NACC
National Airlines Council of Canada

Airlines that lift Canada's economy burdened by taxes and fees

A powerful economic engine and job creator, Canada's air transportation sector faces increasingly stiff headwinds in the form of security surcharges, fuel taxes, and airport rent. Air travel is not a luxury or a privilege. If government truly wants to make air travel more affordable, efficient and competitive, it can stop adding costs and siphoning money out of the system.

Canada's air transportation sector employs some 141,000 Canadians and contributes about $35 billion to our country's GDP. Our four major airlines—Air Canada, WestJet, Air Transat and Jazz—fly more than 71 million passengers a year and employ more than 50,000 people.

These member airlines of the National Airlines Council of Canada (NACC) purchase goods and services in Canada worth $18 billion, creating another 268,000 jobs. They are a vital connector and driver for our tourism industry, which generates more than $65 billion a year. Airlines also move imports and exports worth more than $110 billion, making them essential players in our trade-dependent economy.

But this economic engine is laboring under the growing burden of taxation and fees. As recommended in the review of the *Canadian Transportation Act*, fixing air transportation's broken cost structure—including distortions caused by airport rent and related charges, security surcharges and fuel taxes—is the best way to reduce costs for travellers and improve the industry's international competitiveness.

Canada was ranked 124th out of 141 countries when it came to ticket taxes and airport charges in the World Economic Forum's 2015 Tourism Competitiveness Report. Statistics Canada reports that Canadian airfares are at their lowest level in six years, but taxes and fees continue to rise without being reinvested in the air transportation system.

Just in airport rent, the federal government has taken more than $5 billion out of the air transportation sector since 1994. It's expected to collect an additional $12 billion in the next 40 years. These charges contribute nothing to the safety and efficiency of the air transportation system. Canadian airlines also pay jet-fuel excise taxes that are more than triple those in the United States. These revenues are not re-invested in air transportation but are rolled into the federal government's general revenue.

Air travel is not a luxury and shouldn't be taxed as one. Air travel in Canada has increased by more than 38 percent since 2006. In a country as vast and sparsely populated as ours, this should come as no surprise. What is surprising is that governments continue to view air transportation as source of revenue instead of an economic engine and an essential link connecting people and communities.

Canadian airlines have managed to bring base fares to their lowest level in six years. Adjusted for inflation, domestic base fares dropped almost 20 percent between 2008 and 2015. By contrast, airport fees, government taxes and third-party charges are at historic highs.

It's time our governments stopped treating air transportation as a cash cow and started viewing it as the essential economic driver it is.