

# **Competition Policy Review Panel: Sharpening Canada's Competitive Edge**

## **Stakeholder Views**

Submitted to:

**Competition Policy Review Panel**

Jointly Submitted by:

**Aéroports de Montréal**



**Greater Toronto Airports Authority**



**Vancouver Airport Authority**



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## Executive Summary

Trade is the lifeblood of the Canadian economy. Furthermore, the forces of globalization and our geographic location present an opportunity for Canada to facilitate global trade flows to and from North America. We rely on air transport to service our trade corridors, to make our gateways work effectively, and to support our adaptation to the globalization of the world's economy. In a world of increasing congestion and competition, it is *airports* that will play a determining role in successfully linking to global supply chains. Airports that are not cost competitive, have operating limitations, or are hamstrung by regulations, will not enjoy the level of air service their communities want – and need – to be global players. Canadian airports compete with U.S. airports for international gateway traffic, as well as traffic originating in, or destined to, Canada itself.

There are many policies which affect the competitiveness of Canada's airports, and by extension Canada's air transport system, international trade flows, gateway potential, and ability to attract foreign investment. Canada's competition and investment policies, as well as fiscal and operational policies, are not compatible with the competitive realities of Canadian airports, or with their role as national and continental gateways that the government itself wants airports to play.

**Investment Issues.** Investment issues related to Canadian airlines has been discussed for years. Ownership in Canadian air carriers is regulated by a sectoral investment regime that limits foreign ownership to 25% of the voting stock. This is an anachronism that raises the cost of capital for Canadian air carriers and limits their ability to access sufficient capital to expand to become global carriers. Investment issues related to Canadian airports is just coming onto the radar screens of Canadian policy makers. It is timely for Canada to review airport ownership issues.

**Competition Issues.** The policies that reduce the competitiveness of Canadian airports, especially relative to their U.S. competitors include:

- Requirement to pay excessive airport rents and to provide Payment in Lieu of Taxes;
- Lack of access to tax free bonds;
- Payment of a tax that has no U.S. equivalent (GST), and failure to reinvest fuel taxes;
- Higher technical standards raising capital, operating and maintenance costs;
- Higher federal inspection service costs;
- Lack of federal funding for airport capital projects and other air transport programs;
- Failure to recognize security as a public good and modal discrimination in user fees for security;
- Restrictive air service agreements that limit the ability to attract air services;
- Lack of Arrivals Duty Free which diverts sales overseas; and
- the lack of Transfer Departure Facilities which impedes the gateway potential of Canadian airports.

**Recommendations:** The competitiveness of Canada's trade and its gateways is reliant on the competitiveness of our airports. We encourage the Review Panel to include in its recommendations these broader policies that are harming the competitiveness of Canada's airports and air transportation system:

- Revise Canada's sectoral investment policy for aviation by



- allowing increased foreign ownership of Canada's air carriers; and
- reviewing Canada's airport ownership policy.
- Revise Canada's competition policy for air transport by
  - implementing the Blue Sky policy immediately and without reservation;
  - implementing a full transit-without-visa and a transfer departure facility program to allow Canada's airports (and air carriers) to act as a true gateway to the NAFTA economy;
  - authorizing arrivals duty free at Canadian airports; and
  - eliminating the many fiscal and operating penalties on Canada's airports and thus level the playing field with US gateway airport competitors.
- Promote Canadian investment abroad by
  - Negotiating reciprocal right of establishment provisions for air carriers initially with the European Union, and eventually with a broad range of economies; and
  - Eliminating from the proposed Canada Airports Act the provision to impose limits on the ability of Canadian Airport Authorities to invest in airport operations abroad.
- Promote Canada as a destination for talent, capital and innovation by

Implementing the above recommendations for right of establishment, Blue Sky air service agreements, and eliminating fiscal and operating penalties on Canada's airports.



## Introduction

This is a joint submission of **Aéroports de Montréal (ADM)**, the **Greater Toronto Airports Authority (GTAA)**, and the **Vancouver Airport Authority (VAA)**. These three organizations are the three largest airport authorities in Canada. Together they account for 62% of Canada's total traffic, as measured in enplaned/deplaned passengers. Examining the numbers by sector, they account for 57% of domestic traffic, but 79% of Canada's transborder traffic and 89% of Canada's other international traffic, the sectors where competitiveness issues loom largest. They serve Canada's three largest communities (together representing over a third of Canada's total 2001 population), and act as critical gateways to Canada's most popular tourism destinations. Due to their roles as hubs, they not only serve their respective communities and surrounding catchment areas, but also serve passengers and shippers throughout Canada. As gateways to the NAFTA marketplace, they are in direct competition with the major U.S. airports for both passenger and cargo traffic and serve as key facilitators of Canada's "competitive edge" in the global economy.

Montréal, with a 2001 CMA population of 3.4 million, is the second largest metropolitan city in Canada, and is the economic hub of Canada's francophone population. With a traditional focus on trade, aerospace and manufacturing, Montréal's economy is reliant on excellent international air connections. Moreover, as its economy diversifies, with major job gains in business, building and other support services, construction, and accommodation and food services, global connections become increasingly important. Tourism is a key sector of Montréal's economy, supporting almost 75,000 jobs and playing host to 7.5 million visitors in 2005.<sup>1</sup>

Toronto, with a 2001 CMA population of 4.7 million, is the largest metropolitan city in Canada, and ranks as the 5<sup>th</sup> largest city in North America. The Toronto economy represents 11% of Canada's GDP, with exports of over \$70 billion globally. With an extremely diversified economy, Toronto's key industry clusters (including aerospace, biomedical and biotechnology, business services, fashion/apparel, film and television, financial services and tourism) compete globally and rely on international air access for their viability. Toronto attracts over 16 million tourists a year (9% of Canada's total arrivals) generating over \$3.3 billion in direct expenditures and supporting close to 90,000 jobs.<sup>2</sup>

Vancouver, with a 2001 CMA population of 2 million, is the third largest metropolitan city in Canada. With population growth driven by international immigration, Vancouver is Canada's key Asia-Pacific gateway. The Vancouver economy is driven by new technology, global enterprises, with key sectors including biotechnology, environmental business, film and television, fuel cells, new media, telecommunications and wireless. With its mild climate and spectacular coastal location, Vancouver attracts over 8.5 million overnight visitors. In 2005, visitors spent about \$4.3 billion in 2005, supporting almost 100,000 jobs.<sup>3</sup>

This submission may differ from others that the Competition Policy Review Panel (Review Panel) will receive, as some of the areas of focus for the Panel (e.g., specific questions concerning the *Investment Canada Act*) do not directly impact airport authorities. In addition, this submission likely adopts a broader perspective on "competition policy" than others, since there is a wide range of policy areas which directly affect the competitiveness of Canada's airports, and by extension Canada's air transport system,

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<sup>1</sup> 2005 Economic Report, Ville de Montréal.

<sup>2</sup> City of Toronto official website.

<sup>3</sup> Vancouver Economic Development Commission, Tourism Vancouver.



international trade flows, gateway potential, and ability to attract foreign investment. Due to this broader perspective, many of our comments do not directly fit with the specific questions posed by the Review Panel in its consultation document; nevertheless, we endeavour to respond to these questions where appropriate. Canada's major airports strongly support this initiative and are, as always, eager to work with the federal government to advance Canada's global economic interests through improvements to our air transportation system.

ADM, GTAA and VAA welcome the opportunity to provide input on how Canada's competition and foreign investment policies should change in order to enable our air transportation system to compete effectively and enable shippers, service providers, and the tourism industry to prosper in a highly competitive global environment. With the growth in global trade, and the development of Canada's three major gateway and corridor initiatives (Asia-Pacific Gateway and Corridor, Ontario-Québec Continental Gateway and Trade Corridor, and the Atlantic Gateway), the establishment of the Review Panel is both positive and timely.

## General Comments: Competition, Foreign Investment, and Canada's Air Transport System

Canada is a trading nation whose prosperity depends on competitive access to foreign passenger and cargo markets. The globalization of production and marketing value chains makes this even more important than in the past as the production process for many goods now requires multiple intermediate movements between locations throughout the world. Without competitive access, Canada's ability to plug itself into the global value chain and participate in higher value economic activity will be seriously compromised, and Canada will play a diminished role in production of manufactured goods, and its export of goods, services and commodities alike will suffer.

**Canada is a trading nation whose prosperity depends on competitive access to foreign passenger and cargo markets.**

The impacts of globalization, however, go beyond Canadian production and trade. Given its geographic location, Canada is positioned to play a key role in the globalization of supply and demand as a key gateway for two of the world's critical trade flows: Europe-North America and Asia-North America. Despite Canada's strategic geographic advantages, a number of factors have led to the development of many U.S. points as primary gateways (e.g., Los Angeles, Chicago, New York) for both the U.S. and Canada. This, however, may change as the U.S. is finding it more difficult to fulfill the gateway role due to port, rail, highway and airport congestion.<sup>4</sup> This opens the door for Canada to play the strategic gateway role its geography positions it for.

**... and globalization also presents opportunity to facilitate trade flows other than our own to the benefit of the Canadian economy.**

Thus even when not directly involved in the supply of (or demand for) goods and services, Canada's economy stands to benefit from handling movements along the supply chains between Eurasia and the Americas. The trend to increased global trade is thus an important and positive development for Canada that goes beyond our own direct trade links to our role as a global value chain facilitator.

<sup>4</sup> Transportation and logistics experts in the U.S. view port/rail developments like Prince Rupert and Lázaro Cárdena as key to future U.S. trade flows. Canadian airports will increasingly play the same role given U.S. airport congestion.

Trade flows, however, do not simply happen. Canada relies on transportation to service our trade corridors, make our gateways work effectively, and support our participation in the world's economy. In a world of growing value-added activity, services, and tourism, "transportation" increasingly means "air transportation." Unfortunately, for an industry that facilitates globalization of value chains, global competition, and the movement of talent, capital and innovation by shrinking distances, air transport itself is a highly regulated industry with strict foreign ownership limitations. Given that air carriers operate in a global environment, and are highly capital intensive, these policy limitations hinder the competitiveness of our air carriers. It is thus critical that Canada revisit investment and competition policy as it applies to both passenger and cargo air carriers.

Moreover, in a world of increasing air transport congestion and mobile air carrier resources that shift as conditions change, it is *airports* that will play a determining role in which nations successfully link to global supply chains, and which are relegated to a peripheral role. Airports that are not cost competitive, have operating limitations, or are hamstrung by regulations, will not enjoy the level of air service their communities want – and need – to be global players. Since the competitiveness of Canada's trade, as well as its gateways and corridors, are in large part reliant on the competitiveness of our transportation system, a key part of the Review Panel's work will be making recommendations to improve the policies negatively impacting the competitiveness of Canada's airports and air transportation system.

**Competitive transportation, particularly air transport, is the key to our international trade and role as a gateway.**

**Canadian airports will play a key role in determining how effective Canada will be in the new global environment.**

## Responses to Review Panel Questions

### *Canada in a Global Context – Questions and Responses*

**General Comments.** Canada's airports operate in a global context. This is a fundamental and critical element that is poorly understood by many, including some federal policy makers who erroneously view airports as local monopolies shielded from competition. As a result of this misunderstanding, the impacts of Canadian policy on airport competitiveness is often downplayed or ignored.

The airports operated by ADM, GTAA, and VAA have limited monopoly power as travellers have viable options to access competing airports. Origin and destination travellers can, and do, drive to nearby competing airports in order to access competitive fares and services. Seattle, a major U.S. airport, is only a 2½ hour drive from Vancouver and offers service by a wide range of U.S. and overseas carriers, including carriers such as Air France who are currently blocked by Canada's treaties from serving Vancouver.<sup>5</sup> Buffalo NY is only a 2 hour drive from Toronto, and offers service by AirTran, American Eagle, Continental, JetBlue, Northwest, Southwest, United, and US Airways. Burlington, VT is only a 2 hour drive from Montréal, and offers service by Continental, Delta, JetBlue, Northwest, United, and US Airways. Plattsburgh International Airport, less than 1.5 hours from Montréal,



<sup>5</sup> All travel time estimates are from airport to airport, as calculated by Yahoo Maps.

markets itself as “Montréal’s U.S. Airport.”<sup>6</sup> While many business travellers may not wish to make this drive, they do have options such as corporate aircraft, charter aircraft and even scheduled services out of secondary airports (e.g., St. Hubert Airport just across the river from Montréal in Longueuil), as well as technology options such as tele-conferencing and video-conferencing.

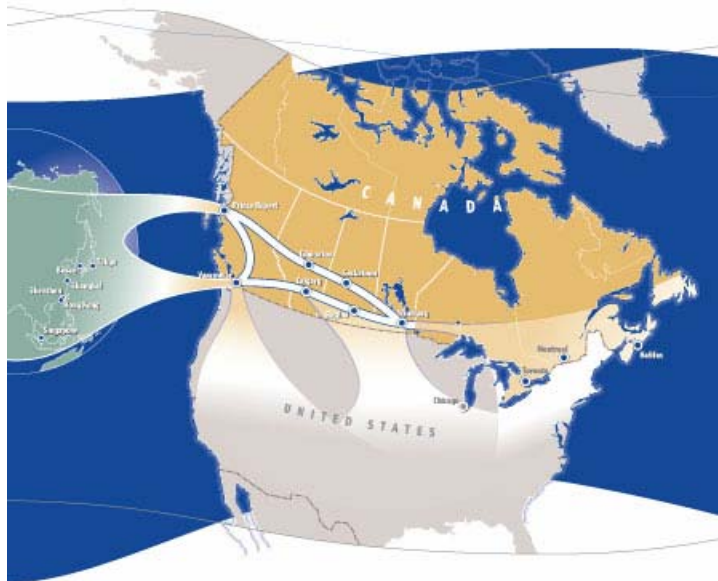
For connecting or gateway passenger traffic, the options are even greater. Traffic between Europe and the Americas can move via New York, Indianapolis, Boston, Atlanta, Charlotte, Miami etc. just as easily as via Toronto or Montréal. Similarly, traffic can move between Asia and North America via Seattle, Portland, San Francisco, Los Angeles, Denver, Chicago, Minneapolis etc. just as easily as via Vancouver.

**Canadian airports compete with U.S. airports for gateway traffic and for a significant portion of the traffic traveling to/from their own communities.**

While passenger services receive the bulk of policy attention, air cargo is a key component of international trade. While air cargo carries a small proportion of international trade (5% by weight), this is critical as this represents 36% of international trade when measured by the value of the goods traded.<sup>7</sup> Air cargo thus should not be overlooked by policy makers.

The competitive options for origin/destination freight are even greater than for passenger travel, as freight can be circuitously routed to access competitive air services. Air cargo moving to or from Canada is often routed by truck from/to U.S. gateways such as Los Angeles, Chicago, Dallas, New York and Miami. Thus, whether cargo is gateway traffic or origin/destination traffic, Canada’s airports are competing vigorously with U.S. airports. This has important policy implications since carrier/forwarder/shipper decisions on how cargo is routed has significant consequences for the level of air cargo service available at Canadian airports. This in turn affects the cost and quality of air services for Canadian trade and the attractiveness of Canadian communities for foreign and domestic investment, and the attractiveness of Canadian communities as places to work and live.

Currently, Canada’s competition and investment regulations and policies, as well as fiscal and operational regulations and policies,



Source: Transport Canada; <http://www.tc.gc.ca/majorissues/APGCI/menu.htm>

<sup>6</sup> Plattsburgh received its airfield free from the military and enjoyed 100% government subsidization of its terminal and associated equipment. It therefore has no interest costs, amortization or depreciation, and pays no rent or property taxes, giving it a significant competitive cost advantage over Montréal.

<sup>7</sup> Estimate provided by IATA: <http://www.iata.org/whatwedo/cargo>.

are not compatible with the competitive realities of Canadian airports, *or with their role as national and continental gateways that the government itself wants airports to play*. There are regulations and policies that reduce competitiveness by negatively impacting costs, and others that reduce competitiveness in a manner aside from costs. Both are discussed below.

**Cost-based competitiveness issues.** The key regulations and policies that have negative cost impacts that detract from Canadian airport competitiveness are as follows:

**There are a myriad of Canadian fiscal and operating policies and regulations which make its airports uncompetitive with the U.S. airports they compete with...**

- **Airport rent.** Canada charges ground rent to Canadian Airport Authorities (CAAs) as part of their lease obligations. Only a small portion of what is collected by government is reinvested in air transportation, resulting in a large drain from the industry. U.S. airports do not pay ground rent, allowing them to charge lower user fees and attract traffic that otherwise could come through Canada. In the case of Toronto, airport rents currently amounts to approximately \$150 million annually, an incremental amount which needs to be charged to passengers, shippers and airlines. The International Air Transport Association has repeatedly noted that only two other nations besides Canada charge airport rent: Ecuador and Peru. This reinforces the need for Canada to revisit this model.
- **Payment in Lieu of Taxes (PILT).** Although CAAs are exempt from municipal taxes by virtue of being on federal lands, they pay PILT. U.S. airports do not pay municipal taxes, giving them a financial advantage over their Canadian competitors. In the case of Montréal, this amounts to a \$35 million a year charge that its U.S. competitors do not face.
- **No access to tax free bonds.** Although the Canadian government sees airports as providing a public good, it still requires not-for-profit CAAs to issue debt under normal commercial conditions. The U.S., on the other hand, in recognition of the role of airports and their capital intensive nature, allows U.S. airports to issue tax-free bonds. This gives them access to debt at lower than normal commercial rates.
- **GST.** CAAs pay GST to the federal government. There is no equivalent for U.S. airports. Similarly, NAV CANADA (the provider of air navigation services in Canada) pays GST, whereas its U.S. equivalent, the Federal Administration, (FAA) does not. GST raises the cost of air transportation in Canada relative to the U.S. While it is true there are taxes on airfares and cargo waybills in both the U.S. and Canada, the U.S. reinvests these taxes back into the industry, whereas in Canada, these monies are a drain from the industry. In the case of Toronto, this fiscal penalty is estimated to be about \$125 million annually.
- **Fuel tax.** Provincial and federal fuel taxes go into general revenue accounts. In contrast, the U.S. fuel tax is reinvested through the Airport and Airway Trust Fund. For the three Canadian gateways, this penalty ranges from \$35 to \$95 million annually.
- **Higher technical standards.** While Canada and the U.S. have similar safety standards (and exemplary safety records) Canada does impose different technical standards. A key difference is that Transport Canada requires 200' wide runways, in contrast to countries such as the U.S. and Australia which only require 150' wide runways at major airports. This imposes additional capital, maintenance, and operating costs (e.g., snow removal).

- **Higher federal inspection service costs.** Canadian airports not only have to provide space at no cost for federal inspection services for international traffic (as is the case in the U.S.), but Canadian airports are required to provide space for U.S. preclearance facilities – a cost U.S. airports avoid entirely.
- **Modal discrimination for security costs.** Air travellers in Canada are required to cover the full costs of the provision of security. Travellers using rail, bus, ferry or automobile, do not pay for the full costs of security. This puts aviation at a competitive disadvantage.
- **Lack of federal funding for airport capital projects.** The Canadian government provides no funding for national airports, and has a modest program for safety related projects at regional airports. In sharp contrast, the U.S. government not only reinvests the fees it collects from the various air transport taxes back in to the Airport Improvement Program, it subsidizes the program from the General Fund. If YVR was a few miles south in Washington State, it could anticipate capital support in the range of \$10 million a year.
- **EAS and SCASDP subsidies.** The U.S. government subsidizes essential air services and small community air service development. Large airports benefit from these to the extent they receive new services from small communities. Canada provides no equivalent.
- **Other U.S. subsidies.** While the majority of FAA funding comes from user fees, close to \$2.6 billion is provided from general revenues. Allocated on a per passenger basis, this would be equivalent to an \$80 million annual benefit for operations at Toronto Pearson International Airport.
- **Lack of recognition of public benefits from air transport security.** While aviation security costs are completely covered by user fees in Canada (in fact, more has been collected in user fees than has been expended), the U.S. recognizes the public benefits from security and does not require travellers to cover 100% of costs. In the case of Montréal, this would save users in excess of \$45 million annually.

In order to more fully frame the context for Canadian airport competitiveness, it should be noted that a number of past policies have harmed the current competitiveness of Canadian airports:

- **NAV CANADA asset purchase.** NAV CANADA acquired the air navigation system (ANS) assets of Transport Canada when it took over responsibility for ANS. The switch from government fund accounting to accrual accounting means that users of the service are now paying retroactively for assets that had already been purchased under the previous accounting approach. While one might argue this represents fair compensation for assets, it does impose a cost burden not faced in the U.S. Furthermore, the U.S. subsidizes the provision of air navigation services; in Canada this is fully funded by user charges.
- **Deferred federal investment in airports.** From the 1980s up until the time airports were transferred from the federal government, the federal government's austerity program meant that needed capital investment in airports was simply ignored. The airports that CAAs and others inherited suffered from this lack of investment, and the new operators needed to make large investments to "catch up" from years of neglect before dealing with facility expansion to meet

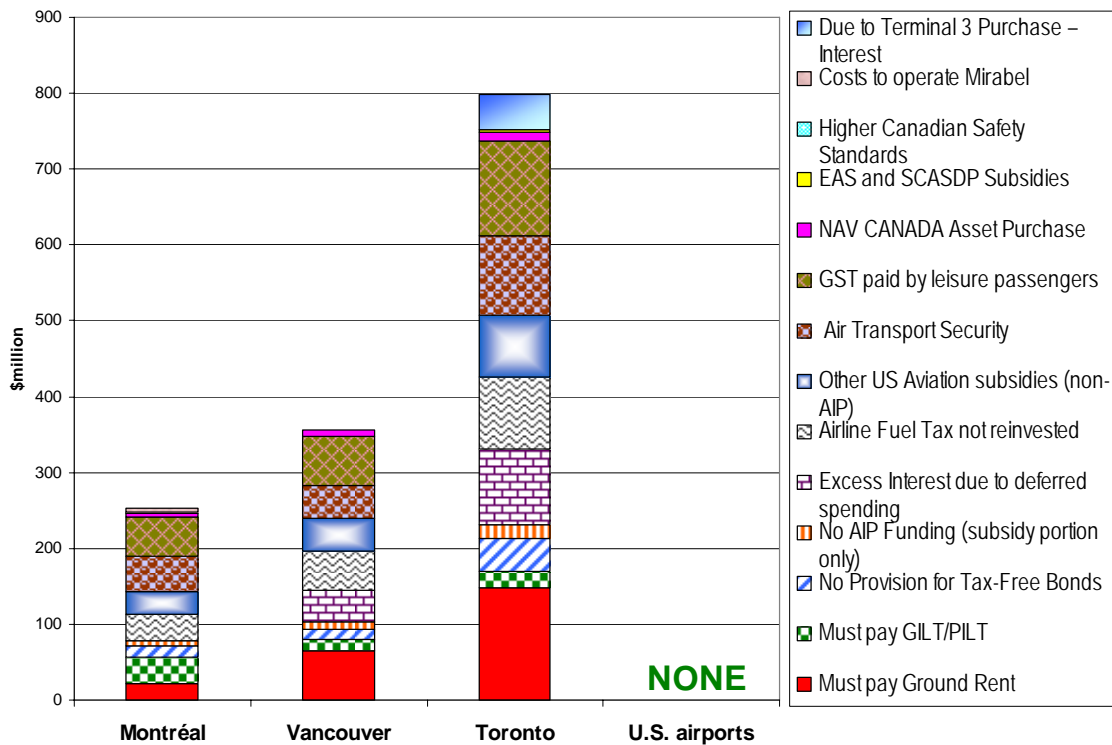
**...as well as a myriad of U.S. policies we have not adopted which make their airports even more competitive than ours.**



growing market demands. This resulted in massive debt loads and debt servicing costs. In the case of Toronto, this is costing GTAA almost \$100 million annually.

- **Purchase of T3.** When GTAA assumed control over Pearson International Airport, it acquired Terminals 1 and 2, but not T3, which was independently owned. In order to effectively facilitate development of the airport, GTAA needed to acquire this facility. No other airport in North America has needed to do anything of this nature. The annual interest expense from this buy-out (as well as those for some cargo facilities and improvements to Terminal 2) is in excess of \$45 million.
- **Mirabel.** ADM inherited two airports, Dorval (now Pierre Elliot Trudeau) and Mirabel. No other airport authority in North America was required to operate two full-fledged airports with fewer than 10 million passengers combined. This adds an additional cost of \$5 million annually for operations.<sup>8</sup> This excludes the additional PILT from having a second facility.

The following chart summarizes the impact of policy imposed cost penalties on Canada's major airports. To put this in context, the additional costs for GTAA represent about 80% of its total revenues.



Source: Inter VISTAS Consulting Inc., *The Role of Government Policy in the Cost Competitiveness of Canadian Aviation: Impacts on Airports and Airlines.*

<sup>8</sup> As recently as 2000, the cost of running the two airports was as much as \$23 million per year. It is due to the rationalization of service, aggressive cost-cutting and conversion of existing facilities to alternative uses that has lowered this cost to the current level.



**Non-cost competitiveness issues.** The key regulations and policies that have negative cost impacts that detract from Canadian airport competitiveness are as follows:

- **Airport access/international air policy.** The U.S. provides an open access environment (“open skies”) that allows U.S. communities and airports to attract foreign and domestic services that meet the needs of each individual market. Canada has taken a step in this direction with the Blue Sky Policy, which advocates open skies under certain conditions. Blue Sky, however, does not go far enough or fast enough to meet the needs of Canadian communities and airports. In practice, Canadian international air policy is still relatively restrictive, prohibiting services that are needed to develop our economy to the fullest in order to limit competition to protect the financial interests of Canadian air carriers. In large part, Canadian communities and gateways do not have the international access that their U.S. competitors do because of this restrictive policy. While Canadian airports have the potential to be key enablers in global supply chains by serving as gateways, Canadian links to many global aviation-based supply chains are often “broken” because of the anti-competitive, restrictive nature of Canada’s international air policy.
- **Arrivals Duty Free.** Passengers arriving in Canada cannot purchase duty free goods – only those departing Canada can. In contrast, there are 52 other nations that allow arrivals duty free, including Australia, Singapore, India, Jamaica, Barbados and Mexico. Given security concerns, this puts Canadian operations at a competitive disadvantage. Those leaving Canada can defer purchase to their arrival overseas in order to avoid security issues if they are carrying liquids (alcohol or perfume) when transferring aircraft during their trip, and to avoid having the hassles of an additional carry-on item. Passengers travelling to Canada, on the other hand, have to purchase duty free overseas or not at all. As a result, sales of \$60 million are lost/displaced annually – a significant loss for Canadian operations.
- **Transit Without Visa (TWOV).** Transit Without Visa to the U.S. is a program that allows foreign nationals to transit through Canadian airports to the United States without a Canadian Visa *provided* they have a valid U.S. visa. A pilot TWOV program for four Asian countries has been in place for over 10 years at Vancouver International Airport and the Federal Government is proposing to convert the pilot into a permanent program but still limited to passengers transiting to the U.S. Expansion of TWOV to allow foreign nationals to transit through Canada en route to other international destinations would further enhance Canada’s gateway competitiveness.
- **International Transfer/Departure Facility (ITDF).** An International Transfer/Departure Facility permits travelers who are simply connecting from incoming international flights to departing international flights at Canadian airports to by-pass formal CBSA inspection formalities, as is the case at the most successful global gateways. Since most U.S. airports have limited, if any, overseas air services, the majority of U.S. originating passengers must connect over a U.S. gateway to reach their international destination. Canada’s gateways are disadvantaged in accessing this connecting market because these U.S. origin passengers are required to go through border processes at Canadian airports before they can transfer to a connecting flight. U.S. airlines and U.S. airports have a competitive advantage because of U.S. Preclearance which allows Canadian origin passengers to connect seamlessly at a U.S. gateway, effectively allowing U.S. carriers to combine Canadian connecting traffic and U.S. connecting traffic at their international gateways. Allowing ITDFs in the Canadian airport environment is imperative for competing with U.S. gateways by building additional gateway traffic, leveraging new routing possibilities and providing a fast connection time for travelers.

- **Foreign Trade Zones.** Canada introduced the “Export Distribution Centre” program to serve as Canada’s equivalent to the Foreign Trade Zones programs common in the U.S. and other nations. Canada’s program, however, is complex and restrictive in nature. This has limited its impact. A more user friendly and less restrictive approach would make Canadian gateways attractive locations for value-added activities to take place.

These cost and non-cost issues represent significant impediments to the ability of Canadian airports to act as facilitators of international trade, as North American gateways, as tools for attracting talent, capital and innovation, and as the engines of economic development. As discussed below, revisions to Canada’s investment policies will help improve the competitiveness of Canadian airports and airlines. Nevertheless, as the summary above illustrates, revisions to Canada’s competition laws and investment rules alone will not satisfactorily address the outstanding issues. We believe that for the Review Panel to succeed in its task of providing “recommendations to the government on how to enhance Canadian productivity and competitiveness” it needs to make recommendations concerning competition, investment, fiscal, and operating policies and approaches, particularly with respect to the issues outlined above.

We now turn to the specific questions posed by the review Panel.

**Question 1: Should Canadians be concerned about foreign takeovers of Canadian firms? How important is domestic control and ownership of Canadian business activities to Canada’s economic prospects and ability to create jobs and opportunity for Canadians?**

Air carriers historically were owned by governments and used as instruments of national policy. The trend over the past few decades, however, has been privatization of national carriers. With a commercial focus, most air carriers no longer serve as instruments of government policy.<sup>9</sup> In the absence of a national

policy mandate, airlines could conceivably be owned by foreign interests. Foreign owners would have the same commercial interests as domestic owners – profitable and effective air services -- and hence would be expected to react no differently to airline performance than Canadian investors.

**There is increasing recognition around the world that foreign ownership limits on airlines act as unreasonable impediments to the globalization of air transport.**

Air carriers, however, have had strict foreign ownership limits imposed on them. This is not unique to Canada; in fact this is a general rule due to the structure of regulatory environment governing international air transport. Nations have sovereignty over the airspace above their territory. Thus, any airline wishing to enter the airspace of any nation requires permission to do so.<sup>10</sup> To deal with this, a series of international air service agreements (also know as air bilateral agreements, or simply “bilaterals”) were reached between pairs of countries to formalize what carriers could enter their airspace and for what purposes. The key point from the perspective of this review is that these agreements include a standard clause that specifies that any carrier(s) designated for international service must be substantially owned and controlled by the

<sup>9</sup> In some cases, governments still use airlines as policy instruments, but through the provision of subsidies rather than fiat. For example, the U.S. has an Essential Air Service Program, which guarantees services to smaller communities by providing a subsidy when the market itself cannot support a viable service. Policy is served, and the commercial interests of the air carriers are preserved.

<sup>10</sup> This is not limited to carriers wishing to transport goods to/from that nation. Even if they merely want to land to refuel, or even simply pass through, permission is required.

government or nationals of the designating nation.<sup>11</sup> Thus if a carrier such as Air Canada would be viewed as no longer being substantially owned and controlled by Canadians, it could lose the right to offer international services to/from other nations.<sup>12</sup>

It must be noted that air carriers and governments around the world are recognizing that this places an unreasonable restriction on the ability of air carriers to raise capital and on mergers/acquisitions that could lead to improved air services. The International Civil Aviation Organization, a UN organization of the contracting states, is proposing the replacement of the standard "ownership and control" provision of bilaterals by a "principal place of business" clause. This would allow a carrier such as EasyJet, which is owned by Greek investors but established in the U.K. to offer services between the U.K and other nations. The European Union is requiring recognition of the "Community Carrier" clause which would allow any EU carrier to offer international services from any EU nation to a third nation regardless of ownership.

As a result of these initiatives, the historical need for preserving national ownership of flag carriers is becoming irrelevant.

Furthermore, it should be noted that airline alliances were created in large part as a means of circumventing foreign ownership restrictions and allowing carriers to do what the market wanted, but government restrictions prohibited. This indicates widespread market pressures for relaxation of foreign ownership provisions over airlines. Canadians should therefore not fear increased foreign ownership of airlines.<sup>13</sup>

While the issue of airline ownership restrictions has been discussed in Canada and elsewhere for many years, the issues of airport ownership restrictions are just coming onto the agenda of policy makers. The airports that were among the first to be transferred (including Montréal and Vancouver) are beginning to experience market reservations about significant investment in airport facilities because of concerns about the length of the remaining term on the lease with the federal government. This is beginning to impact the confidence of investors that they will be able to recoup their investment prior to the expiry of the lease and the uncertainty about what will happen after that point. There are also more general questions about end of lease issues, and access to equity capital. It is suggested that the Review Panel recommend to the federal government that it take up a separate review to examine Canadian airport ownership issues.

**Question 2: How important are company headquarters to Canada's economic prospects and ability to create jobs and opportunity for Canadians? How important are global divisional head offices? What factors influence their location?**

We believe that company headquarters are in fact important to Canada's economic prospects and the creation of well-paid and influential jobs. We furthermore note that good domestic and international air access is fundamental to the decision on where to locate head offices. Given the increasingly global perspective of large, medium and even small firms, the ability to quickly, conveniently and cost-effectively

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<sup>11</sup> This is an old mercantilist approach which sought to balance the benefits from trade between the two parties.

<sup>12</sup> In fact, following the emergence of Air Canada from bankruptcy protection under the *Companies' Creditors Arrangement Act*, foreign investors held the vast majority of the economic interest in Air Canada. To ensure it was still viewed as "Canadian" an accordion share structure was used that keeps foreign shareholders from casting more than 25% of the votes at shareholder meetings.

<sup>13</sup> It should be noted that there are no foreign ownership restrictions on CN, CP or trucking firms, and Canada has continued to be well served by these key transportation service providers.



move people and goods by air to global markets is essential. Locations that do not provide this capability are unlikely to be selected as a site for head offices. As a result, having competitive airports and air services – in other words eliminating competitive policy impediments for Canadian airports – is essential for Canada to be considered a site for company or divisional headquarters.

**A more competitive policy environment for Canadian airports would enhance Canada's ability to attract company and divisional headquarters.**

**Question 3: How do Canada's policies impacting direct investment, both inward and outward, affect Canada's competitiveness as a destination for FDI and as a platform for global growth?**

Restrictions on foreign ownership make it more difficult for Canadian carriers, and in particular the major flag carriers such as Air Canada (and Canadian Airlines International when it existed), from expanding as quickly and as much as they might wish.

As for outward investment, it is not Canadian policy but the policies of foreign governments that hold back Canadian carriers from potentially acquiring foreign carriers.

**Question 4: Do Canada's economic policies appropriately reflect our increased integration with the North American global economy? How might these policies be changed to better reflect this new competitive environment?**

Canada, the U.S., and Mexico have a high degree of economic integration, yet air services within each country are reserved for carriers owned by the nationals of each respective nation. While the Canada-U.S. open skies agreement allows any carrier to serve any point in the other nation from any point in their own country, in practical terms, carriers can only serve the main gateway markets, and have limited access to smaller communities. Granting the right for Canadian investors to establish an air carrier in the U.S. (and U.S. investors to establish an air carrier in Canada) that could provide feeder services into the gateway communities would be a means of allowing Canadian air carriers to play a more integrated part of the North American economy.<sup>14</sup>

**Despite NAFTA, aviation policy prevents integration of air services and impedes the cross-border flow of people and goods.**

## ***Investment Polices – Questions and Responses***

Canada's *Investment Canada Act* does not directly affect Canadian Airport Authorities as they are non-share, not-for-profit, community-based organizations for whom the question of foreign ownership is moot. Furthermore, though foreign ownership in Canadian airlines is an important question for the industry, this is governed by a sectoral specific regime incorporated within the *Canada Transportation Act*. As a result, we feel it more appropriate to leave it to other more directly impacted stakeholders to comment on the specific questions posed by the Review Panel regarding the ICA and the more general investment review procedures.

<sup>14</sup> This is referred to as Right of Establishment. It is recognized that this is a problematic issue for the U.S., which has a legislative prohibition, and a very strong lobby, against foreign carrier operation within the U.S. domestic market.

## **Sectoral Investment Regimes – Questions and Responses**

Canada imposes a sectoral specific foreign investment regime for air carriers. It has no foreign investment limits placed on railways, bus companies, ferry operators or trucking companies.

Currently, foreign ownership in Canadian air carriers is limited to 25% of voting shares.<sup>15</sup> Air Canada, WestJet and Air Transat have a complicated “accordion” share structure to accommodate increased foreign investment. Even though foreign investors can hold more than 25% of the outstanding “voting shares” they must hold a separate class of voting shares that have restrictions such that when combined they do not represent ownership of more than 25% of the voting interest or 25% of the votes cast at a shareholders meeting.

**Question 1: What changes, if any, are required to Canada’s sectoral investment regimes to minimize or eliminate negative impacts on Canada’s competitiveness?**

The foreign ownership limit should be changed immediately from 25% to 49%. This can be done without legislative change, simply through an Order-in-Council. This change will allow for an influx of foreign capital which can be used to expand and increase services. As bilateral air service agreements change to incorporate the “principal place of business” clause instead of the historical “ownership and control” clause, Canada should further relax foreign ownership limits to allow for potential mergers between Canadian and foreign air carriers. This will allow further integration of services to improve Canada’s access to global markets.

**Canada should immediately raise the foreign ownership cap from 25% to 49%, and eliminate it once bilateral air agreements allow this.**

In addition, Canada should eliminate the foreign ownership restrictions on domestic carriers (i.e., grant Right of Establishment). This would allow foreign carriers to set up feeder services to provide “beyond the gateway” access.<sup>16</sup>

**Question 2: What have been the impacts of these investment regimes on productivity and competitiveness in the specific sectors?**

Canada has a relatively small pool of financial risk capital, while airlines are capital intensive firms. Foreign ownership restrictions have thus made it more difficult, and expensive, for Canadian air carriers to raise the capital needed to purchase new aircraft and expand services to the extent desired.

**Canada’s foreign ownership limits raise the cost of capital for Canadian carriers and hinder access to capital.**

<sup>15</sup> The *Canada Transportation Act* has provision for increasing this to 49% through Governor in Council.

<sup>16</sup> Beyond the gateway (BTG) access remains an outstanding policy issue from the AC/CAI merger. With the disappearance of CAI, only the Star Alliance (of which Air Canada is a member) has effective BTG access to Canadian markets. Carriers outside of the Star Alliance have been shut out of markets they want to serve, but cannot effectively access. This policy shortcoming results in a failure to capture latent demand for many tourism markets, and also limits trade opportunities by restricting competitive air access to only a few markets. It also limits the ability of Canadian airports to act as true gateways, funneling overseas traffic throughout Canada and North America.

Canada's restrictions on foreign ownership of air carriers has also prevented airlines from entering mergers. Without mergers, it is difficult for any carrier in a competitive environment to grow to the scale of a truly global carrier. In the absence of the ability to undergo mergers or acquisitions, air carriers have instead entered into airline alliances. These alliances are effectively a "second best" approach to achieving the degree of integration between carriers that is needed to function in a global environment and fully realize economies of scale and scope.

**Question 3: Are there alternative mechanisms that would achieve the non-economic policy objectives of the sector while also ensuring maximum competitiveness of firms operating in the sector?**

Concerns about the location of headquarters could be addressed in any investment review process that is established once foreign ownership levels are liberalized. Concerns about the level of service following increased foreign ownership do not appear reasonable in a competitive environment: service will be provided where the market demands it, regardless of the nationality of the primary shareholders.

### **Competition Law – Questions and Responses**

ADM, GTAA and VAA encourage the Review Panel to consider a broad definition of "competition law" and "competition policies." While the *Competition Act* and its related regulations and the *Competition Tribunal Act* are keys to Canadian competitiveness, "competition policy" encompasses a range of policies beyond those specifically dealing with restraint of trade, predatory pricing, etc. Competition policy covers a broad range of policies that either facilitate, or hinder, how competitive individual Canadian firms/organizations are relative to their global competitors. As noted above, there are numerous transportation and government fiscal policies which dramatically affect Canadian airport competitiveness.

**Question 1: How does Canada's competition policy affect Canadian competitiveness in an environment of globalization and free trade?**

Canada's "competition policy" should be an over-riding policy that helps establish a context for Canada's taxation, trade, fiscal and investment policies. This is not to say that social, health or environmental objectives, or issues of equity, aid or compassion should not play a role – these are key elements which characterize Canada. However, our ability to pay for social, health and environmental programs, as well as address inequities, administer aid and show compassion is in large part dictated by our economic competitiveness and productivity. Decisions regarding taxation, trade, fiscal policy and investment need to be made with a clear understanding of the cost being imposed on competitiveness and productivity.

Unfortunately, competitiveness issues play a limited role in making other key Canadian policy decisions, particularly as they relate to Canadian airports and air transportation. The list of airport competitiveness issues include excessive airport rent, excessive PILT, lack of access to tax free bonds, GST, fuel taxes, NAV CANADA asset purchase repayment, deferred federal investment in airports, higher technical standards, purchase of T3, operation of Mirabel, higher federal inspection service costs, lack of federal funding for capital projects, significantly lower level of federal support for aviation, air navigation and air security costs, more restrictive international air policy, and the lack of arrivals duty free. This long list illustrates that many airport and air transport related decisions are made without a full appreciation of the negative impact they have on airports and their ability to facilitate

**By failing to take larger competitiveness impacts into account in Canadian transportation and fiscal policies related to airports, Canada reduces its ability to compete in the global environment.**

trade. Competitiveness needs to be raised to the level of a core policy – currently it seems more of a “motherhood” statement rather than a policy driver.

**Question 2: What changes to Canada’s competition regime would enhance the competitiveness of Canadian firms in the global economy? What international best practices, if any, would strengthen Canadian competitiveness as a destination for foreign investment if we were to adopt them?**

Eliminating the fiscal and operating penalties Canadian policies impose on airports would enhance the competitiveness of Canadian airports. This in turn would enhance the competitiveness of Canadian firms, organizations and industries which rely on competitive air access for their economic livelihood. This includes, but is not limited to, the tourism industry, professional services, exporters, importers, manufacturers, distribution and logistics firms, value-added service providers and Canadian airlines and trucking firms.<sup>17</sup> If Canada would adopt U.S. funding and support practices regarding airports, air navigation services and air services, our communities would enjoy more competitive international air access, and present investors with a higher level of air service that would significantly enhance the attractiveness of Canadian locations for investment.<sup>18</sup>

**Canada should immediately address those fiscal and operating policies that impose a cost disadvantage on Canadian airports.**

**Question 3: Does Canada’s approach to mergers strike the right balance between consumers’ interest in vigorous competition and the creation of an environment from which Canadian firms can grow to become global competitors?**

Canada’s prohibition of cross-border mergers of air carriers has not necessarily resulted in a more competitive environment. While there are a large number of foreign air carriers competing with Air Canada and other Canadian carriers providing international service at the main Canadian gateways, the lack of adequate beyond the gateway service for non Star Alliance members has actually diminished competition in these markets. Allowing cross-border mergers would not diminish the level of competition that exists today, and could increase it as oneworld, SkyTeam, or another alliance/carrier develops their own beyond the gateway carrier(s).

**Canada should also consider adopting some or all of the U.S. policies which support airport and air transport development.**

## ***Promoting Canadian Direct Investment Abroad – Questions and Responses***

The Panel’s mandate is correctly predicated on the realization that with our small domestic market, Canada’s prosperity is driven by trade. In turn, this requires Canadians to be able to make direct investments abroad. Federal airport policy, in sharp contrast, imposes limits on the ability of CAAs to invest in airports abroad, either directly or via subsidiaries. There is an opportunity to further Canada’s direct

<sup>17</sup> While some of the international gateway traffic that would arrive in Canada would move to the U.S. and Mexico by air, a large portion would be distributed by truck. Rail would likely see limited incremental traffic.

<sup>18</sup> This is not to suggest Canada necessarily adopt the U.S. approach. The high degree of government involvement in FAA funding, for example, is holding back modernization of the air navigation system. Rather, what is suggested here is that Canada stop treating aviation as a cash cow for taxation purposes and view it as an integral part of the infrastructure that is necessary to function in the modern global environment.

investment abroad by allowing more investment freedoms for CAAs and subsidiaries of CAAs. In fact, there is an opportunity for Canadian airports to enhance the scale of Canadian headquarters and other decision-making establishments by facilitating Canadian ownership and operation of foreign-based airports.

**Question 1: What barrier, either formal or informal, do Canadian firms face when seeking to make investments and acquisitions abroad?**

The Government of Canada, in its proposed *Canada Airports Act* indicated a desire to impose limits on the ability of Canadian Airport Authorities to invest in airports abroad, either directly or via subsidiaries. This decision was made because of a concern that the financial exposure of the authority (or its subsidiary) resulting from the purchase of another airport or capital projects at that other airport might jeopardize the operation (or cost structure) of the Canadian home airport.

As the performance of YVR Airport Services (YVRAS) shows, however, Canadian airport authorities can excel at owning/operating airports elsewhere. YVRAS operates 18 airports in the Bahamas, Canada, Chile, Cyprus, Dominican Republic, Jamaica, and Turks and Caicos, and has won numerous awards for their performance.

ADM, GTAA and VAA should have latitude to pursue additional overseas opportunities. The profits generated from these ventures would flow to the not-for-profit CAAs to fund capital and operations, thereby reducing fees charged in Canada and making CAAs more competitive. In addition, the opportunity for Canadian CAAs to invest in foreign airports could enhance Canada's role in global decision-making by having these airports essentially headquartered in Canada. Canada seeks to have more of the world's decision-making activity take place here – Canadian airports offer an excellent opportunity to do just that. New legislation/regulations should not introduce new restrictions that limit the ability of Canadian Airport Authorities to take advantage of foreign investment opportunities.

**Question 2: How should the government adapt its policies to promote increased Canadian direct investment and acquisitions abroad? What measures have been adopted by other countries that are relevant to Canada?**

CAAs and their subsidiaries should be allowed to be more aggressive in seeking overseas investment opportunities.

**Question 3: Are there policies or approaches that would be useful in addressing the particular challenges faced by small and medium-sized enterprises as they seek to become global competitors and participants in global value chains?**

n/a

**Question 4: What impact does a higher-value Canadian dollar have on CIDA?**

The higher value of the Canadian dollar makes Canadian investment more powerful. On the other hand, as returns are earned in relatively lower value foreign currencies, the strong dollar has a negative impact on earnings.

**Canada should not impose restrictions on CAA and their subsidiaries which limit their ability to take advantage of foreign airport investment opportunities.**



## ***Becoming a Destination for Talent, Capital and Innovation – Questions and Responses***

Becoming a destination for talent, capital and innovation is strongly influenced by global supply chain considerations and the globalization of value chains. This objective requires recognition of the need for efficient transportation infrastructure and operational flexibility in order to provide the competitive access that globalization requires.

In addition to addressing the Canadian policies that impose a cost or non-cost penalty on Canadian airports, this also requires the Canadian government to be more receptive to U.S. style government infrastructure investment as well as private-public partnerships to develop airport infrastructure. Openness to government investment, and acceptance by government that airport investment is in fact an investment in Canada's prosperity, is needed. This new philosophy has to replace the current view of airport infrastructure and air carrier services as cash cows for government coffers.

**Canada's ability to serve as a North American gateway will depend in large part on the competitiveness of its airports and global air access.**

Becoming a destination for talent, capital and innovation also requires full implementation of the open skies air policy and adequate provision of behind the gateway access through Right of Establishment.

**Question 1: How can Canada better promote inward FDI? What policy change could contribute to the achievement of this objective?**

Competitive air access is critical to attracting capital, regardless of sector. Investors want easy access to the companies/facilities they are purchasing. If access is difficult, infrequent, or costly, competing investment locations will be considerably more attractive and Canada will not receive the level of inward FDI it requires to keep our economy vibrant.

**Canada's attractiveness as a location for talent, capital and innovation will depend in large part on the competitiveness of its airports and global air access.**

Addressing policy issues hindering Canadian airport competitiveness is thus key to attracting inward FDI.

**Question 2: In particular, what mix of policy changes would be required to make Canada the preferred point of entry to, and location in, the North American market for the high-value activities of non-North American business entities?**

The different policy approach to airports and air transportation between the U.S. and Canada effectively makes air access to U.S. points far more competitive than it is to Canadian points. It must be acknowledged that the size of the U.S. market in general gives it a competitive advantage over Canada, but Canadian policy goes a very long way to exacerbating the difference. In fact, Toronto is one of the largest international air markets in North America, but Canadian policy imposes a significant cost penalty on Pearson International Airport compared to its U.S. competitors. Until Canadian policies (broadly defined) recognize the importance of the competitiveness of Canadian airports, and address the outstanding issues, Canadian airports will be hard pressed to be the preferred point of entry, and location in, the North American market for the high-value activities of overseas businesses. This would be a significant loss to Canada, given the strategic advantages Canadian points enjoy as gateways for European and Asian trade with North America.

**Question 3: Is the modernization of Canada's competition and investment laws sufficient for successfully attracting foreign direct investment in Canada? What other priorities and policy issues should governments address?**

As noted above, there are numerous airport, air transport, and fiscal policies that greatly diminish the competitiveness of Canadian air access, and hence make Canada a less attractive location than the U.S. for FDI. This affects investment in all sectors, not just air transport. These broader issues also have to be addressed if Canada is to be successful; modernizing Canada's competition and investment laws alone will not suffice.

**Question 4: What impact does a higher value Canadian dollar have on Canada's competitiveness as a destination for investment?**

We note that in times of a high-value Canadian dollar, competitive air access becomes particularly critical. Competitive air access can be an important mitigating factor for foreign investment decisions.

**Question 5: What further could be done in Canada to promote an ongoing review of Canadian competition, investment and productivity performance aimed at Canada's sustained competitiveness?**

Competitiveness, investment and productivity need to be cornerstones of Canadian fiscal and other policies. This is not to suggest that social, health, environmental or other objectives are not important, but policy decisions need to be made with an understanding of their impact on competitiveness, investment and productivity, and hence on Canada's ability to sustain an economy that can pay for the social and environmental programs Canadians desire.

## A Final Comment

The task of the Competition Policy Review Panel is a critical one for Canada's future prosperity. Competitiveness is a real and pressing issue, not just for Canada, but for all nations. Glenn Tilton, CEO of United Airlines, noted in an address to the Chief Executives Club of Boston recently that the U.S. airline industry used to lead the world in innovation efficiency and competitiveness, but no longer does. Legacy systems, special interests seeking to preserve their benefits, and moribund policies that fail to understand the importance of aviation as a social, economic and business enabler, are threatening U.S. prosperity. He warned that "the reality is that we all compete in the world as it is, not the world as it was, or the world as we might wish it to be... we will all need to evolve, adapt, reinvent – or risk irrelevance in the global marketplace."<sup>19</sup>

**Modernizing Canada's competition and investment laws is not sufficient to ensure success. There are a number of transportation and fiscal policies related to airports that must also be addressed.**

The same is true for Canada. Our competitiveness and investment policies must recognize the global world in which we live, and adapt to enable Canadian airports to play the trade and gateway functions for which they exist. Only with competitive global access can Canadians enjoy the economic prosperity that will enable us to meet our national objectives and global responsibilities.

<sup>19</sup> Centre for Asia Pacific Aviation, "United Airlines CEO, Glenn Tilton, Remarks to the Chief Executive Club of Boston," Thursday 29 November, 2007.

## Summary of Recommendations

The competitiveness of Canada's trade and its gateways is reliant on the competitiveness of our airports. We encourage the Review Panel to include in its recommendations these broader policies that are harming the competitiveness of Canada's airports and air transportation system:

- Revise Canada's sectoral investment policy for aviation by
  - allowing increased foreign ownership of Canada's air carriers; and
  - reviewing Canada's airport ownership policy.
- Revise Canada's competition policy for air transport by
  - implementing the Blue Sky policy immediately and without reservation;
  - implementing a full transit-without-visa and a transfer departure facility program to allow Canada's airports (and air carriers) to act as a true gateway to the NAFTA economy;
  - authorizing arrivals duty free at Canadian airports; and
  - eliminating the many fiscal and operating penalties on Canada's airports and thus level the playing field with US gateway airport competitors.<sup>20</sup>
- Promote Canadian investment abroad by
  - Negotiating reciprocal right of establishment provisions for air carriers initially with the European Union, and eventually with a broad range of economies; and
  - Eliminating from the proposed Canada Airports Act the provision to impose limits on the ability of Canadian Airport Authorities to invest in airport operations abroad.
- Promote Canada as a destination for talent, capital and innovation by
  - Implementing the above recommendations for right of establishment, Blue Sky air service agreements, and eliminating fiscal and operating penalties on Canada's airports.

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<sup>20</sup> The list of airport competitiveness issues include excessive airport rent, excessive PILT, lack of access to tax free bonds, GST, fuel taxes, NAV CANADA asset purchase repayment, deferred federal investment in airports, higher technical standards, purchase of T3, operation of Mirabel, higher federal inspection service costs, lack of federal funding for capital projects, significantly lower level of federal support for aviation, air navigation and air security costs, more restrictive international air policy, and the lack of arrivals duty free.

## List of Abbreviations

|       |  |
|-------|--|
| ADM   | Aéroports de Montréal                                |
| ANS   | Air Navigation Services                              |
| CAA   | Canadian Airport Authority                           |
| GTAA  | Greater Toronto Airport Authority                    |
| ITDF  | International Transfer Departure Facility            |
| NAFTA | North American Free Trade Area                       |
| PILT  | Payments In Lieu of Taxes                            |
| TWOV  | Transit Without Visa                                 |
| U.S.  | United States of America                             |
| VAA   | Vancouver International Airport Authority            |
| YUL   | Montréal-Pierre Elliot Trudeau International Airport |
| YVR   | Vancouver International Airport                      |
| YYZ   | Toronto Pearson International Airport                |

