

2014-15 *Canada Transportation Act* Review

Northern Air Transport Association Annual General Meeting & Conference
April 29, 2015

Overview

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 - ▶ 2014–15 Review
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Canada Transportation Act

- ▶ Canadian transportation system's umbrella economic legislation
 - The *National Transportation Policy*, emphasizing a safe, secure, efficient and accessible system based on competition, market forces and user pay
 - The mandate and operation of the Canadian Transportation Agency
 - Economic provisions regarding the operation of airlines and railways



- ▶ S.53 provides for a regular review; authorizes the Minister to
 - “appoint one or more persons to carry out a comprehensive review of the operation of the Act and any other Act of Parliament for which the Minister is responsible that pertains to the economic regulation [transportation] under the legislative authority of Parliament”

2014–15 CTA Review

- ▶ Launched by Minister Raitt on June 25, 2014
 - Extends to other statutes and policies; e.g., *Blue Sky Policy*, as well as the governance of national transportation assets such as airports
 - The last CTA Review was completed in June 2001
- ▶ Focus on transportation as an enabler of long-term prosperity
 - Opportunity to put a strategic focus on the transportation system and how it can best be leveraged to support economic growth
- ▶ Review examines whether the national transportation system has the capacity and adaptability to allow it, and its users, to respond effectively to long-term global and domestic trends

Executive Team

- ▶ Chair: The Hon. David L. Emerson P.C, O.B.C
- ▶ Advisors
 - Murab Al-Katib
 - David Cardin
 - Duncan Dee
 - Marie-Lucie Morin
 - Marcella Szel
- ▶ Secretariat
 - Randall Meades, Executive Director



Terms of Reference

- ▶ Mandate for the Minister of Transport published on the Web
- ▶ First priority: rail-based supply chains for grain and other commodities
- ▶ Air transport – fully under federal jurisdiction – is another area of focus
- ▶ Specific northern reference: how to address rapid changes in the North and support a safe, secure, sustainable northern transportation system
- ▶ Sustainability, accessibility, innovation, optimization of the quality and utilization of infrastructure capacity, and development of Canada's strategic gateways and trade corridors are other key cross-cutting themes
 - All while ensuring continuing high safety and environmental standards in the context of increasing demands
- ▶ Mandate questions of specific relevance to air transport:
 - How to maintain and augment the vitality of the Canadian aviation sector; air connectivity; and Canada's ability to attract visitors and transiting travellers in light of the range of cost factors and competitive global markets
 - How to improve governance and service delivery models, such as the Canadian Transportation Agency, and Canadian airport authorities

Review Past the Halfway Point

- ▶ Discussion Paper published online to animate dialogue September 2014
- ▶ Consultations by various means: e.g., industry meetings, conferences
 - So far: Review has met with over 65 air transport, travel and tourism sector stakeholders (and counting) in industry, government, associations, international, etc.
- ▶ Collected analysis from experts, past reviews, existing and new research
- ▶ Formal stakeholder submissions
 - Over 40 with air transport-related input from Canadian and international sources
- ▶ April 2015: past the halfway point of a short mandate, the Review is moving from the information gathering stage on to analysis, development of options, and formulation of recommendations
- ▶ Approach: look at current gaps, trends over next 20–30 years and identify steps to be taken in the next 5 years

What should Government do to resolve irritants, and enhance competitiveness?

What The Review Has Heard: Status

- ▶ Overall the policy framework has served Canadians well, yielding:
 - Airport and air navigation systems that are internationally-recognized for excellence
 - Financially-sound, and growing mainline air carriers
 - Good connectivity to Canada's biggest international trade and tourism markets
 - Strong safety and security records
 - Globally-recognized and highly sought-after aircraft and professional certification
- ▶ But there are challenges:
 - High costs for operators and users, low traffic volumes and limited levels of carrier competition on many routes (domestic and international)
 - These issues are amplified in northern and remote areas, where they are compounded by infrastructure deficiencies
 - Specific operating and viability challenges noted for northern and remote services
 - Growing wait times and dissatisfaction with airport security screening processes
 - Immigration/customs processes that may dissuade international travel and transit
 - Airline consumer complaints system lacks predictability, consistency and level playing field for both carriers and customers

What The Review Has Heard: Trends

▶ Emerging opportunities:

- Canadian demand for air travel is forecast to continue to outpace economic growth
- Demand for travel from and between emerging markets will grow 2–3 times faster
- Canada is geographically well–positioned to serve as a hub connecting emerging markets to each other and to the U.S. and EU
- Natural resource developments may drive increased investment and traffic to northern and remote areas, which could alleviate some self–sufficiency challenges

▶ As well as challenges:

- Competing international jurisdictions are pursuing national strategies to develop global travel and tourism hubs
- Ongoing self–sufficiency challenges in smaller domestic markets
- “Leakage” of passenger traffic to low–cost U.S. airports
- Volatile commodity prices and boom–bust development cycles an ongoing threat to service–levels in resource–rich regions
- Risk that a combination of higher prices, longer lines and heavier processes eventually push Canadians and visitors over a “tipping point,” avoiding Canadian airports and airlines at all costs

What The Review Has Heard: Issues (1)

Specific issues related to northern and remote air transport

- ▶ **Infrastructure Gaps in Northern and Remote Regions**
 - E.g., runway lengths/surfaces limiting jet service, reliability of weather observation systems, quality of navigation and approach aids,
 - Scope and scale of needs will not be addressed by user-pay with existing traffic levels
- ▶ **Competition and cooperation between smaller and mainline carriers**
 - Effects of competition for higher-volume / higher-yield North-South trunk services on the finer-grained networks serving smaller communities beyond the northern gateways
 - Challenges for accessing mainline carriers' schedules, interlining/code-sharing, baggage handling, frequent flyer programs, etc.
- ▶ **Relationship between the viability/cost of northern and remote air services and sustainable public service delivery to communities**

What The Review Has Heard: Issues (2)

Broader issues related to air-transport

- ▶ The relatively-high cost of air travel in Canada
 - The “user pay” model of financing airports and air navigation
 - Airlines’ internal cost structures/pressures
- ▶ The aviation security delivery model
 - Canadian Air Transport Security Authority governance, financing and service levels
 - Lack of service standards, performance agreements or other clear incentives
- ▶ The National Airports System model
 - Governance (composition of boards, oversight of fee and investment decisions, etc.)
 - Status as not-for-profit corporations managing federally-owned assets
 - Lease issues
 - Viability and self-sufficiency challenges at smaller National Airports System airports

What The Review Has Heard: Issues (3)

Broader issues related to air-transport (continued)

- ▶ Implicit and explicit “protections” of the Canadian aviation sector
 - Foreign ownership limits for airlines
 - The Blue Sky policy and the pace of liberalization of international access to Canada
 - Wet Leasing Policy and the seasonal use of foreign pilots by some air carriers
- ▶ Consumer protection of airline passengers
 - E.g., users don't know their rights; carriers' obligations differ; Agency is stretched
- ▶ Specific technical issues in the CTA and regulations
 - E.g., definitions of “air service and publicly available;” flight duty and rest rules; criteria used to determine the financial fitness test for new or expanded operations
- ▶ Other issues related to promoting international travel to Canada
 - E.g., immigration, customs, security and baggage rules, processes, and wait times
 - International tourism marketing: funding levels and absence from the U.S. market

Discussion Questions

- ▶ Is a market-based and commercial framework still the right operating model for delivering air services to northern and remote regions?
 - Should governments take a more active role overseeing competition and cooperation?
- ▶ Besides lengthening and paving runways, are there other longer-term solutions to facilitate the renewal of the northern commercial air fleet?
 - How should we plan to provide for the ongoing, long-term maintenance of lengthened and resurfaced runways? Do we risk “paving the way” to unsustainable operating and capital costs for northern airports in the future?
- ▶ Is a formal and policy definition of “northern and remote (air) transport” required to guide policy and regulatory decisions?
 - Would the benefits be worth a contentious debate about the specifics of who/what would be “in” and who would be “out”?

Thank You

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<http://www.tc.gc.ca/eng/ctareview2014/canada-transportation-act-review.html>

APPENDIX: Review Timeline

