



NACC
National Airlines
Council of Canada



CNLA
Conseil national des lignes
aériennes du Canada

August 20, 2020

The Honourable Chrystia Freeland, P.C., M.P.
Deputy Prime Minister and Minister of Finance
90 Elgin Street
Ottawa, Ontario K1A 0G5
Via email: fin.minfinance-financemin.fin@canada.ca

Re: Sectoral Support for Aviation

Dear Minister,

On behalf of the member airlines of the National Airlines Council of Canada (Air Canada, Air Transat, Jazz Aviation LP and WestJet), I want to offer our congratulations on your appointment as Minister of Finance in addition to your continued responsibilities as Deputy Prime Minister. We look forward to continuing to work closely with the federal government and the Department of Finance, in response to the pandemic.

To that end and with respect to COVID-19, as outlined below our members have undertaken a wide range of measures based on global best practices and in close consultation with Transport Canada to safely and responsibly re-start commercial aviation.

To date however our industry remains at Stage Zero as far as economic recovery, with no timeframe on when we will move forward. **I am therefore writing to urgently request that the Government of Canada develop a sectoral support plan for the aviation industry.**

State of the Industry and Global Action

Several months into the COVID-19 pandemic, the impact on Canada's major airlines, our employees, and the communities we serve has been devastating. Tens of thousands of employees have been laid off, service has been reduced or eliminated, and billions of dollars in aircraft are parked as carriers continuously try to rationalize service and fleet size.

Despite these challenges, our members are doing all they can to maintain operations and remain viable in the face of a 90% to 95% drop in revenue, with no clear time frame for recovery. NACC member carriers are continuing to invest millions of dollars in ongoing cleaning, sterilization and operational procedures to protect passenger and employee health, and we continue to work with Transport Canada to implement regulatory measures in response to the pandemic.

Furthermore, we have worked closely with the federal government and our international industry partners, as the International Civil Aviation Organization (ICAO) developed and released in May a detailed framework of risk-based measures for airlines and airports to follow to protect passenger and employee health. This framework also provides the foundation for the targeted re-opening of international air services between



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jurisdictions that are successfully addressing the pandemic. The European Union and various other countries around the world have based their targeted, careful re-opening of aviation on the ICAO framework, both internationally and within their domestic markets.

Flight Plan

Last week Transport Canada released “Flight Plan”, the government’s plan to continue to protect public health and safety in air travel, which is also heavily based on the ICAO framework and aligns with global best practices as countries begin to lift travel restrictions. We believe Flight Plan also lays the groundwork for a consistent approach across provinces for domestic air travel and the elimination of regional quarantine measures.

Canada Still at Stage Zero

In light of the overall ICAO framework which has now been utilized by various countries including Canada to develop national plans, we have proposed that Canada utilize the same approach as the European Union and begin to re-start international service with select targeted regions. Similarly, we believe that within Canada we need to obtain alignment across provinces to end quarantine measures in order to re-open domestic air service, again focusing on global best practices, Flight Plan, and on-going investment by industry on measures to protect passenger and employee safety.

However despite the extensive work undertaken by industry and governments to adopt global best practices and despite the careful movement forward in other countries to re-open aviation on a targeted basis, in Canada we remain at Stage Zero. The various travel, border and quarantine measures implemented in the earliest days of the pandemic are still in affect, with no time frame on when this will change.

Remaining at Stage Zero – Sectoral Financial Assistance Needed

Canada’s major carriers are committed to working with federal and provincial governments to move the recovery process forward.

However, if it is the federal government’s conclusion that aviation will remain at Stage Zero, we must re-examine the government’s decision to not provide sectoral financial support to aviation, and we need to move beyond the current Large Employer Emergency Financing Facility (LEEFF) if the industry is to survive and play the critical role it needs to play in Canada’s eventual economic recovery.

As the government has noted, LEEFF is a non-sectoral, last-resort measure. However, LEEFF was not designed in the context of a specific industry remaining at Stage Zero for an indeterminate time period, while other aspects of the economy are allowed to methodically re-open across the country. Aviation is remaining at Stage Zero because of sector-specific policies. We therefore require a sector-specific liquidity response.



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Support Principles

We believe the government should meet immediately with industry to develop a sectoral approach that:

- Provides support in the form of loans, loan guarantees or direct assistance to maintain financial liquidity.
- Ensures assistance is provided on an industry-wide basis and does not distort the competitive landscape of the sector or discriminate against any carrier.
- Recognizes the industry has already initiated wide scale reductions in operating costs and capital expenditures, and that revenue has fallen beyond the means of even the most extreme cost cutting measures to address.
- Recognizes recovery is going to be a multi-year process and ensures government financial terms reflect the potential lengthy downturn in industry revenue.
- Recognizes the level of debt the industry is already accumulating, and ensures assistance is on terms that minimizes the medium and longer-term impact high debt levels will have on the sector's competitiveness.
- Benchmarks sectoral assistance in Canada against similar programs provided in the European Union and the United States.

Canada's major carriers impact every sector of the economy, in every region of the country, in communities large and small. Most countries around the world including our major trading partners have implemented aviation specific financial support programs, precisely because of the role aviation will play in their economic recovery. If we are to remain at Stage Zero for an indeterminate time period, we need to begin work now on measures to sustain the industry, so that it can play its over-sized role in our national economic recovery.

Once again, congratulations on your appointment as Minister of Finance, and we look forward to continued engagement.

Sincerely,

Mike McNaney
President and CEO

CC: The Honourable Marc Garneau, P.C., M.P., Minister of Transport
Members of Parliament