



Realizing the Vision - A Coherent Aviation Policy

May 8, 2014

Derek A. Vanstone
derek.vanstone@aircanada.ca



Best Airline in
North America
four years in a row



“Airlines are brutally regulated. We are also brutally overtaxed and it’s a problem because we are a thin-margin business as it is. One of the reasons we are such a thin-margin business is because no nation [has] ... a coherent aviation policy.”

Jeff Smisek
United Airlines CEO
June, 2012



Regulation

- Continuum of regulatory options
 - Safe Operation and Security
 - Environment
 - Passenger Facilitation
 - Pricing and Routes

Regulation - Impacts



- Global business like no other
- A driver of economic growth
- Capital intensive
- Cost driven
- Price sensitive



Regulation

- The vision?
 - Safety and/or Security – Evidence based, level playing field with accepted principles
 - Non Safety – leave as much as possible for fair competition and differentiation



Taxes & Fees

- Variety of models, but a clear shift
- Trend towards a greater share of the aviation cost structure born by passengers
- In this regard, aviation is treated differently from all other forms of transportation

Taxes & Fees - Types



- Contribution to society
- Infrastructure
- Security
- Borders
- Navigation
- Aviation fuel
- Carbon levies
- Others – tourism promotion, etc.

Taxes & Fees - Problem



1. Hampers competition
 - Ties one hand of domestic airlines behind their back
 2. Increases the cost of travel
 - Barrier to economic growth
 - Tax on leisure
- No corresponding benefit / fees are often not tied to actual spend

Airport Infrastructure



- A number of models- should be judged by:
 - Ability to invest efficiently
 - Cost effectiveness
 - Alignment and accountability to stakeholders
 - Linkages with transport policy



“Open” Skies

- Industry must recognize that bilateral air agreements are trade agreements
- There are national interests at play
- Simply turning a blind eye to the realities is not good policy
- Requires a “level playing field”



Level Playing Field

- Some of the factors:
 - Similar levels of disclosure of revenues, costs and plans
 - Equivalence of legacy costs from airlines
 - Alignment of ownership rules
 - No direct or indirect subsidies
 - Frequencies and slots must be tied to O&D demand; no dumping capacity



Conclusion

- 1 • Greater alignment on regulation of safety and security issues; in other areas, the default should be to allow these to be matters of competition
- 2 • Airlines are doing their part on the cost front – it is time to address the high burden of government fees and taxes on air travel
- 3 • Airport infrastructure – model needs reform and greater input from stakeholders.

AIR CANADA 



Best Airline in
North America
four years in a row