NATIONAL AIRLINES COUNCIL OF CANADA
CONSEIL NATIONAL DES LIGNES AÉRIENNES DU CANADA

National Airlines Council of Canada Submission to the *Canada Transportation Act* Review Panel

January 2015

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Executive Summary

The National Airlines Council of Canada (NACC) is pleased to have the opportunity to participate in the *Canada Transportation Act (CTA)* Review Panel's appraisal of the future of Canada's transportation policy. We especially welcome that the Panel's mandate includes an exploration 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."

The air transportation sector in Canada plays a vital strategic role as an enabler of the country's economic growth and prosperity. This role is especially important in Canada, due to the vastness of our country and our reliance on linkages to many international markets. NACC member airlines facilitate business, trade and tourism, serve as a major source of jobs, investment opportunities and tax revenue, and are vital to the success of many other industries across Canada.

The NACC is the trade association representing Canada's largest passenger air carriers: Air Canada, Air Transat, Jazz Aviation LP and WestJet. We promote safe, sustainable and competitive air travel through the development of policies, regulations and legislation that foster a world-class transportation system. Collectively, our member airlines carry more than 50 million passengers annually and directly employ 46,000 people.

According to a recent study by the Conference Board of Canada, the air transportation industry in Canada has an economic footprint of nearly $35 billion in GDP. The industry directly employs 141,000 people and supports over 400,000 jobs across many sectors of the economy.[1]

The aviation industry has evolved significantly since a review of Canada's transportation policy was last conducted in 2001. Following years of turbulence due to economic uncertainty and intensifying global competition, Canada's airlines have gained solid financial standing and are poised for growth. In fact, Canada's major passenger airlines have laid out aggressive plans for investment and international expansion, a move that will strengthen the industry's ability to garner even greater economic benefits for Canada.

Despite the commercial aviation sector's promising trajectory, it is faced with a number of chronic policy challenges which impede the industry's ability to grow, compete in global markets, and fully contribute to Canada's economy and prosperity.

Canada's current air transportation policy fails to position the industry for success given the realities of increased international connectivity, global competitive forces, and shifting market power. Canadian carriers compete directly with airlines in other jurisdictions who are supported by a policy environment that views air transportation infrastructure as a strategic public investment. The single-most pressing concern and cause limiting Canada's aviation industry's economic growth potential is the highly uncompetitive nature of the sector's cost structure.

[1] Conference Board of Canada. *Growing Canada's Economy: A New National Air Transportation Policy*. September 2013.

Instead of approaching the aviation sector as a key driver of long-term economic growth, Canada's policy framework treats the industry as an infinite source for public revenue by downloading government taxes, fees and other charges on airfares. As a result, the World Economic Forum had found that Canada has the 5th highest ticket taxes and airport charges out of 140 countries.[2]

To increase the competitiveness of Canada's air transportation sector and ensure that it realizes its full job creation and economic growth potential, the NACC recommends that the Review Panel consider the need for policy change in the following areas:

- **Recognition of air travel as an enabler and driver of economic prosperity**: Examine the relationship between the air transportation industry's economic contributions and that of other sectors vis-à-vis comparable levels of government investment.
- **Aviation security funding:** Revisit aviation security funding to ensure a direct and transparent correlation between ATSC revenue and required funding for screening services. Furthermore, the funding model should reflect the nature of aviation security threats.
- **Airport ground rent:** Revise the airport ground rent formula to cap payments and exempt non-aeronautical revenue from rent calculations. Over the longer-term, the Government of Canada should reconsider the use of airport rent strictly as a source of general revenue and instead re-invest funds garnered from rent back into the air transportation sector.
- **Fuel taxes:** Harmonize the federal aviation fuel tax with that of the U.S. and re-invest revenue collected from the tax in the air transportation system.
- **Airport governance:** Conduct broad and meaningful consultations on airport governance reform**.**
- **Passenger facilitation:** Continue investments to improve and streamline the visa process in order to help grow international travel into Canada. This includes maximizing the use of the Electronic Travel Authorization (eTA) program by applying it to partner economies such as Mexico, Brazil, and Argentina and exempting "transiting" passengers from the program.
- **Environment sustainability:** Increase collaboration with industry on alternative aviation fuel research and development.

[2] World Economic Forum. *The Travel and Tourism Competitiveness Report 2013.* http://www3.weforum.org/docs/TTCR/2013/TTCR_DataTables10_2013.pdf

Economic Benefits of Air Transportation

The economic benefits of air transportation are significant. Aviation in Canada fuels the economy by connecting people, communities and markets to facilitate business, trade and tourism while serving as a major source of jobs, investment opportunities and tax revenue. Aviation:

- Expands markets for companies, enabling them to exploit economies of scale and learning curves;
- Spurs competition within and across countries thus promoting innovation and higher levels of productivity growth; and
- Magnifies the economic benefits from trade liberalization by reducing transportation costs and travel times, thus inducing new production technologies/arrangements such as just-in-time manufacturing on a global basis.

What's more, air travel links communities across Canada to national and international markets to provide access to their goods, services and people, and thereby enabling small and large communities to compete and generate jobs. And, as part of a high value supply chain, the air travel sector is also vital to the success of many other industries across Canada including manufacturers, airports and related services, tourism, and freight.

As the airlines that represent the underpinnings of Canada's domestic and international air services network, NACC member airlines carry more than 50 million passengers annually, directly employ 46,000 people and support over 260,000 jobs. Aviation contributes nearly $35 billion to Canada's GDP annually, directly employs more than 140,000 people and supports over 400,000 jobs in related sectors across the country.[3] Each direct job in Canada's air transportation sector results in $248,000 in total GDP.

The combined economic contribution of the NACC members – including traditional, secondary and catalytic impacts – is five to seven times their traditional impacts and ranges from $35 to $60 billion in GDP, or 2-3.4 percent of Canada's total GDP.[4] This does not include potential tourism-induced effects. All told, the Canadian air transportation industry contributes more than $12 billion to federal and provincial coffers, including more than $7 billion in taxes.[5]

However, systemic policy challenges in Canada mean that our air transportation industry is not achieving its full potential. The federal government needs to recognize that air travel is an enabler and driver of the economic prosperity of Canada.

Recommendation:

The NACC urges the Review Panel to examine the relationship between the air transportation industry's economic contributions and that of other sectors vis-à-vis comparable levels of government investment.

[3] Conference Board of Canada. *Growing Canada's Economy: A New National Air Transportation Policy.* September 2013.
[4] Fred Lazar. *The Economic Impacts of the Member Carriers of the National Airlines Council of Canada.* December 20120. http://www.airlinecouncil.ca/pdf/NACC_Economic_Impact_Study_Dec2012.pdf
[5] Conference Board of Canada. *Growing Canada's Economy: A New National Air Transportation Policy.* September 2013.

Cost-Competitiveness: Evaluating the User-Pay Model

The attractiveness and competitiveness of Canada as a business and tourism destination is greatly affected by the myriad of tax, infrastructure, regulatory and cost-recovery policies that successive Canadian governments have implemented for the aviation sector. In our view, the combined impact of these policy decisions over the last 20 years has been highly counterproductive to the economic well-being and financial viability of travel and tourism in Canada. Instead of approaching the aviation sector as a key driver of long-term economic growth, Canada's policy framework treats the industry as an infinite source for public revenue by downloading government taxes, fees and other charges on airfares.

In fact, the single-most pressing concern and cause limiting Canada's aviation industry's economic growth potential is the highly uncompetitive nature of the sector's cost structure. The aviation sector has repeatedly been told by governments that a given fee increase, or the imposition of a new tax, "will only add a small amount" to the airfare and will have no impact on demand. As a result, The World Economic Forum had found that Canada has the 5th highest ticket taxes and airport charges out of 140 countries.[6] It is unrealistic to believe that such taxes and fees do not have an impact on demand or impede the industry's global growth potential.

Between 2006 and 2012, in the face of increasing third-party taxes and fees and an average rate of inflation of 1.72 percent, Canada's aviation sector has done its part to keep airfares cost-competitive for travellers. Over the same time period, average base fares in Canada have decreased 3.1 percent.[7]

It is the NACC's view that the concept of "user-pay" needs to be revised in light of the unlevel playing field it creates and to accurately reflect who benefits from a healthy aviation sector. We suggest that the cost burden of the air transportation system should be re-distributed across a broader base. Given that Canada's competitors do not rely on a user-pay approach to fund their aviation infrastructure but instead subsidize it from general revenues, it is very difficult to improve our competitiveness while retaining our existing user-pay approach.

A Canada-U.S. Comparison

Canada's existing approach to taxes and fees in the air transportation industry is not promoting the efficiencies and cost-competitiveness that Canada's aviation sector needs to flourish, while other governments are actively financing and subsidizing aviation infrastructure.

We don't need to look much further than the jobs and dollars that are lost because of the more than 5 million Canadians who choose to drive across the border to fly out of U.S. airports. In the U.S., airports are heavily subsidized by local and federal governments resulting in a lower overall cost structure and the provision of lower landing and terminal fees. U.S. border airports are exploiting their cost-advantage and targeting Canadian passengers directly. Canadians make up almost 40 percent of passengers at Buffalo Airport and the majority of at the Bellingham, Plattsburg and Niagara Falls airports. In fact, in the fall of

[6] World Economic Forum. *The Travel and Tourism Competitiveness Report 2013.* http://www3.weforum.org/docs/TTCR/2013/TTCR_DataTables10_2013.pdf

[7] Statistics Canada. *Passenger Air Services Price Index, level 1 Canadian air carriers, scheduled services, by sector.* http://www5.statcan.gc.ca/cansim/a05

2014, the Buffalo Airport launched another marketing campaign aimed at Canadian travellers.[8] Meanwhile, the Ogdensburg airport in New York is undergoing a $10 million expansion to attract flyers from the nearby Ottawa market.[9]

It is estimated that the more than 5 million Canadians that drive to U.S. airports per year represents a loss of approximately 9,000 well-paying jobs in Canada, employment income loss of $511 million and tax revenue loss of $190 million.

Aviation Security Funding

Funding for aviation security in Canada is based on a 100 percent user-pay model where air travellers are required to cover the full costs of not only passenger screening but also the costs of providing seats for in-flight RCMP officers and "Transport Canada regulations and oversight."

In the fiscal year 2013-14, the federal government collected $662 million from the Air Travellers Security Charge (ATSC) levied on passengers. By comparison, the Canadian Air Transportation Security Authority (CATSA) reports the total government funding received during the same year to be nearly $540 million, a short fall of $123.1 million. In fact, as the table below illustrates, revenues generated from the ATSC are increasing year over year while government funding for CATSA is declining.

Air Travellers Security Charge (ATSC) Revenue and Canadian Air Transport Security Authority (CATSA) Funding -- millions

	2010-11	2011-12	2012-13	2013-14	2010-14
ATSC revenues[10]	600	631	635.6	662	**2,528.6**
Total government funding for CATSA[11]	596.2	584.4	549.9	538.9	**2,269.4**
Annual surplus for government	**3.8**	**46.6**	**85.7**	**123.1**	**259.2**

This discrepancy is exacerbated by annual increases in passenger traffic requiring CATSA screening services. In 2014, 53.9 million passengers were screened by CATSA, up 5.7 percent from 2010. During that same time period, government funding for CATSA decreased 9.6 percent.

Since 2010, the government has accumulated a surplus of nearly $260 million that is not being directed to CATSA screening services. Given the existing user-pay nature of Canada's aviation security funding model, there should be more transparency and accountability regarding the ATSC revenue. To this end, the aviation sector should be informed of the breakdown of ATSC revenue directed to CATSA, the RCMP and Transport Canada. In addition, we believe it is inappropriate that revenue collected directly from passengers for their security screening is being used to fund general administration of Transport Canada and the RCMP.

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 passenger demand.

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[8] http://www.theglobeandmail.com/report-on-business/international-business/buffalo-airport-trumpets-tax-savings-to-win-more-canadian-fliers/article21205763/

[9] http://news.nationalpost.com/2014/07/04/cheaper-u-s-border-airports-are-often-a-booming-business-because-they-are-subsidized-by-american-taxes/

[10] Public Accounts of Canada

[11] CATSA Annual Reports

Furthermore, the NACC believes that funding for aviation security should reflect the reality that the nature of the threat against aviation is a threat against national security. As such, funding for aviation security should not be the sole financial responsibility of air travellers.

Recommendation:

The NACC recommends that the government revisit aviation security funding to ensure a direct and transparent correlation between ATSC revenue and required funding for screening services. Furthermore, the funding model should reflect the nature of aviation security threats.

Airport Rent

Put simply, the obligation to pay airport rent contributes to the high cost of flying in Canada.

With airport rent being calculated as a percentage of gross revenue, the price of every aeronautical service an airport provides must be marked up by at least the amount of rent charged. This increases the airport's break-even point and raises the amount of revenue that must be generated. This leads to higher operating fees for air carriers which, unfortunately, are passed on to the passenger. Most airports around the world (including U.S. airports) do not pay ground rent. Further, the amount of airport rent collected in Canada is disproportionate to prior federal investment and only a small portion of what is collected in rent is re-invested in air transportation, resulting in a large drain on the industry.

To provide more incentive for airports to maximize non-aeronautical revenue, the ground rent formula should be amended to cap rent payments at current levels and exempt non-aeronautical revenue from the calculation of rent. This would remove an important impediment to growth in Canada's aviation sector and would help recoup some of the more than 5 million Canadians who drive across the border to fly from U.S. airports every year.

The problem in Canada is compounded by the fact that only a small portion of what is collected as rent is re-invested in air transportation, resulting in a further incommensurable drain on the industry. Instead, these funds are often used to cross-subsidize competing modes of transportation.

Recommendation:

The NACC recommends that the Government of Canada revise the airport ground rent formula to cap payments and exempt non-aeronautical revenue rent calculations. Over the longer-term, the Government of Canada should reconsider the use of airport rent strictly as a source of revenue and instead re-invest funds garnered from rent back into the air transportation sector.

Fuel Taxes

Federal and provincial taxes on aviation fuel in Canada also detract from Canada's competitiveness. The table below summarizes various fuel taxes imposed across the country:

Current Aviation Fuel Taxes Canada and Provinces
(cents per litre)

	Domestic	*International*		*Domestic*	*International*
Canada	4	0	Newfoundland & Labrador	0.7	0*
Quebec	3	0	Prince Edward Island	0.7	0.7
British Columbia	2	0	Nova Scotia	2.5	2.5
Alberta	1.5	0	Manitoba	3.2	3.2**
New Brunswick	2.5	0	Ontario	3.7	3.7***
Saskatchewan	1.5	0			

*International flights are exempt. Only flights to the US are subject to the tax.
** 0 cents per litre for US and international cargo flights.
*** Effective September 1, 2014 and scheduled increase to 6.7 cents per litre by 2017.

From a federal perspective, the excise tax on aviation fuel was introduced in the 1970s to fund air transportation infrastructure and Air Canada, before its privatization. However, aviation fuel taxes – now at 4 cents per litre federally – are collected as part of general revenues. By contrast, the Canadian aviation industry is paying more than three times the 4.4 cents per gallon U.S. federal jet fuel excise tax whose collection is re-invested in the air transportation sector through the Airport and Airway Trust Fund (AATF). In fact, U.S. taxes on airfares and cargo waybills are also re-invested through the AATF. In 2011, NACC members alone paid a total of approximately $71 million in federal excise tax on jet fuel.

Public policy leaders and the aviation community have long been making the case for governments in Canada to ensure that taxes on aviation fuel are competitive. In 2012, as part of its Jobs Action Plan, the Government of British Columbia eliminated its aviation fuel tax for international flights in recognition of the value of the aviation industry as an economic engine and an enabler of trade, travel and tourism. Since then, it is reported that 22 airlines have added flights to Vancouver, generating new jobs and economic activity. In fact, the BC Government has indicated that the initial $12 million loss of revenue has been significantly superseded by an estimated $20 million in new payroll and consumption taxes in the first year.[12]

By contrast, a report by Fred Lazar of the Schulich School of Business at York University finds that the recent increase in the aviation fuel tax in Ontario by 148 percent could mean a loss of nearly 3,000 jobs, decrease provincial GDP between by almost $100 million annually, and drive 400,000 air travellers out of Ontario. The study projects that increasing the aviation fuel tax by 4 cents per litre could cost the province up to $1 billion in lost GDP by 2030.

[12] http://www.cbc.ca/news/canada/toronto/fuel-tax-hike-will-likely-push-airfares-higher-officials-say-1.2712843

Recommendation:

The NACC recommends that the Government of Canada take steps to harmonize the federal aviation fuel tax with that of the U.S. and re-invest revenue collected from the tax in the air transportation system.

The Role of the CTA

The Canadian Transportation Agency (CTA) is an administrative body whose role is to apply and enforce the existing policy set out by the *Canadian Transportation Act* and its regulations. The NACC acknowledges that the CTA's mandate also includes a dispute resolution role in relation to specific complaints from the travelling public.

Collectively, the NACC member airlines carry more than 135,000 passengers per day (over 50 million passengers annually) and operate approximately 1,800 flights daily (and 657,000 flights annually). This extensive undertaking occurs each day despite the sometimes challenging Canadian climate and within the safety and security regulatory framework of Canada but also the international jurisdictions we serve. The overwhelming majority of customers are satisfied with our services. In fact, to put the issue into perspective, the CTA had only 485 complaints about NACC member airlines in its facilitation process in 2013-2014 for over 50 million passengers.

As mentioned in the Review Panel's discussion paper, decisions made by the CTA in disputes are made on a case-by-case basis and rulings are not applicable industry-wide but only to those parties involved. This has created a patchwork approach to the protection afforded to travellers depending on the airline and an unlevel playing field for carriers.

The NACC and its members believe that the CTA complaints process should be designated for consumers only and not policy advocates. Furthermore, it should not be used to create new policy in the form of a *de facto* regulatory consumer protection framework. Should the CTA identify areas in which existing legislation and regulation is insufficient, those areas should be referred back to policy-makers for further analysis and consultation with industry stakeholders.

Governance

It is undeniable that since the introduction of the federal government's National Airports System (NAS), Canada's aviation infrastructure has undergone significant modernization and renewal. The World Economic Forum had found that Canada ranks first in the quality of its air transport infrastructure but also has the 5th highest ticket taxes and airport charges out of 140 countries.[13]

Now that Canada has achieved world-class status for its air transportation facilities, it is time to revisit whether the current model of NAS airports meets the needs of Canada's air transportation system. This, of course, merits further consultations and research of best world-wide practices, particularly when it comes to airport governance and management.

[13] World Economic Forum. *The Travel and Tourism Competitiveness Report 2013.* http://www3.weforum.org/docs/TTCR/2013/TTCR_DataTables10_2013.pdf

Airlines recognize that airports must take a long-term perspective with respect to facilities planning that may not be consistent with shorter-term financial objectives of airlines. However, we believe that more robust consultative measures should be in place to ensure that air carrier views are both heard and weighted appropriately when capital and operational decisions are made.

Recommendation:

Recognizing that there is no one-size fits all solution for Canada's airports, the NACC recommends that the Government of Canada conduct broad and meaningful consultations on airport governance reform.

Passenger Facilitation

Given air transportation's role in expanding markets and establishing business relationships, improvements to the visa process have significant impact on international trade and the country's economy. The NACC applauds a number of the federal government's recent efforts to modernize the visa process in Canada and help grow international travel into Canada.

While serving an important role in ensuring the safety and security of air travellers, it has long been established that visa policies can also serve as a deterrent to travel because of the cost, time and inconvenience involved in their attainment.

The introduction of CAN+, a program to expedite visa processes for certain Mexican and Indian travellers is an important step forward. So too have been recent reforms to the refugee claim process. The NACC and its members continue to urge the federal government to streamline visa processes to maximize the significant potential benefits associates with the growth in investment, trade, and tourism with important global markets.

The upcoming introduction of the electronic Travel Authorization (eTA) program provides a great opportunity to direct resources to mitigate security risks appropriately and facilitate the processing of all visitors. Given that the eTA will now require an additional step for tourists and business visitors who currently do not need to obtain any pre-authorization and can simply purchase their ticket, we must ensure that its implementation does not deter trade, travel and tourism to Canada.

Serious consideration should be given to replacing the burdensome visa requirement for partner economies such as Mexico, Brazil, and Argentina with the upcoming eTA. Further, the issue of transiting passengers merits special and immediate attention.

Increasing international connecting traffic is extremely important to airlines and the Canadian aviation industry in general. The requirement for travellers to obtain an eTA to simply transit through Canada places Canada at a competitive disadvantage in the global marketplace at a time when the aviation sector is working hard to connect passengers and goods to destinations around the world through our airports.

To ensure Canada's competitiveness, it is crucial that foreign nationals who are transiting through Canada on their way to the U.S. and who already have an American ESTA as well as foreign nationals who are exempted from visa requirements because they are transiting through Canada under the Transit without Visa program or the China Transit Program should also be exempt from eTA requirements.

It is also important to note that underlying any discussion on access, security and passenger facilitation, is the need for a risk-based approach. Many of the technological advances available to the industry and government have the potential to save money and improve both the passenger experience and the level of protection afforded to the travelling public.

Recommendation:

The NACC recommends that the Government of Canada continue making investments to improve and streamline the visa process in order to help grow international travel into Canada. This includes maximizing the use of the Electronic Travel Authorization (eTA) program by applying it to partner economies such as Mexico, Brazil, and Argentina and exempting "transiting" passengers from the program.

Air Access Policy

The NACC and its members are strong supporters of the Government of Canada's approach to air liberalization as set out in Blue Sky Policy, adopted in November 2006. Specifically, the NACC supports a balanced air liberalization policy framework for Canada that ensures a level playing field and provides value added reciprocal benefits for all stakeholders including consumers, communities, airports, the tourism industry and Canada's airlines.

Canada's skies are open for business. As of June 2014, Canada has concluded air transportation agreements with 85 countries. These agreements cover approximately 72 percent of Canada's international air traffic and Canada has also concluded or offered an open agreement to countries collectively representing about 91 percent of Canada's overall international two-way merchandise trade.

It is important to note that the vast majority of Canada's air transport agreements include more rights than Canadian or foreign carriers actually use and, consequently, there is significant unused capacity under these existing agreements. However, air service policy does not operate in a vacuum. The high cost of the aviation operating environment in Canada continues to be the most significant deterrent to new market entrants, particularly the low-cost U.S. carriers.

In order to maximize the valuable opportunities and benefits available under our existing or new air transportation agreements, steps need to be taken to address the uncompetitiveness of Canada's aviation cost structure.

Aviation and Environmental Sustainability

The NACC's member airlines have been global leaders in their proactive efforts to reduce greenhouse gas (GHG) emissions and are committed to working actively to mitigate the overall impacts of air travel. Reducing the industry's environmental footprint is top of mind for all NACC carriers. Each of our members have a multi-pronged approach to reducing emissions, working on such areas as upgrading their fleets, improving fuel efficiency, reducing noise, recycling and material management.

Overall, the aviation industry is actually a relatively small contributor to GHG emissions. However, because of the projected growth of the sector, aviation has become a major focus in the international climate n change debate. In 2008, aviation emissions made up 5 percent of domestic emissions from transportation and 1 percent of total Canadian emissions.[14] Globally, the aviation industry accounts for approximately 2 percent of all fossil fuel related emissions.

The International Air Transport Association (IATA) has outlined a four-pillar approach to emission reductions for the industry which encompasses: improved technology, including the deployment of sustainable low-carbon fuels; investing in more efficient aircraft; infrastructure improvements, including modernized air traffic management systems; and a single global market-based measure, to fill the remaining emissions gap.

For our part, NACC members continue to institute policies, procedures, and projects, and work with the federal government to either improve aircraft efficiency or reduce fuel burn, thus reducing carbon dioxide (CO_2) emissions. However, airlines cannot achieve these goals in isolation from other aviation stakeholders. This is why the NACC supports a global, sector-wide approach to addressing aviation emissions, as is currently in place under the International Civil Aviation Organization (ICAO). Without it, ineffective approaches, such as regional market mechanisms (materializing as local taxes and charges, or regional emission trading schemes), create a distorted playing field and inhibit the sector's ability to invest in its own solutions for CO_2 emission reductions.

As part of our commitment to reduce aviation emissions, in June 2005, Canada became the first jurisdiction in the world to achieve a joint government-aviation industry agreement. The Canadian airline industry and Transport Canada signed a voluntary Memorandum of Understanding (MOU) to reduce GHG emissions per unit of output from aviation in Canada.

Building on the success of the MOU to address GHG emissions from aviation, the Government of Canada and the Canadian aviation industry have developed Canada's Action Plan to Reduce Greenhouse Gas Emissions from Aviation (the Action Plan)[15], released on June 4, 2012. As a signatory to the Action Plan, the NACC fully supports its ambitious goal to reduce GHG emissions from both domestic and international operations, which is expected to contribute to global efforts to minimize aviation's carbon footprint.

NACC carriers have improved fuel efficiency by 1.97 percent from the achieved efficiency in 2012. For the period 2005 through 2013, the overall efficiency improvement in litres per 100 revenue tonne-kilometres for the period was 10.49 percent or an average of 1.31 percent per year.

[14] Transport Canada. *Canada's Action Plan to Reduce Greenhouse Gas Emissions from Aviation*. https://www.tc.gc.ca/eng/policy/acs-reduce-greenhouse-gas-aviation-menu-3007.htm#f2
[15] Ibid.

The development of sustainable aviation biofuel is a key initiative in improving fuel efficiency and reducing emissions from air travel and is especially important as the industry prepares to meet its global goal of carbon neutral growth by 2020. While we have seen very positive developments on this front, there is no question that significant advances in commercializing biofuels are still required. Consequently, increased collaboration between industry and government on research and development of alternative fuels for aviation is important.

It is critical to emphasize that any domestic framework on environmental stewardship in the aviation sector must be fact-based and consider the essential economic and social role that Canada's air transportation system plays in ensuring that all parts and regions of the country stay connected to each other and to global markets.

Recommendation:

The NACC recommends that the Government of Canada increase collaboration with industry on alternative aviation fuel research and development.

Conclusion

The NACC member airlines are proud of the role they play to attract visitors and help Canadian businesses compete in global markets and attract new customers, trade and investment. With the proper policy support to enhance the industry's competitiveness, the aviation sector could garner even greater economic benefits for Canada by maximizing its full job creation potential.

The NACC is also a member of the National Roundtable on Travel and Tourism (NRTT), a partnership of Canadian travel and tourism organizations: the Canadian Airports Council, the Hotel Association of Canada, the International Air Transport Association and the Tourism Industry Association of Canada. The NRTT will be making its own submission to the Review Panel.

The NACC member airlines are committed to working with the federal government to develop forward-looking policies that ensure the future of a safe and secure, environmentally responsible and cost-competitive air travel sector in Canada.

We would be pleased to discuss our recommendations further with the Review Panel and Secretariat as required.