



Turning towards recovery

How business aviation can spark economic growth

2021 Pre-Budget Submission to the House
of Commons Standing Committee on
Finance (FINA)

Submitted 7 August 2020

Recommendations

Short-term remedial and relief recommendations

- Work with the business aviation community to pilot rapid testing and contact tracing processes for air passengers, using the small scale and highly controllable business aviation aircraft/FBO environments.
- Expedite the use of technologies and processes (e.g. contact tracing, rapid testing) that would accelerate the safe opening of our interprovincial and international borders and responsibly remove the 14-day blanket quarantine requirement.
- Suspend all federal and carbon taxes on jet fuel and avgas until air travel reaches pre-COVID levels.
- Accelerated capital cost allowance, expense tax deduction, credit and/or a rebate program applied to the purchase, modification and upgrade of health and safety equipment related to COVID-19

Longer-term (2021) recommendations for recovery and growth

- Recommendation # 1:** Create federal financial stimulus programs that would encourage the purchase and environmental modernization of business aircraft, materials and services
- Recommendation #2** That the Government of Canada excludes all aircraft that are used for business purposes from any new “luxury” tax schemes.
- Recommendation #3** Work with industry to create a modernized set of Canadian Aviation Regulations (CARs) for business aviation that is more flexible and responsive to business aviation operations, particularly for small operators, including the increased use of appropriate delegations and exemptions.
- Recommendations #4** Ensure that we support our climate change goals as we ramp up the economy by promoting sustainable aviation fuel (SAF) in any Government of Canada programs that reduce the applicable fuel tax rate and provides other incentives to companies that manufacture renewable fuels.

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Introduction: why business aviation is essential to our economic recovery

The Canadian Business Aviation Association, representing the \$12.1 billion business aviation sector, is pleased to submit its recommendations to the federal government on ways to use business aviation as a means to grow the Canadian economy as we begin to recover from the impacts of COVID-19.

Direct and decisive government action in support of the aviation sector is urgently needed. While we understand that the safety of Canadians is paramount, government actions have resulted in a prolonged and painful travel lockdown that may permanently damage the aviation sector – and the economic and societal benefits it provides.

The threat of long-term and irreparable harm to Canadian aviation is made even worse by the actions of the U.S. government. The U.S. CARES Act, passed in March 2020, provides over \$160 billion U.S. in direct economic relief, loan guarantees and employment support to the U.S. aviation industry. Business aviation operators able to apply for this relief with no restrictions, keeping their businesses operational and employees on the job.

We urge the Government of Canada to directly support our aviation sector with specific relief and recovery measures as a national priority. Moreover, in the interest of Canadian companies that need a rapid return to air travel to allow them to compete on a global scale, the government must ensure that business aviation operators have full access to any and all of the measures it implements.

The situation becomes more acute the longer the shutdown continues. It currently appears that travel restrictions will not ease any time soon as hot spots flare around the world, and neither a vaccine nor a readily available rapid test is available. In the meantime, Canadians may be safer from exposure to COVID-19, but their businesses and jobs suffer.

In both the short and long term, this situation is untenable. The federal government must expedite rapid testing so Canadian businesses – and Canadians – can travel freely and safely again.

Business aviation has great potential to grow economic opportunities in every part of Canada. However, overly complex regulations, the spectre of a new “luxury tax” and a lack of incentives to upgrade or purchase business aircraft are holding us back.

The 2021 federal budget can be the starting point for a new direction and a vision for Canada’s economic recovery that leverages the untapped power of business aviation. This document focuses on the actions we can take to align business aviation with many of the government’s goals to get our economy back on track and Canadians back at work while ensuring robust air access, reducing our carbon footprint, and enhancing safety for passengers.

How business aviation supports travellers, companies and communities during and after COVID-19

One of the many lessons of the past months was to demonstrate the essential nature of business aviation, as it continued to support corporate growth, prosperity and community access, even as we dealt with the severe travel limitations imposed by the pandemic. While commercial travel was down as much as 95 percent, business flights were reduced by approximately 70 percent: still a significant retraction, but not as severe as it was for airlines.

There are many reasons that business aircraft continued to fly in significant numbers, most especially early in the crisis, when they were called on to repatriate Canadians safely and quickly.

Business aviation operators were ready for the challenge from day one, already employing industry-wide best practices to ensure that aircraft and facilities were cleaned and maintained to levels greater than required by the regulators and deploying out of carefully managed and controlled Fixed Base Operator (FBOs) facilities. Not only are there fewer business aviation passengers per flight, but these passengers are also often personally known by the flight operator and crew – either as corporate employees, shareholders or as clients of aircraft management companies.

As well, the processes to board passengers onto business flights are safer than their commercial counterparts, with fewer touchpoints and far less crowding. Unlike airline passengers, those using business aircraft through FBOs do not have to deal with physical distancing issues at a CATSA-like security line, crush areas around baggage carousels or at boarding gates. Yet, even in their safer environment, business aviation flights adhere fully to the new stringent PHAC requirements, including masking, temperature checks, physical distancing, etc.

On behalf of the almost 25,000 people who work in the \$12.1 billion Canadian business aviation community, we ask the Government of Canada to work with us to develop a recovery strategy that actively engages business aviation as a tool for economic recovery and growth.

BUSINESS AVIATION

Safe arrival, immediate boarding sometimes directly from car to aircraft and limiting the number of passengers in dedicated waiting rooms.

Distancing of passengers at security, private waiting rooms and common areas. Disinfection/sanitisation of spaces, offices, vehicles, equipment and hard surfaces.

PPE (mouth mask) mandatory at all times when the pilot/cabin crew are in the passenger cabin. Smaller cabins allow for thorough cleaning & disinfection.

Fewer traveler contact reduces potential exposure to virus

Business aviation flights available to destinations not covered by commercial flights due to reduced service.

Avoid crowds at luggage carousel upon de-boarding. Vehicle access directly from aircraft.



COMMERCIAL AVIATION

Arrive 45 minutes before flight departure time. Remain at 2 meter distance from other travelers while checking-in or dropping luggage.

Higher probability of contact with unknown public travelers and touch-points throughout airport terminal

PPE (mouth mask) mandatory at all times during boarding and in aircraft cabin.

Close traveler contact in security check lines.

Reduced service to remote locations due low travel demand.

crowding around baggage carousels or at boarding gates, larger virus contact probability.



Short-term remedial and relief actions

We understand that the recommendations in this document are intended to be options under consideration for the 2021 budget, but it is at least five or more months away.

Because of this time lag, we would be negligent if we did not also include shorter-term government actions that would support relief measures. Without short term action, there is a danger that some of our 2021 goals would not be achievable in the face of a prolonged air travel shut down.

In the short term, we ask the Government of Canada to:

- Work with the business aviation community to pilot rapid testing and contact tracing processes for air passengers, using the small scale and highly controllable business aviation aircraft/FBO environments.
- Expedite the use of technologies and processes (e.g. contact tracing, rapid testing) that would accelerate the safe opening of our interprovincial and international borders and responsibly remove the 14-day blanket quarantine requirement.
- Suspend all federal and carbon taxes on jet fuel and avgas until air travel reaches pre-COVID levels.
- Accelerated capital cost allowance, expense tax deduction, credit and/or a rebate program applied to the purchase, modification and upgrade of health and safety equipment related to COVID19

Longer-term (2021) recommendations for recovery and growth

Recommendation # 1: Create federal financial stimulus programs that would encourage the purchase and environmental modernization of business aircraft, materials and services.

Stimulus programs could take several forms, including an accelerated capital cost allowance, expense tax deduction, credit and/or a rebate program, and be applied to a range of safety or carbon reduction upgrades including avionics, Automatic Dependent Surveillance-Broadcast (ADS-B), or modification of an aircraft, or purchase of efficient and technologically advanced aircraft.

These programs would be particularly crucial for leading Canadian companies such as Bombardier, CAE and Pratt & Whitney Canada as well as hundreds of other small medium and large companies that are part of the business aviation community, employing Canadians in such diverse fields as avionics, engineering, design, and many more.

As well, these programs would contribute to Canada's global standing as a leader in business aviation aircraft, engine and simulator manufacturing and technologies, encouraging worldwide sales and contributing to Canada's economy.

Recommendation #2 That the Government of Canada excludes all aircraft that are used for business purposes from any new "luxury" tax schemes.

At this writing, one of the few areas of growth in our economy is the increased interest in using business aircraft as a means of essential and safe transportation. As an example, Calgary-based aviation company AirSprint has reported unprecedented numbers of inquiries about fractional aircraft ownership, an ownership model it pioneered in Canada a decade ago. AirSprint's experiences are being echoed at major Canadian flight management companies such as Skyservice Business Aviation and Exeaire, a division of IMP Group.

Before the 2019 election, the government signalled its interest in imposing a new 10 percent "luxury" tax on personal aircraft. We believe this action to be unfair and unsupportable as Canadian taxes such as GST and applicable PST are already applied to the purchase of these aircraft and the personal use of an aircraft is already recognized as a non-deductible taxable benefit to the individual. Moreover, the Income Tax Act does not specify or limit the type or size of aircraft: an airplane of any size can be used for business purposes

Today, the possibility of a new tax is not only unfair but can have the perverse effect of stifling an area of economic growth and to reduce the ability of Canadians to conduct business and connect by using aircraft.

Recommendation #3 Work with industry to create a modernized set of Canadian Aviation Regulations (CARs) for business aviation that is more flexible and responsive to business aviation operations, particularly for small operators, including the increased use of appropriate delegations and exemptions.

The CBAA commends the Government of Canada on its actions to modernize CARs and eliminate outdated regulations. A more modern, risk-based approach to regulating our sector will enhance the safety of our operations, increase efficiencies, reduce the burden of red tape and reduce costs.

At the same time, we can increase safety and reduce costs of business aircraft operations even further with the increased adoption of delegates and exemptions by enabling greater throughput at Transport by leveraging proven capabilities of associations and their subject matter experts (SMEs).

While discussions between Transport Canada and the CBAAs to seek further options for delegates and exemptions and to modernize business aviation CARs were well underway in the early part of the year, they have been understandably slowed by the intense focus on COVID-19. But we must continue to work on these regulatory improvements to find efficiencies that improve the system and enhance operations as we recover from the economic effects of the pandemic.

Recommendations #4 Ensure that we support our climate change goals as we ramp up the economy by promoting sustainable aviation fuel (SAF) in any Government of Canada programs that reduce the applicable fuel tax rate and provides other incentives to companies that manufacture renewable fuels.

The importance of managing our economic footprint has not lessened over the past few months: in fact, as our economy recovers, our commitments will be more important than ever. Sustainable (alternative) aviation fuels can help us achieve this goal by providing improved efficiency, reducing operating costs and extending flight-range capabilities.

Through the use of incentives, the Government of Canada can play a decisive role in creating the appropriate environment to encourage Canadian companies to manufacture and use SAF.