



Submission for the Pre-Budget
Consultations in Advance of the Upcoming
2024 Federal Budget

August 2023

Recommendations

Recommendation #1:

Considering the economic repercussions of the luxury tax across industries including aviation, the federal government should **place a moratorium on the luxury tax on aircraft** until additional consultation with industry has been completed.

Recommendation #2:

Considering the Government of Canada's initiative that sets a vision for net-zero aircraft emissions by 2050, the federal government should support Canada's climate goals, objectives and targets, by **making the requisite investments in the sustainability of the aviation sector**, including:

- Deploying financial incentives that encourage the purchase and environmental modernization of business aircraft, materials, and services.
- Creating incentives to stimulate wider production and use of sustainable aviation fuel (SAF). This effort is critical if we're to achieve the goal of 10% SAF use by 2030 in Canada's Aviation industry.

Recommendation #3:

Invest in Improving Infrastructure and Accessibility for Business Aviation in Canada:

- Allocating funds and resources towards improving the infrastructure and accessibility of regional airports and air traffic control systems.
- Working closely with relevant Government agencies such as Immigration and Customs to simplify and streamline the customs and immigration procedures.

Business aviation – a linchpin of Canada’s economy

Canada’s geography – vast and diverse – has been the dominant factor shaping so much of what and who we are as a nation, including our culture and our economy. Connecting Canada has forever been a challenge, and as such, has been the subject of much Canadian lore and history – from traversing our rivers by canoe, to building cross-national railroads and highways, to building some of the most innovative aircraft the world has seen.

Today, business aviation is a linchpin in keeping Canada’s economy moving and our communities connected. Business aviation moves skilled workers and advanced equipment to remote regions of the country, it moves executives around the world at the speed global business demands – helping to ensure Canada stands tall among our global peers – and it moves critical goods to the most isolated communities in the hidden corners of our country.

Business aviation encompasses the whole of the aviation value chain, including manufacturing, creating high-value jobs across the country. The sector is a significant driver of economic growth and jobs and will continue to anchor Canada’s economic recovery.

Not only does business aviation help drive Canada’s economy forward every day, but our operators are also standing ready to support Canada and Canadians when disaster strikes. Our aircraft transport organs for transplant, evacuate citizens facing imminent danger, and participate in rescue operations, as needed across the country.

Today, we estimate there are more than 1,500 business aircraft flying in Canada, covering virtually every square mile of our vast country, and taking us to every corner of the globe, no matter how remote or seemingly inaccessible. Altogether, Canadian business aviation operations and manufacturing is a \$17.5 billion sector, employing just over 52,700 people at an average salary of approximately \$108,100 .

Total Impact of Business Aviation Operations and
Business Aircraft Manufacturing in Canada

Type of Impact	Employment	Wages	GDP	Economic Output
	(Jobs)	(\$Billions)	(\$Billions)	(\$Billions)
Direct	25,200	\$3.0	\$4.3	\$11.4
Indirect	16,800	\$1.2	\$2.0	\$4.0
Induced	10,700	\$0.5	\$1.3	\$2.1
Total Impacts	52,700	\$4.7	\$7.6	\$17.5

Note: Figures may not sum, due to rounding.

Source: InterVISTAS analysis using multipliers and ratios from Statistics Canada Interprovincial Input-Output Model.

Canada's business aviation community recognizes that two of the most significant challenges we face at present are growing our economy and simultaneously reducing our impact on environment. We agree with the federal government that these goals are not mutually exclusive, and we are working hard to innovate, grow, and become more competitive, while also becoming more sustainable as a sector.

Presently however, there are federal policies in place that will impact business aviation and Canada's sustainability goals negatively – specifically the luxury tax on aircraft. While the sector is trying to grow and trying to become greener in every way possible, the federal government is hamstringing operators and manufacturers, making them less able to compete globally and disincentivizing the purchase the most efficient and sustainable aircraft on the market today.

Despite this and the challenges related to the pandemic, we have emerged a stronger sector with a clear vision of how we can contribute to Canada's most important goals: a robust, resilient and equitable economy that supports a green and sustainable future.

We invite the government to work with our community to create investments, policies and programs that will support Canada's dynamic and essential business aviation sector while at the same time, contribute to the twin goals of sustainability and economic growth.

Growing global competitiveness through tax, R&D, innovation, sustainability, and regulatory modernization

Recommendation #1: The federal government should **place a moratorium on the luxury tax on aircraft** until additional consultation with industry has been completed.

While the federal government has been advancing its luxury tax scheme since 2020, it has yet to conduct any economic impact analysis of the tax. When this was raised during study of Bill C-19, the government's Budget Implementation Act, parliamentarians across all parties supported an amendment – the spirit of which was to delay the implementation of the tax as it applies to aircraft – to a date after September 1, 2022, so that further consultations could be conducted on the tax's impact to industry and jobs.

Despite the spirit of the amendment (adopted unanimously), the federal government moved ahead to apply the luxury tax on aircraft, effective September 1, 2022. While the government's "luxury tax" on aircraft may lead to a minor increase in tax revenues, the potential for negative implications and unintended consequences is significant across the aviation industry.

For example, the tax creates incentives to use older, less fuel-efficient and sustainable aircraft, making it harder for business aviation to fulfill carbon reduction plans and further contribute to the federal government's ambitious commitments around the environment. Additionally, as designed, the tax will reduce demand for Canadian-made aircraft, negatively impacting jobs, business, and Canada's overall economic growth potential.

For these reasons, we implore the federal government to put a moratorium on the tax's application on aircraft until wider consultation with industry is completed. It's vital to ensure that the tax is applied only in a way that does not unduly impact the livelihoods of hardworking Canadians.

Recommendation #2: The federal government should support Canada's climate goals, objectives and targets, by **making the requisite investments in the sustainability of the aviation sector**, including:

- Deploying financial incentives that encourage the purchase and environmental modernization of business aircraft, materials, and services.
 - Creating incentives to stimulate wider production and use of sustainable aviation fuel (SAF).
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The business aviation community is fully committed to growing Canada's economy and reducing our environmental impact. While we are taking action as an industry, our impact can be scaled and amplified with additional support from the federal government.

First, CBAA recommends that the federal government deploy financial incentives that encourage the purchase and environmental modernization of business aircraft, materials, and services. Incentive programs could take several forms, including an accelerated capital cost allowance, expense tax deduction, tax credits and/or a rebate program.

Incentives 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.

Second, CBAA recommends that the federal government offer additional incentives to stimulate wider production and use of sustainable aviation fuel (SAF). Making SAF more widely available and accessible will significantly impact industry emissions. To date, availability is one of the largest barriers to adoption for the sector. There is a role for the federal government to play in deploying incentives and programming targeted at stimulating research and production of SAF, for example. Without concrete action, the ability our aviation industry in Canada to meet a goal of 10% SAF by 2030 in Canada will be very challenged.

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

Recommendation #3 Invest in Improving Infrastructure and Accessibility for Business Aviation in Canada.

- Allocating funds and resources towards improving the infrastructure and accessibility of regional airports and air traffic control systems.
- Working closely with relevant Government departments and agencies, such as Immigration and CBSA to simplify and streamline the customs and immigration procedures.

The Minister of Finance is respectfully recommended to allocate funding and resources towards improving the infrastructure and accessibility of regional airports and air traffic control systems in Canada, with a focus on supporting the growth of the business aviation sector.

This investment will help to modernize existing regional airports and expand their capacity to accommodate business aviation, allowing for more efficient and effective transportation of personnel and goods. The upgrade of air traffic control systems will help to streamline the flight process, reducing wait times and improving the overall efficiency of business aviation operations.

Additionally, it is recommended that the Minister of Finance work closely with relevant government departments and agencies, such as Immigration and CBSA, to simplify and streamline the customs and immigration procedures for business aviation. This will help to reduce wait times, improve the efficiency of the process, and ultimately enhance the overall experience of business aviation in Canada.

Investing in infrastructure and accessibility for business aviation will not only support the industry's growth but also enhance Canada's competitiveness globally. We believe this investment will bring substantial economic benefits to the country and help solidify Canada's position as a leader in the business aviation sector.



About the Canadian Business Aviation Association

The Canadian Business Aviation Association (CBAACAA) is a non-profit association formed in 1961 as Canada's voice for business aviation. Since its inception, CBAACAA has assumed an increasing role in its advocacy for Canadian business aviation interests.

With a membership of approximately 400 companies and organizations, including operators, management companies, and suppliers, CBAACAA represents the entire business aviation community with a unified and collective voice.

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