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L'honorable Dennis Dawson

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Honourable Dennis Dawson

Sénateur

Senator

Remarks to the Convention of the Association québécoise du transport aérien

(AQTA)

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**The Future of Air Travel and
Our Airport System in Canada**

By Senator Dennis Dawson,
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Note: Please check against delivery at the breakfast seminar

Ladies and gentlemen,

I am very happy to be with you this morning and I thank you for your warm welcome. As you can see, and despite the legends, a senator can be wide awake and ready to participate in a breakfast conference at 8:30 in the morning, and even earlier if necessary...

I am all the happier to be here because I am in fact keeping a promise. And yes, there are still politicians who are capable of doing that, too.

I was invited to participate in your convention last year, but was unable to for a number of reasons. I did, however, promise your people that I would attend the following year, i.e., this year, if the invitation was still open.

As it happens, the invitation was still open, and so here I am. And after several months of treatment for throat cancer last summer and fall, and a return to my normal activities as senator since early 2017, you see before you a man who is happy to be here, and to share some ideas about the future of air travel in Canada and Quebec.

I hope you will allow me to begin my remarks with a brief update on the Canadian Senate, as I see it today in our parliamentary system.

We have witnessed a number of changes since Prime Minister Martin appointed me to the Senate in 2005. This was particularly so in the last few months, with the implementation of a new appointment system for the institution. Now, anyone who meets the basic criteria may apply and be considered to become a member of the Senate.

This is the system that has been used to appoint 30 new senators since the election of the Trudeau government in October 2015.

For as long as anyone can remember, the Senate had almost always functioned along partisan lines. Although the partisanship was always much less acute than in the lower chamber, the division of power in the Senate more or less followed that of the House of Commons in terms of the party in power and the official opposition – essentially Liberals and Conservatives and vice versa, depending on the period.

Once elected, governments rushed to appoint new senators in order to ensure that their bills would be adopted without too many problems in the Senate.

With the new appointment method, however, the doors of the Senate are now open to Canadians of all stripes, from the left and right of the political spectrum, and political affiliation is no longer the determining factor for the appointment of senators and the operations of the Senate.

In fact, it has become almost impossible for someone who has been politically active at the federal level to be considered for appointment to the Senate.

Beyond the controversies that have affected some senators in recent months, and which were widely discussed in the media, the institution carries on.

The Senate is still the upper chamber of Canadian parliamentary democracy. The 105 senators of the Canadian Parliament are responsible for studying bills, proposing ways to improve them and correcting the errors that may sometimes find their way into those bills.

I could give you numerous examples where the Senate intervened to improve or block the progress of poorly conceived bills, but we can talk about that during the question and answer segment if you prefer.

To become law in Canada, a bill must still be approved by both the House of Commons and the Senate.

In addition to its legislative role, the Senate, like the House of Commons, also operates on a system of standing and temporary or special committees, and sometimes joint committees with the House of Commons. These committees study bills and a variety of issues affecting Canadian society, including air transportation.

I'll come back to that in a minute.

Unfortunately, despite the excellent work that regularly goes on there – and I have been in a position to witness it since my appointment – Senate committees generally receive very little media attention, including from social media. As a result, Canadians tend not to be aware or informed about what happens in Senate committees (this is also frequently the case for House of Commons committees), unless they actively consult our online deliberations and committee reports.

On the other hand, lobbyists, non-governmental organizations and business associations like yours understand the important role the Senate plays in the Canadian parliamentary system, and generally follow our deliberations quite closely.

All of this brings me to the Standing Senate Committee on Transport and Communications, which I have had the honour to chair for almost eight years now.

Through the work of our committee, my colleagues and I have had the opportunity to study numerous bills that were referred to us, as well as several files involving transportation and communications that are of interest to all Canadians.

My interest in the transportation and communications sector, and air travel in particular, did not begin yesterday.

Back when I was elected in 1977 as federal Member of Parliament for Louis-Hébert, a riding in the Québec City area, I took a particular interest in these issues, notably with regard to the fate of the airport and certain rail transportation issues in the Québec City area.

I have always been interested in the subjects of transportation and communications. So there was no arm twisting required when I was elected chair of the Senate committee in the spring of 2009.

Our committee has been very active over the years. We have reviewed numerous facets of the Canadian transportation and communications sector, including the transport of oil by rail, the future of the CBC, automobile safety and many other subjects.

But moving ahead quickly in time, in 2011 our committee was “authorized,” to use the Parliamentary jargon, to examine and report on emerging issues related to the Canadian airline industry, including:

- a) its performance and long-term viability in the changing global market;
- b) its place within Canada;
- c) its business relationship with its passengers; and
- d) its important economic effect in the Canadian communities where airports are located.

In June 2012, our committee's report, entitled ***The Future of Canadian Air Travel: Toll Booth or Spark Plug, Report on the Future Growth and Global Competitiveness of Canada's Airports***, was made public.

This report, which received unusually broad coverage for a senate report, recalled that Canada's vast land mass, surrounded by oceans on three sides, and a population spread out across the country, had made air travel essential for tourism, trade, business and connecting remote communities with the rest of the country and the world.

It also recalled the substantial economic impact of Canada's airports. At that time, airports were generating more than \$45 billion in economic activity – that figure is no doubt far higher in 2017 – and their operations provided over 200,000 jobs, resulting in significant tax revenues for all levels of government.

The committee recognized however, that the air travel industry had and still has the potential to contribute more to Canada's overall economic growth.

High costs and inefficiencies throughout the industry were deterring demand and discouraging competition among carriers. Canada's travel and tourism competitiveness ranking fell from fifth in 2009 to ninth in 2011.

Millions of Canadians are still opting to drive to U.S. airports to take advantage of cheaper flights, rather than fly from their local Canadian airports. This phenomenon persists despite the efforts of Canadian partners to curb it, or at the very least, to better control it and despite the value of the Canadian dollar.

We therefore determined that Canada should develop a single, cohesive national air travel strategy, including an updated National Airports System, to chart a new course towards increased air travel in Canada.

We also clearly stated that the Government of Canada should stop treating airports as a source of public revenue and start treating them as economic spark plugs.

To that end, we suggested that the government stop charging airports ground rent and transfer Canada's main airports to the authorities that were already operating them.

Finally, we recommended that the federal government use its influence to bring relevant stakeholders to the table to work out new policies and systems to address inefficiencies and continually improve the air travel experience in Canada.

The report included six recommendations, which I will quickly summarize. They are just as relevant in today's context:

The first recommended that Transport Canada, together with the Department of Finance, bring all relevant stakeholders to the table to establish a National Air Travel Strategy to increase and facilitate air travel in Canada.

The second called on the government to revise and update the National Airports System.

The third called for the establishment and implementation of a plan to completely phase out ground rents over time for airports that are part of the National Airports System.

The fourth recommended that, concurrent with the long-term plan of ending airport ground rents, Transport Canada transfer federally owned airports to the airport authorities that were operating them.

Number five dealt with managing traffic in airports, and recommended that the airport authority in each of the large-volume airports lead an initiative to facilitate flight connections and transits.

The sixth and final recommendation proposed that Citizenship and Immigration Canada establish a visa transit program for international travellers connecting through Canadian airports.

As I reviewed these recommendations in preparing for my meeting with you today, I saw that they all still make a lot of sense...

But where am I going with this, you ask?

Hold on.

As you know, until the early 1990s, it was the Canadian government that built, operated and maintained Canada's major airports.

As the Institute for Governance reminded us in a document published in 2014, "In 1992, in the wake of the movement towards privatization (Air Canada, Canadian National) and liberalization and economic deregulation of various modes of transportation, and as part of a new national airport policy (NAP), the Canadian government handed over to local airport authorities (LAAs) the management, operation, and development of the airports in Montreal, Calgary, Edmonton and Vancouver."

“This devolution of responsibilities for airports was subsequently extended to include all of the 26 major Canadian airports that make up the National Airports System (NAS).”

“The NAP also provided for the gradual relinquishing of ownership of small regional and local airports to regional interests,” for instance municipalities.

I won't be asking you to memorize all these acronyms, but simply to remember that “By virtue of the NAP [National Airports Policy], the commercial management and operation of NAS [National Airports System] airports are entrusted to Canadian airport authorities (CAAs),” managed by LAAs (local airport authorities), “that must ensure their profitability as well as the provision of services adapted to their users' needs.”

This movement took off, no pun intended, during the 1990s, when airport management, but not the land itself, was entrusted to non-profit organizations created specifically to manage, operate and develop airport infrastructure under long-term leases.

Today, when we talk about privatizing our airports, we mean turning the existing corporations into for-profit corporations.

To be clear, this means that the new companies could generate profits that would be paid out to shareholders, instead of having 100% of operating revenues go to maintaining, developing and operating airport infrastructure, which is how it works today.

This new model would “profitize,” to use a newly coined word, both airports and the corporations that currently manage and operate our airports.

There can be some contractual differences, but the basic model is as I have just described it.

“As a result, the Canadian government retains ownership of the NAS airports without, however, assuming formal responsibility for debts incurred by the airport authorities.”

“Nonetheless, Transport Canada has made a commitment to ‘guarantee the long-term viability of the National Airports System, which handles over 90% of total traffic.’”

Furthermore, “the CAAs must devote their total revenues to the operation and development of the airports under their management.” End of quote.

Over time, and particularly since the 1980s, the federal government (and its transport department) has experienced a

considerable narrowing of the scope of its intervention and ownership in the Canadian transportation sector.

There was some element of ideology underlying these changes, in keeping with the privatizations and the then-popular trend of government withdrawal from commercial activities.

But many of these decisions were motivated by the voracious appetites of finance departments and ministers, ready to jump on anything that could help the government create short-term revenue increases, balance budgets or reduce deficits.

So much so that a department like Transport, which controlled a host of major entities, including CN, the airports and Air Canada, gradually experienced a narrowing of its sphere of operation, more often than not to accommodate the will of the finance department and its minister.

The Minister of Transport, a powerhouse in Cabinet since the department was created in the 1930s, gradually became relegated to bit player among ministers as a result of the actions of voracious finance ministers.

In anticipation of our meeting today, I engaged in a little research:

Prime Minister Mackenzie King created the Department of Transport in 1935, and it was established in 1936. Since then, it

has had no fewer than 31 ministers, the most recent being Marc Garneau, who was appointed following the 2015 federal election.

If we calculate 31 ministers in 82 years, that means an average of approximately two and a half years per minister.

Since 1993 alone, which is when the Liberals returned to power after the Mulroney era, this department has been led by no fewer than 11 ministers, including Marc Garneau, for an average duration of a little over two years.

An average of two years, give or take, is not much time to provide a sustained, ongoing and coherent political direction and accountability for an industry of such importance to our economy.

Meanwhile, the Department of Finance will turn 150 this year given that it was created at the beginning of Confederation in 1867. That department has had 39 ministers up to and including Bill Morneau, with an average mandate of nearly four years, almost double that of transport ministers.

There have been five ministers at Finance since 1993, including Paul Martin for almost ten years and Jim Flaherty for eight. So, for three quarters of the last 24 years, there were only two different ministers of Finance.

Of course, we can't look at public transportation policy in Canada based uniquely on the longevity of the ministers who were at the helm of the transport department, nor the finance department.

But the fact remains that while ministers of finance were clearly able to impose a direction on governments, largely due to their longevity and stability, ministers of transport found themselves seated on a branch that tended to be cut much more quickly; hence the difficulty of committing to directions that they knew they might not be able to promote for long enough.

In addition, the devolution or privatization of entities under Transport's authority progressively stripped away the cards that could have strengthened its hand around the Cabinet table.

I recall very well that when I began in federal politics as the MP for Louis-Hébert in 1977, the Department of Transport was still a powerhouse in Canada's transportation sector.

I mentioned it earlier, but let's not forget that until 1994, Transport Canada was responsible for the Canadian Coast Guard, the St. Lawrence Seaway, ports and airports, and the Crown corporations Via Rail and Canadian National (CN).

That year, a reorganization of departments that was motivated by the Chrétien government's deficit-fighting efforts cut part of Transport Canada's staff and responsibilities.

CN was privatized, the Coast Guard was placed under the responsibility of Fisheries and Oceans, and the Seaway, ports and airports were transferred to local authorities.

Transport Canada emerged as a monitoring and regulatory agency with few direct roles in administering infrastructure, in contrast to the roles it had played in previous years.

This phenomenon turned the transport department and its minister into what I would call "weightlessness" in the federal government apparatus. Their condition is akin to what Marc Garneau experienced personally as an astronaut in space in his previous incarnation...

As a result, the Department of Transport has become much less powerful, less listened to and less heard from within government.

This vacuum – and we know that nature abhors a vacuum – has been progressively occupied by the Minister of Finance, who still today views the assets managed by Transport as an endless source of revenues that can be tapped whenever he is faced

with deficits or increasing expenditures, as is currently the case. It is understandable that the Minister of Finance is constantly seeking sources of funding to address deficits and pay for costly infrastructure programs. We will no doubt see examples of this in the federal budget to be tabled next week.

But the Minister of Finance should also consider the benefits and the advisability of devolution and privatization for the entire economy and for Canadians in the short, medium and long term, and not just the immediate financial impact that makes the government look good.

We invariably find ourselves in this type of environment – and that still applies today – with the vultures circling around the property of Canadian airports, guided by the finance minister's insatiable thirst for revenues, which appears to be the main criterion used in decision making.

We should know more next week, but if we give credence to the recent leaks in the media, it appears that the Minister of Finance is leaning strongly towards privatization of airports.

Barely a week ago, a headline in the Toronto Star read: *Ottawa eyes airport sell-off to raise infrastructure cash.*

Even as the airports were being surrounded and we were waiting to learn whether they would be traded away to pay for infrastructure by a government already struggling with a sizeable deficit, last November the Minister of Transport launched his Transportation 2030 strategic plan.

So, barely four and a half months ago, the federal Minister of Transport, Marc Garneau, presented his strategy for the future of transportation in Canada, Transportation 2030, before the Chamber of Commerce of Metropolitan Montreal. Some of you may well have been on hand to hear the Minister's presentation in person.

We were told that the Garneau plan is based on five themes, about which the Minister had consulted the public, stakeholders (people like you), the provinces and territories, academics and Indigenous groups, over the preceding six months. These five themes dealt with: 1) the traveller; 2) safer transportation; 3) green and innovative transportation; 4) waterways, coasts and the North; and 5) trade corridors to global markets.

As for air travel in particular, the announced plans were full of good intentions, but were rather thin, and they glossed over real or anticipated intentions with regard to the complete privatization of airports and other federal assets like ports and ferries. Meanwhile under the Traveller theme, the Minister

spoke of supporting “greater choice, better service, lower costs, and new rights for travellers by:

- Establishing an Air Travellers Passenger Rights Regime to better protect consumers.
- Changing international ownership rules to increase competition and reduce rates for our airline industry.
- Working with CATSA (Canadian Air Transport Security Authority) to ensure that travellers go through security faster, while maintaining the same high security standards.

But the real question we should be asking ourselves – and that the people drafting the policies should be asking themselves – is this: How will the complete privatization of our airports, as well as our ports, benefit users and Canadian taxpayers?

At this point, it is very likely that the answer would be that it will not, i.e., that there would be no advantage for Canadians from changing the governance model for Canadian airports.

Our Canadian model is globally recognized as a success, including in the United States, where they are seeking a better management model for their own airports and taking a look at the Canadian model.

Conclusion

Privatizations, over the last few years and particularly in the areas of transports and communications, have not all been failures. Far from it. But we must know where to draw the line. Currently, next door in Ontario, where hydro was privatized, political authorities are getting their heads handed to them as a result of cost increases to users that are so high that the Wynne government is threatened to fall in the next provincial elections. Those who invested in the privatization of Ontario electricity did so for one reason: they are expecting the most lucrative return possible on their investment.

Privatization of Canadian airports would obviously result in investors looking to obtain a satisfactory return on their investment.

The new owners would be searching for profit first and foremost, way ahead of the interests of users and taxpayers.

And there is no way to earn a return on these investments other than by reducing services or increasing costs to users. That's not saying that costs won't increase under the current model, but at least it won't be in a context of making more

money for investors, but rather with a view to improving services and the facilities available to users, while maintaining governance structures and mechanisms that ensure transparency, efficiency and accountability in the management of public property.

In a country of vast distances like Canada, airports play an essential role. They represent national heritage that must be protected from the gluttony of finance ministers seeking revenues and investors, often pension funds, looking for new projects.

In Australia, which is in many ways comparable to Canada, except for its climate... one of the staunchest advocates of privatizing public assets (his name is Rod Sims and he chairs the Australian Competition and Consumer Commission) has grown so exasperated with how governments are privatizing public assets that he says they need an “uppercut.”

He claims that governments have repeatedly botched the sale of airports, electricity infrastructure and major ports, making things worse for consumers.

Sims insists that governments have created private monopolies that overcharge users.

After having been a strong advocate of privatization for 30 years, he now thinks that it is seriously damaging the economy.

Of course, it is completely within our rights to want to debate these issues in Canada.

But before resolutely committing to a slippery slope from which it may be impossible to return, and whose advantages are far from proven, the government and the Minister of Transport should seriously reconsider their options from the perspective that before serving the government's bottom line, they should serve the well-being of air transportation users in Canada and Canadian taxpayers.

Canadians from all walks of life, Conservative, NPD, Liberal, neutral, not to mention numerous organizations involved to a greater or lesser extent in the airline industry, airport managers, union organizations, chambers of commerce and community organizations are opposed to a complete privatization of our airports, and object to the willingness of ministers of finance to give up these assets in order to temporarily replenish their coffers.

We will see next week what the Minister of Finance has in store for us, but privatization is a bad idea. Let's hope he will take this opportunity to make the right decision, and let's hope that the entire government will be there to promote and defend the real interests of air travellers and Canadian taxpayers.