The Canadian Corporate Travel Association

Submission to
Canadian Transportation Act Review Panel

Prepared for:

The Hon. David L. Emerson, P.C., O.B.C.
Chair, The Canadian Transportation Act Review

13 May 2015

The Canadian Corporate Travel Association (CCTA) is a forum of Canada's largest Travel Management Companies (TMCs) whose members pursue areas of common interest and concerns related to the health and sustainability of the Managed Corporate Travel industry. The CCTA acts in an ethical manner to:

- Actively promote the value of Managed Corporate Travel
- Take a leadership role in driving progressive change for the industry through collaboration with industry bodies
- Influence effective, efficient and ethical industry practices

The CCTA appreciates the opportunity to submit ideas to the Review Panel of the Canada Transportation Act. The purpose of this brief is to put forward, for Government's consideration, suggestions designed to eliminate barriers to competition, enhance safety and services to passengers and ensure the optimal development of the Canadian travel and tourism industry, specifically focused on business travel. Our comments to the Review Panel will be tailored to the inclusion in the mandate of "**how the vitality of the Canadian aviation sector, air connectivity, and Canada's ability to attract visitors and transiting travellers can be maintained and augmented in light of the range of cost factors and competitive global markets**."

As CCTA members serve the corporate travel needs of the majority of corporations across the country, booking three billion dollars in aviation, hotel and car rental and rail travel annually, we can attest to the fact that the transportation sector in Canada plays a vital strategic role as an enabler and driver of the country's economic growth and prosperity. Our members carry a comprehensive understanding of the economic benefits associated to transportation and the role that the travel industry plays in the success of business across Canada, including manufacturing, tourism, airports and related services.

The air transportation industry in Canada alone has an economic imprint of nearly $35 billion in GDP; directly employs 141,000 people and supports over 400,000 jobs across many sectors, as published in a 2013 Conference Board of Canada study[1]. It is obvious based on our own numbers and from the statistics reported above that Canada's commercial aviation industry generates significant levels of wealth, employment and taxes. We are also aware of the expected growth to 64 million passengers in the next 15-20 years as reported by the GTAA in their submission on the CTA review. And finally, from the World Economic Forum Travel and Tourism Competitiveness Report[2] shows Canada was ranked 1st out of 140 countries surveying in terms of air transport infrastructure. Yet despite our current global standing and the potential growth, there are a number of concerns that could prevent our commercial aviation sector from reaching its full potential.

There is no doubt Corporate TMCs play a crucial role in Canada's transportation industry. They, together with 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, including traveller tracking, Duty of Care, to name a few.

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 some suppliers in the world experiencing financial hardship or facing bankruptcy, and how the traditional way that travel products are distributed is changing, travel management companies have had to remodel and re-engineer their business model. We suggest that with so much as risk, the federal government would benefit the country with a review and realignment of 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.

Submission

The most pressing concern limiting Canada's aviation industry economic growth potential and an underlying theme throughout our comments is the uncompetitive nature of the sector's cost structure and the impact this has on our clients, the business traveller. The same report mentioned above that cited Canada being 1st in terms of air transport infrastructure, also ranked Canada with the 5th highest ticket taxes and airport charges amongst those 140 countries surveyed. To increase the competitiveness of our air transportation sector, the CCTA suggests that the Review consider three main points under the following areas of concern:

1. Security
2. Passenger Protection and Passenger Rights
3. Competition

1. Security

Improved CATSA service: Security is a necessary fact of life and in the air transport industry, it is even more evident. The CCTA receives much feedback from corporate travellers, often via their company travel manager, about the experience going through the CATSA security line. In meetings with CCTA, CATSA shared that in 2012/13, 97% of passengers typically waited less than 15 minutes. The number fell in 2013/14 to 92% and CATSA is estimating for 2014/15, this will drop to 82% of passengers waiting less than 15 minutes. By 2015/16, the drop is significant with 32% expected to wait less than 15 minutes due to higher screening contractor billing rates, growth in passenger volume, compounded by deep cuts to CATSA's budget. These longer screening wait times have and will continue to have a negative impact on airport authorities, air carriers and lost production for the business traveller. In the end, no one wins. The residual effects will:

- impact the interconnectivity of the aviation system (longer wait times at travel hubs can lead to flight delays and have a ripple effect on other airports);
- reduce the time passengers spend on the secure side of the airport, thereby undermining retail revenues; and

- negatively impact the long-term economic sustainability of airports as passengers explore other modes of transportation such as accessing travel through U.S. airports with more favourable travelling conditions and fares.

Since enhanced security measures in airports and aircrafts benefit all users, including international travellers, we understand that the costs of providing this service should be borne by the individual air passenger in the form of the Air Travellers Security Charge (ATSC). There is nothing more frustrating however, 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.

Harder to swallow yet is the fact that the federal government collected $662 million from the ATSC in the 2013-2014 fiscal year. CATSA reported that during this same period, their government funding was $540 million – providing all of the ATSC funds to CATSA would go a long way to improve the backlog at most major airports (known as the greatest passenger dissatisfaction factor at Toronto Pearson) and provide the funds needed to invest in advanced baggage screening and tracking technology in order to streamline cumbersome customs and baggage issues at transborder hubs. Any positive change will among other things help the Canadian business community compete internationally. The CCTA supports the position that given the existing user-pay nature of Canada's aviation security funding model, there should be more transparency and accountability regarding the ATSC revenue. There should be a direct and transparent correlation between ATSC revenues and the funds required for screening services to ensure that CATSA is being sufficiently funded to meet growing passenger demand.

Harmonized "Trusted Traveller" program: To reduce the strain on Canada's security infrastructure as well as make the country a more attractive place to travel to and in, the CCTA strongly recommends Canada implement a harmonized "Trusted Traveller" programme with the U.S. 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 and the CCTA endorses this direction. The CCTA also endorses a greater technology-enabled Canada Border Services Agency (CBSA) that would also contribute to streamlining the passenger experience. It seems funding and resource constraints are also becoming more of an issue for CBSA.

2. Passenger Protection and Passenger Rights

Members of the CCTA are also members of the Association of Canadian Travel Agencies (ACTA). While our purpose is focused on the health and sustainability of the Managed Corporate Travel industry, much of our interests and concerns for passenger protection and rights are aligned with that of ACTA. To that end, we support their points made in their submission as it relates to the extension of transparency in airfare advertising , allowance for an Air Travel Complaints Commissioner, the implementation of a strong Passenger Bill of Rights and a National Protection Plan.

Additionally, the CCTA believes that there are a number of new entrants in the travel and tourism industry that require consideration by the government. These new entrants in the travel industry, such as Uber and Airbnb, that do not require the same regulatory scrutiny that is mandated to existing suppliers by federal, provincial or municipal authorities such as traditional taxis and hotels if using the aforementioned examples come with risks that have yet to be defined fully. While the CCTA understands the merits of new services, we are concerned with the obligation to passenger safety and their duty of care to our common clients and your taxpayers. In the case of Uber, according to a recent DMR article[3], the ride-sharing company experienced some serious controversies, blunders and roadblocks in 2014, while continuing to grow and attract funding yet:

- There are more than 8 million users
- There for 160,000 Uber drivers
- Uber is in 290 cities and 50 countries
- Average number of daily Uber trips is 1 million
- There were 140 million rides in 2014
- The average number of new drivers globally added to Uber monthly is 50,000

These are some staggering statistics and based on the phenomenal growth of the company, these numbers will only grow. While other cities and countries are weighing in on “what to do” the inconsistencies between governing bodies such as municipalities in our own country are problematic. The CCTA believes that the federal government should provide some standard rules and regulations to new entrants under the auspices of passenger protection.

3. Competitive

A report[4] published by the Global Business Travel Association (GBTA) indicated that for every 1% change in business travel spending the loss/gain would be:

- $235 million in business travel spending to the business travel industry and the same for the Canadian economy
- 2,600 jobs in the business travel industry with 4.300 jobs to the Canadian economy
- $122 million in GDP from the business travel industry and $273 million to the Canadian economy
- $88 million in wages in the business travel industry and $169 million to the Canadian economy;
- $8.5 million in taxes to the Canadian economy

These numbers are significant and clearly indicate why it is necessary for the federal government to consider the recommendations being put forth. The CCTA has identified a few factors that would have a positive impact on the competitive landscape of the Canadian aviation industry.

Fuel taxes: CCTA supports the NACC’s compelling case for a reduction in the Federal excise tax on fuel and why any funds collected should be invested in the aviation sector rather than treating them as general revenues. The CCTA added our support to the efforts being made by the *Coalition For A Competitive Ontario* that called for the elimination of Ontario's tax on aviation fuel rather than increasing it by one cent per litre for the next four years. An economic impact study[5] commissioned by the Coalition confirmed a direct, economic consequence to increasing the aviation fuel tax in Ontario. The result would be a decrease in the provincial GDP of between $67 - $97 million resulting in a decrease in employment across the province of between 1,991 to 2,907 full-time jobs. Furthermore, the tax increase would negatively affect Ontario's vital travel and trade sector by driving away 292,700 to 407,800 air travellers. A reduction in productivity would also result in a further decrease in Ontario's GDP that by 2030, could be $323 million to $1.0 billion lower, with corresponding negative impacts for employment.

Additionally, increasing the aviation fuel tax negatively affects consumers who will have to pay more, making investment and expansion in Ontario less attractive, while enabling a competitive advantage with neighboring U.S. airports located in border regions. It is relevant to note that in British Columbia, aviation fuel tax on international flights was eliminated in the 2012 provincial budget and has been credited to contributing to 22 airlines adding flights into and out of Vancouver. The government noted that each new international flight creates between 150 and 200 new jobs at the Vancouver airport and about 400 additional indirect jobs in the community at various businesses including hotels, restaurants, travel agents and tour operators.

What should be of significant concern to the federal government is what IATA pointed out in their submission, namely that the action taken by the Ontario provincial government contravenes all aviation agreements signed and approved by the national government in Ottawa. Furthermore, it violates longstanding international treaty agreements, including the Chicago Convention that created the International Civil Aviation Organization (ICAO).

In summary, we believe there are convincing arguments for Ontario to eliminate the tax on aviation fuel and ask the federal government to intervene and show vision and leadership in recognizing the value of the aviation industry as an economic engine for Ontario, and an enabler of travel and tourism.

Airport Rent: It is a well-known fact that most airports around the world do not pay ground rent. Yet in Canada, airport rent is estimated to represent approximately one third of landing fees at major airports. Canada's airports must incorporate the cost of rent into the airline rates and charges and the airlines in turn pass those costs on to airline passengers in the form of higher ticket prices, thereby impacting economic activity.

IATA reported that according to the National Roundtable on Travel and Tourism (NRTT), eliminating airport rent would generate 600,000 new air passengers, 5,500 jobs and $720 million in economic activity.

The CCTA believes that the federal rents should be reduced to the level of expenditures made by the federal government on airports.

Encourage economic development: One of the ways to increase economic development is to encourage greater retail and other economic activity at these key airports. This should be encouraged to offset and consequently lower airport fees in order to make them more competitive with other international hubs.

Examine Airline Ownership Rules – While foreign airline ownership rules may not be a matter for consideration under this Review, if the opportunity presents itself, the CCTA would be interested in being involved in this conversation.

In conclusion, the CCTA 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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[1] Conference Board of Canada study titled"Growing Canada's Economy: A New National Air Transportation Policy", September 2013. The survey also cited that the industry contributes over $12 billion to federal and provincial treasuries, including over $78 billion in taxes. Of these figures, and according to the Global Business Travel Association (GBTA) Foundation Report the total **business travel-initiated spending** in 2013 was $23.5 billion and the value to the Canadian Economy was an economic impact of $27.3 billion in GDP supporting 434,000 jobs. The Report sourced various statistics including StatsCan's Travel Survey of Resident of Canada (TSR), StatsCan's International Travel Survey (ITS), the Economic Contribution of Meeting Activities in Canada and the GBTA BTI™ Global Outlook. The tax revenue generated from business travel in 2013 was $4.8 billion (federal) and $3.8 billion (provincial and local).

[2] World Economic Forum Travel and Tourism Competitiveness Report 2013 (page 131)

[3] DMR article "By the Numbers 20 Amazing Uber Statistics" by Craig Smith (last updated April 23, 2015)

[4] Global Business Travel Association (GBTA) Foundation Report estimated that the total business travel-initiated spending in 2013 was $23.5 billion and the value to the Canadian Economy was an economic impact of $27.3 billion in GDP supporting 434,000 jobs. The tax revenue generated from business travel in 2013 was $4.8 billion (federal) and $3.8 billion (provincial and local). Federal tax sources include income and other taxes, duties and fees (51%), fuels tax (23%, goods and services tax or GST (19%), airport improvement fees (4%) and ATSC (3%). Provincial and local tax sources include fuels tax (49%), provincial sales tax (42%), all other provincial and local (6%) and hotel tax (3%).

[5] Fred Lazar, The Economic Impacts of the Member Carriers of the National Airlines Council of Canada. December 2012. http://www.airlinecouncil.ca/pdf/NACC_Economic_Impact_Study_Dec2012.pdf