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# Stop treating airline sector as a cash COW

**Innovative changes to air sector policies long overdue: stop overburdening air sector, help air passengers, says former Transport DM.**

By [NICK MULDER](#)

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A number of interesting and relevant articles were included in *The Hill Times'* Transportation policy briefing last week. However, little attention was paid to the air sector and the important contributing and enabling role it plays in the Canadian economy.

When Parliament resumes next month, the Senate Transport Committee will continue with its study on "Emerging Issues in the Airline Industry." It is the only recent public study by the government of this sector and an important one. Before the federal election, the committee heard from a variety of witnesses about current issues impacting the air transportation industry: the state of airports big and small, the viability and fares of airlines, problems with airport security and emerging trends in aviation safety generally. While the committee heard from many relevant and informed witnesses, most simply reported on current goings-on and stopped short of making any key recommendations for next steps.

During these committee hearings, the most frequently-cited problem was the financial burden placed on the air transportation sector by government. This year, the government of Canada will likely collect from it an estimated \$1-billion in special charges over and above normal taxes which include airport rent (\$300-million), air security charges (\$450-million plus) and fuel excise taxes (\$125-million). That does not include the costs airlines and passengers, through higher fares and special fees, pay for air navigation services (\$1.1-billion).

Plus, any time an airline ticket is booked, a passenger pays not only the basic air fare, the airport improvement fee, a special navigation fee and the airport security levy, but also a fuel surcharge, and for most flights, fees for seat selection, pillows, blankets, overweight baggage and meals, among other items which were free 10-20 years ago.

In a nutshell, the federal government is using our air transportation sector as a cash cow, while passengers are getting "loonied" and "toonied" by government and by airlines and airports across the country. This burden carries significant consequences for passengers, the airline industry, the future growth of our airports and the employment generated by them, and our economy overall. As one example, many Canadians close to the U.S. border now choose to fly out of U.S. airports which are able to offer them lower fares and fees. Conversely, in Canada, some airlines' very low fares are often matched dollar for dollar by additional taxes and fees.

In a presentation I made to the Senate Transport Committee on March 23, I suggested that innovative changes to air sector policies are long overdue: stop overburdening the air sector and instead help air passengers. All the rent payments, fees, surcharges and levies may have made sense at one time but in total are now far too excessive. In light of this, I recommended that the government negotiate a "two for one deal" with the airports and airlines to share both costs and benefits. For every dollar that the government reduces rents, fees and taxes on the air sector, passengers should recoup 50 cents of the benefits. For example, if airport rents are eliminated, and they should be, airports will have access to an extra \$300-million annually. The airport improvements fees to passengers should then be reduced by \$150-million. Ditto for the so-called "temporary" special jet fuel excise taxes (enacted in 1985!) the federal and subsequently several provincial governments charge. Eliminate those and half of the benefits should go to reduced fuel surcharges on airline tickets.

A case can be made that passengers pay for airport security but terrorists target a country; airports and airlines are only the means to carry out attacks. So why should air passengers pay 100 per cent of the costs? Most jurisdictions don't. In fairness, passengers should finance only 50 per cent of this cost.

In my opinion, these suggested steps, among others, will directly help maligned air passengers and the sector as a whole. They will stimulate traffic so that our large, modern yet costly airports generate more business and prevent passenger leakage to U.S. airports. More Canadians will fly as a result. And indeed more non-Canadians may choose to transit internationally via Canada's airports. Like Chicago, Hong Kong or London, cities such as Toronto and Vancouver can become much more significant air transport hubs; some others too. And through this, governments will ultimately collect more taxes and generate more revenues. It's a win-win plan for all.

The Senate Transport Committee has done excellent work to date with its study on the Canadian airline sector and I do hope this meaningful work will continue. Most importantly, I hope the committee is able to make a number of key recommendations for major changes. Dealing with the onerous financial burden on the air sector should be the main focus.

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