



ATAC LOOKS AT TWO ISSUES BEFORE GOVERNMENT

THE SALE OF CANADIAN AIRPORTS AND CATSA FINANCING AND GOVERNANCE ARE TWO ISSUES BUZZING IN OTTAWA.

THE SALE OF CANADIAN AIRPORTS

ATAC opposes the sale of major Canadian airports. We believe that the government's intent to sell off major Canadian airports in the hopes of raising billions to finance its numerous non-aviation infrastructure projects is near sighted, extremely detrimental to the Canadian air transport industry, and will result in increased costs for the airlines and their passengers.

Canada's major airports pay over \$300 million annually in airport rent to the Federal Government, at a cost of competitiveness with our US neighbours. C.D. Howe estimated up to 16.6 B\$ could be raised from the sale of airports. This could result in over 500 M\$ additional costs for airports, carriers and their passengers as the investors would expect a reasonable

return on their investments. Furthermore, airports could see their surpluses simply yield higher returns on investments rather than reinvestment in services and infrastructure. To meet their investors' appetite for normal returns, airports will either have to cut services and investments or increase costs.

An absence of strategy is obvious when on the one hand the Federal Government announces to increase foreign ownership of Canadian airlines from 25% to 49% to "facilitate low cost carriers in Canada" while at the same time selling airports which would drive up the costs.

ATAC's request through the Access to Information Act for a copy of the Crédit Suisse study has been denied. This is not surprising if the confidential report outlined the potential pitfalls as well as the benefits of this project.

The privatization of airports in Australia has resulted in costs per passenger to increase by 50%. To add insult to injury, the government would impose a huge new burden on our industry and its passengers while not reinvesting one penny of the billions generated back into aviation. The government would be hard pressed to find a consensus in the air transport industry in support of this project.

ATAC is determined to lobby against such a misguided measure in the hopes that the Federal Government will not jeopardize the long-term well being of the air transport industry for a one-time cash grab. The Prime Minister's Mandate Letter to the Minister of Transport instructs him to hold a "constructive dialogue with Canadians". A real dialogue with the air transport industry would most certainly not result in an endorsement for the sale of these socio-economically critical assets.

THE CANADIAN AIR TRANSPORT SECURITY AUTHORITY (CATSA)

The funding and the governance model of CATSA has always been a serious concern for our industry. For over ten years, we have been asking the government why it found it acceptable that the Air Travelers Security Charge (ATSC) collects over 100 million dollars more per year than is appropriated to CATSA. No answer has been forthcoming.

CATSA operations have often been criticized by authorities and some industry stakeholders. Much of that criticism was misdirected as CATSA has no operational policy decision-making power. That responsibility rests entirely with Transport

Canada. While demand grows every year, CATSA budgets have been lagging behind. With one of the highest ATSCs in the world, Canada is also the exception in that the government has shouldered the travelling public with 100% of the security cost.

The government is studying various business and governance models for CATSA and seems to favour a NAV CANADA type model. The pitfall of applying a user-pay model to a security agency is that the user would only be a payer and would have no decision-making power on the service standards. Consequently, the user could be shouldered with new security measures overnight and be expected to fund them, no questions asked.

We would support a modification to

the status quo whereby the government works collaboratively with CATSA in policy applications and where the ATSC is transformed into a dedicated fee set by CATSA and adjusted to meet its changing needs. This is supported by the Report on Aviation Safety in Canada tabled in the House of Commons by the House Standing Committee on Transport, Infrastructure and Communities.

Why isn't the government sharing in the cost of protecting the Canadian air traveller? We hope that the government is engaged in a real dialogue with stakeholders on the future of CATSA and will consider the opinion of industry rather than simply use this consultation to justify a decision already made.

John McKenna
President and CEO