



Ottawa, Canada K1A 0N5

The Honourable Dennis Dawson, Senator
Chair
Standing Senate Committee on Transport and Communications
The Senate of Canada
Parliament Buildings
Ottawa, Ontario
K1A 0A4

Dear Mr. Dawson:

Pursuant to Rule 131 of the Rules of the Senate, please accept this as the Government of Canada's Response to the Fifth Report of the Standing Senate Committee on Transport and Communications, "The Future of Canadian Air Travel: Toll Booth or Spark Plug? – Report on the Future Growth and Global Competitiveness of Canada's Airports".

At the outset, I wish to thank the Senate Committee for its work on this Report and express my appreciation to all who appeared before the Committee to share their views.

In June 2011, the Senate Committee undertook "to examine and report on current and emerging issues related to the Canadian airline industry, including but not limited to:

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

I have read the findings of the Senate Committee Report as they pertain to the major Canadian airports comprising the National Airports System (NAS) and I am pleased to respond on behalf of the Government.

This Government recognises the importance of a strong and competitive air travel industry to Canada's economy, as well as its contribution to the success of key federal priorities, such as international trade, the Gateways initiatives and the Federal Tourism Strategy. The aviation sector writ large is a significant direct, indirect and catalytic contributor to Canada's gross domestic product (GDP) and employment. Further, air transportation is essential to key strategic industries such as tourism and trade in services.

As a trading nation, Canada is also reliant on air transportation for the movement of high value goods; air cargo accounts for 25 percent of our overseas trade by value. As such, the air industry is a key contributor to Canada's efforts to transition to sustained growth following the recent global economic crisis.

The policy framework for Canada's airports stems in large part from the 1990's, when the government divested/privatised most of its aviation assets, and when the NAS was established. While the operation and management of NAS airports was divested, the Government largely retained ownership of the core assets and this was reflected in the provisions that govern NAS airports, including their leases, payment of rents, and obligations such as those pertaining to official languages. Further, NAS airport authorities were established as private, not-for-profit, non-share capital corporations that were expected to be self-sufficient and to operate under commercial market parameters.

This approach moved us considerably along the spectrum of commercialisation. Today, Canada remains a global leader in the economic deregulation of its aviation system. Within this framework, the NAS has contributed to the economic development of all of our regions and continues to demonstrate an ability to adapt and grow.

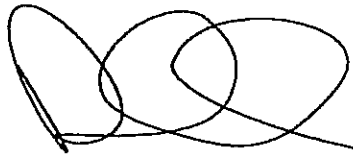
I am aware of the concerns that industry stakeholders have raised and which underpin the Committee's recommendations. It is important to note that many of our international competitors do not operate under similar market-based rules, creating an unlevel playing field. It is therefore important that we look to the future to ensure that our aviation industry as a whole, including airports, is able to meet the challenges and opportunities of the next decade in a sustainable manner.

To this end, I am actively engaged with industry stakeholders and relevant federal government officials to better define concerns and to establish a way forward to address short-term opportunities and advance longer term dialogue on competitiveness issues including those related to the National Airports System. For a constructive discussion, it is essential to bring together a broad cross-section of parties to look to the future and efforts to date have been well received. I note that this collaborative approach is also consistent with the Committee's recommendation for a forum to increase and facilitate air travel in Canada.

The Committee's Report also identified the importance of facilitation initiatives to improve the flow of passengers and baggage through Canadian airports. This Government notes the well established and active efforts underway to resolve issues jointly with industry and government stakeholders, including many of those identified in your report. The Air Consultative Committee chaired by the Canada Border Services Agency provides an effective forum for these discussions.

In closing, I thank the Committee for its efforts and this Report. The findings are consistent with broader federal efforts already underway and will continue to inform government planning. The Government actively assesses the effectiveness of the federal air policy approach to ensure that it supports industry efforts to respond to challenges and opportunities. I would note that Canada's airports are but one element of a highly integrated and vital air transportation system in this country. As we look to the future, it will be important to consider the system as a whole given the interdependence of its various elements, while also recognizing that the complexity of the aviation sector does not lend itself to simple solutions. I look forward to your further work in this regard.

Yours sincerely,

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Denis Lebel, P.C., M.P.