economy and Canadians quality of life. Through this document and future communications with the panel, it is our intention to provide insight into the value of business aviation, and to recommend a direction for government policy and regulations that will maintain

the highest standards of safety and accountability, while allowing business aviation to operate within a fair and effective regulatory regime.

The purpose of this submission is to help inform high level policy deliberations, based on the value of business aviation to the country. As is the case for many aviation segments, there are many federal and international regulations, policies and procedures, which affect business aviation operations, primarily in the areas of safety, security, environment, customs and immigration. Not unexpectedly, there are some that we think are helpful, and others that we believe to be deleterious.

Per the CBAA Report, *2014 Economic Impact of Business Aviation in Canada*, direct employment from business aviation in Canada generates \$1.3 billion in direct GDP and \$3.1 billion in direct economic output in the economy. Including multiplier effects, the industry supports \$2.6 billion in total (direct, indirect and induced) GDP and \$5.4 billion in total economic output, economy-wide in Canada

The term *business aviation* casts a wide net, encompassing all forms of aviation when the aircraft is used for a business purpose, with the exception of commercial scheduled service. This includes corporate trips fostering Canadian business, resource sector support, humanitarian flights and ad-hoc charters, among others.

The CTA Review Panel's discussion paper highlighted the challenge of providing *regional connectivity in many parts of the country [that are] often challenged to maintain year-round routes and frequencies for small numbers of travellers*, also noting, *the challenges are most acute in remote regions. There, communities and industries are the most dependent on air and sea transport to link them into the national transportation system and gain access to essential goods and services. Populations and economies are often too small to yield the traffic volumes necessary to allow the transport sector to deliver these vital services cost-effectively.*

It is our view that this reflects only a part of the picture. In reality, business aviation has, and continues, to provide direct, essential air service to companies with operations and clients in remote locations and serving low-population communities, based on demand, and with no subsidization or taxpayer support

provided or required. Currently, business aviation generates almost one-in-five -- 18% -- of all domestic aircraft movements, based on Nav Canada statistics, and, extrapolating from U.S. data, an estimated 33% of all non-scheduled commercial hours flown.¹

A new report commissioned by the CBAA, *the 2014 Economic Impact of Business Aviation in Canada*, authored by InterVISTAS Consulting, demonstrates the many essential transportation services and enhanced economic opportunities that only business aviation can provide. Among these are:

- Trade, customer servicing and market development;
- Corporate investment and operations in communities that return optimum ROI, untethered by the need to locate near a major airport hub, with its inherent high costs;
- Productivity, achieving greater economies of scale by a reduction of unit costs and allowing employees to visit multiple locations in a single day;
- Enhanced supply chain performance;
- Sustaining small communities and regional economies.

As we will demonstrate in this submission, increased affordability and availability of on-demand air service provided by business aviation requires no subsidies – only a fair and realistic regulatory regime that allows for healthy competition and operational excellence, while adhering to the highest standards of safety and security.

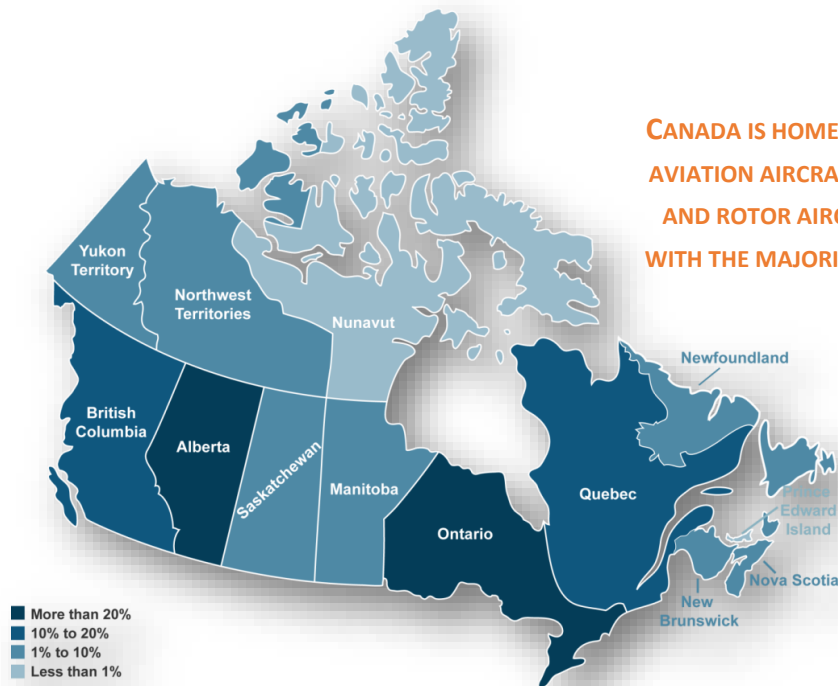
¹ FAA General Aviation and Air Taxi Activity (GAATA) survey, 2012

What is business aviation?



Business aviation encompasses all forms of aviation when the aircraft is used for a business purpose, with the exception of commercial scheduled service.

There are approximately 1,900 business aviation aircraft in Canada, operating in every province and territory. It should also be noted that many types of aircraft may be used for business purposes, based on the operational needs determined by the flight range required, number of passengers, costs and other factors.



CANADA IS HOME TO APPROXIMATELY 1,900 BUSINESS AVIATION AIRCRAFT, INCLUDING BOTH FIXED WING (76%) AND ROTOR AIRCRAFT (24%), SPREAD ACROSS CANADA, WITH THE MAJORITY BASED IN QUÉBEC, ALBERTA, BRITISH COLUMBIA AND ONTARIO

The economic and social impact of business aviation



Business aviation supports both the local economies where the aircraft are based, and the Canadian economy as a whole. The importance of the industry is highlighted by both the employment/wage impacts and the impacts on the greater economy (through both Gross Domestic Product (GDP) and Economic Output). In all, **business aviation generates \$5.4 billion in economic outputs, \$1.53 billion in wages and \$640 million in taxes. Its annual average wage of \$69,000 outperforms key**

industrial sectors.²

These data likely do not capture all of the economic impacts of business aviation in Canada. Data on current business aviation in Canada is limited when compared to the breadth of data available for its counterparts in the United States and Europe. In the United States, for example, data on total hours flown for business aviation is readily available, and at a detailed level. Traffic data is also available on a monthly basis for business aviation in Europe. There are no dedicated databases to business aviation in Canada. **The lack of data inhibits the government’s ability to understand the breadth, activities, and significance of business aviation.**

Direct and Total GDP and Economic Output from Business Aviation in Canada

Type of Impact	GDP (\$ Billions)	Economic Output (\$ Billions)
Direct	\$1.3	\$3.1
Indirect	\$0.8	\$1.5
Induced	\$0.5	\$0.8
Total	\$2.6	\$5.4
<i>The total national GDP impact of business aviation in Canada is roughly the same as the total GDP impact of Vancouver International Airport.</i>		

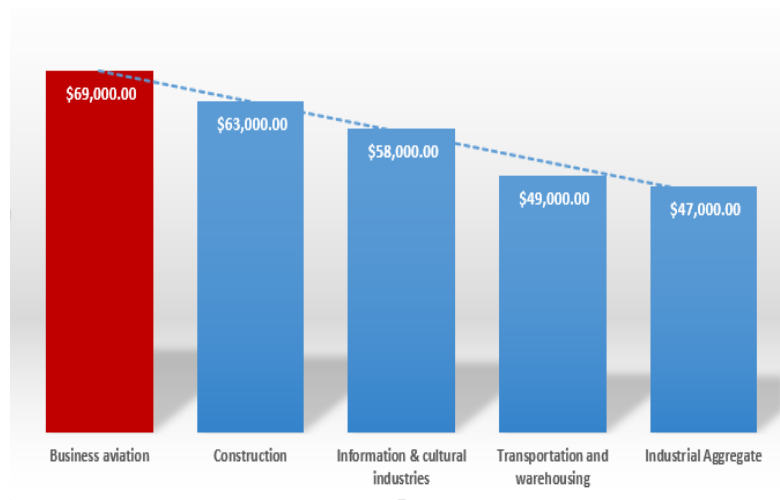
² Unless otherwise noted, the source for these data is the *CBAA 2014 2014 Economic Impact of Business Aviation in Canada*

Direct Employment and Wages from Business Aviation in Canada

Type of Impact	Employment (Person Years)	Wages (\$ Millions)
Direct	11,500	\$800
Indirect	8,000	\$510
Induced	4,000	\$220
Total	23,500	\$1,530

The total national employment impact of business aviation in Canada is roughly the same as that of the Port of Montreal.

Business aviation average wages outperform key sectors and national aggregate



Companies who use business aviation report better financial performance



Using credible data from respected international sources allows us to broaden the view of business aviation's impacts in Canada. Of particular importance were studies that compared the financial performances of companies, which used business aviation with those that do not.

According to NEXA Capital, business aviation drives overall enterprise value in ways that ripple through the corporation to shareholders and thus to the overall economy.³ Among the largest corporations, business aircraft users outperformed nonusers in several important financial measures, including annual growth in revenue, earnings, EBIT and EBITA.

Among small and medium-sized corporations, the results were similar: Business aircraft users outperformed nonusers in several important financial measures, including superior returns on assets and equity, higher market capitalization, returning value to shareholders and improved income generation, based on productivity and efficiency⁴.

Business aviation enhances productivity



Passengers on business aircraft can meet, plan and work in a secure office environment, free from interruptions and distractions. Efficient employee scheduling and employee time-savings are possible because business aircraft have the ability to fly on demand and nonstop between smaller airfields that usually are closer to a traveler's destination than a major airport. Many business aircraft are equipped with advanced communication technology, allowing passengers to stay in touch throughout the flight. Employees gain considerable time saving in being able to directly access small and remote locations. In addition, business aviation gives passengers an ability to reach multiple remote locations in a single day.

Depending on the business's needs, the aircraft can deliver equipment, engineers, maintenance and repair staff, or other technical personnel to locations so that goods are delivered and services can be maintained or restored.

³ NEXA Capital Advisors, Business Aviation: An Enterprise Value Perspective, The S&P 500 From 2003-2009, Part I Fall 2009, p. 2.

⁴ NEXA Capital Advisors, Business Aviation: An Enterprise Value Perspective, The S&P Small Cap 600 Companies From 2005-2010, Part II Fall 2010, p. 3.

The case study below, one example of many in Canada, demonstrates the impact – and value – of business aviation for Canadian manufacturers and exporters in a competitive environment.

CASE STUDY

Vins Plastics: Competing for U.S. Customers

In order to close sales in an increasingly competitive market, Jamie Vins and his marketing team fly to meet clients spread across the Eastern and Central U.S. to sell customised flexible plastic products. “Video and phone don’t help close the deal,” says Vins, the President and CEO of Vins Plastics Limited.

Based in a Bradford, Ontario north of Toronto, the second generation family-owned business competes with firms from Asia, the U.S., and Europe to sell its packaging materials. The company has over 75 employees, its own R&D lab, and produces its packaging product in Ontario at a time when Ontario’s manufacturing sector is shrinking. Many employees have been with the company for over 15 years. Selling into the U.S. market is critical for maintaining its workforce and keeping its unit costs down.

Selling high end packaging materials for medical products is the most competitive market the company is in. These are technical packages designed for specific products. “Time is of the essence for our pharmaceutical customers and we can react quickly with a business aircraft,” says Vins. His marketing team makes approximately eight flights per month primarily to U.S. clients in New Jersey, Illinois and Texas. The company’s Embraer Phenom 100 carries two to three sales and engineering staff for these meetings, plus all the samples and other materials needed to demonstrate their capabilities and close a sale. The speed and responsiveness of aviation is critical to the success of this Canadian manufacturer, especially when faced with Asian competitors.

The company’s aircraft is based at Simcoe Regional Airport, and is also available for charters “to help recoup costs.” The aircraft therefore operates under CARS 604 and 704 regulations

Business aviation means enhanced safety and security of employees and information.



When traveling on its own aircraft, a company can be better assured that business proprietary information and intellectual property stays with the company rather than being overheard in an airline terminal or a commercial aircraft, or observed from a nearby seat. In certain

situations, using a business aircraft better allows key decision-makers to avoid visibility, which may be crucial for advancing mergers or sales. The use of business aviation can also help minimize missed flights and connections due to delays in general screening.

Corporate aviation is the safest form of flight. Within that, Canada's corporate aviation safety record is the best in the world. Business aircraft are engineered and built to the highest standards, allowing them to achieve a stellar safety record. The CBAA is working with the extended business aviation community to instill that high level of safety in every operation, and to assist corporate aircraft operators maintain their exacting standards through its Partners in Safety program.

Business aviation supports small communities and regional economies.



The ability to connect at need to small and remote communities and sites not only enhances businesses' overall supply chain productivity, but also enables and sustains economic activity for communities without access to an airport or to scheduled airline services. Similarly, it helps sustain the quality of life in those areas as well, particularly in situations where the air service helps maintain vital links in the delivery of health care.

. Business aircraft, managed by both government and private entities, are uniquely suited to providing a first response to natural disasters and other crises because they can operate on short notice into outlying airports with small and sometimes unpaved runways, or even onto roads, that are inaccessible to airliners or automobiles.

Towards a stronger partnership with government

The purpose of this submission is to help inform high level policy deliberations, based on the value of business aviation to the country. As is the case for many aviation segments, there are many federal and international regulations, policies and procedures, which affect business aviation operations, primarily in the areas of safety, security, environment, customs and immigration. Not unexpectedly, there are some that we think are helpful, and others that we believe to be deleterious.

It would not be in keeping with the direction of the CTAR Panel to examine each of these regulations in detail at this time. However, we would like to frankly address the underlying factors, which we believe are obstructing a strong yet fair regulatory framework.

The fundamental issue that business aviation deals with is a lack of understanding on the part of the regulators, both domestically and internationally, of the true nature of business aviation: its operations, constraints, existing level and type of safety measures, etc. Coupled with the loss of key institutional knowledge through retirements, these deficits have led to the creation of Regulatory Impact Analyses (RIAS) and international regulations that are based on dubious assumptions and subpar analysis.

As a result for example, there is a growing and worrisome trend to move all aviation regulation to the standard required of commercial, scheduled service, in the mistaken belief that from a regulatory perspective “one size fits all”. These standards are not higher than those that could be in place for business aviation. They are simply different, designed specifically to serve the needs of scheduled, commercial carriage. In commercial, scheduled aviation the risks, mitigations, scheduling – virtually every aspect of operations – bear little if any relationship to business aviation. To impose these systems on non-scheduled carriage is not only misguided, but counterproductive to the high level of safety and security that government is hoping to achieve, and in some instances could be crippling to business aviation operations.

Actions of this type inevitably have perverse consequences. We have already seen operators register aircraft in other countries – flying flags of convenience, for all intents and purposes. Others are downsizing their aircraft to ones which will attract a different level of regulation all together. This latter direction has serious repercussions..

The CBAA has been working with officials both at the department and Ministerial level to provide guidance to policy makers and regulators on how best to achieve our mutual goals. We commend the Minister’s staff for their willingness to listen to viewpoints outside the department and to take action, in a way that supports the government’s transportation goals, and business aviation, at the same time

However, Departmental actions and decisions have frequently been at odds with those of the Minister’s office. For the purposes of this submission, the singular most important recommendation that the CTAR Panel can make would be to **ensure that departments have the expertise and internal resources to**

able to properly assess risk, with a full understanding of the differences between each aviation segment, including business aviation, and from there, move forward on a series of regulatory frameworks that are consistent in their overall goals, yet are tailored to the true needs – and risks – in each segment. Fulfilling the first recommendation will enable government to fulfill a second, related recommendation: that **before signing any international convention, that the government take into consideration the impact of any international regulation on business aviation, not only airlines.**

We thank you for the opportunity to provide this submission and look forward to discussing the way forward in greater detail.

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