

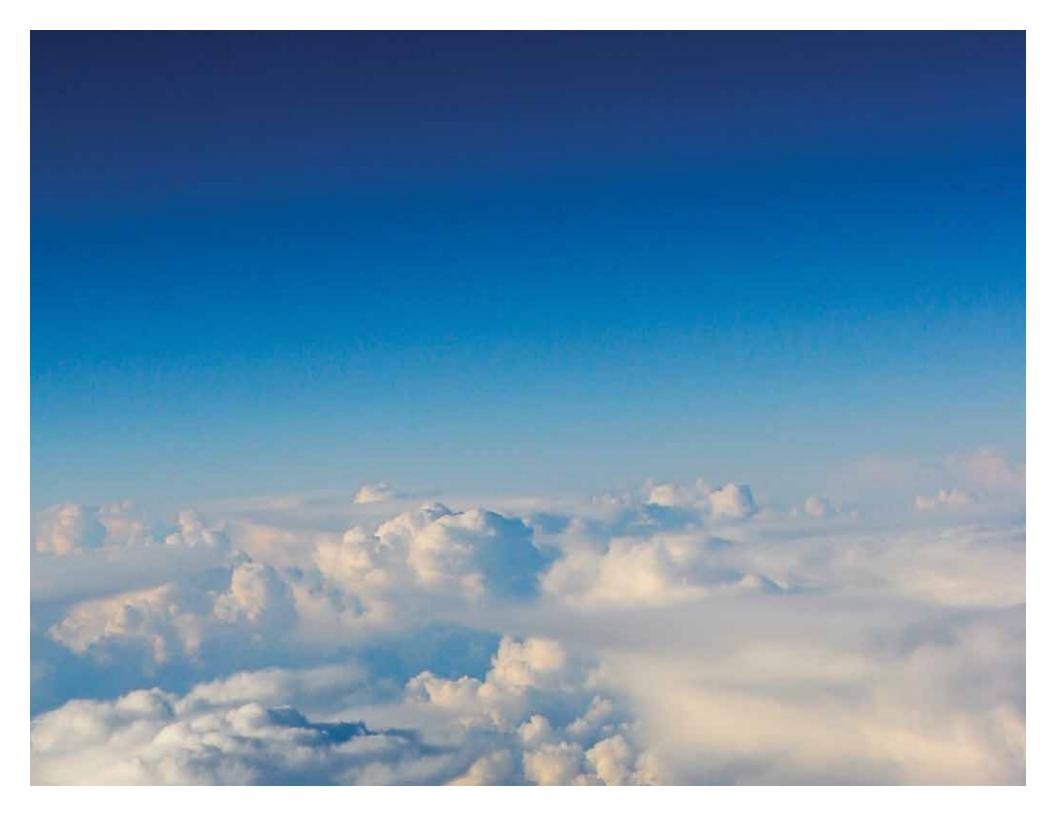
CONNECTING WITH THE WORLD

AN AVIATION STRATEGY FOR BRITISH COLUMBIA





BC JOBS PLAN



MESSAGE FROM THE PREMIER



As Canada's Pacific Gateway, British Columbia has an unprecedented opportunity to bring new investment into our economy and to create and protect jobs for families in every region of the province.

In China, a rising middle class and a massive movement of population from the countryside into cities is creating a huge demand for B.C. products. Aviation is critical to taking advantage of this opportunity and we have already made significant progress in our efforts to be more competitive.

For example, we eliminated the provincial jet fuel tax for international flights, saving airlines thousands of dollars a day on long-haul Asia flights, which will lead to expanded services, increased flight options and lower fares.

Our Connecting With the World aviation strategy is a key part of The BC Jobs Plan. By providing reliable, efficient and affordable air access, we will continue to expand our tourism and international education sectors, attract international investment and provide our businesses with access to diverse international markets, which will grow our economy and create jobs for families across the province.

We will continue to work together with our partners in the aviation sector to remove barriers and capitalize on opportunities to build a truly global hub at Vancouver International Airport and strengthen our position as Canada's Pacific Gateway—the gateway of choice for trade and travel between North America and Asia.

The Honourable Christy Clark

Premier of British Columbia

MESSAGE FROM THE MINISTER



Aviation is a critical part of British Columbia's economy, generating well-paying jobs for B.C. families and providing the infrastructure to deliver perishable and non-perishable goods to market, transport workers to remote job sites, bring in visitors and attract international investment.

Our Connecting With the World aviation strategy will grow the B.C. economy and create jobs by making it more attractive for Canadian and foreign carriers to travel through, and operate out of B.C., as they serve destinations and customers across the globe.

This strategy will increase our competitiveness and open up new markets to support our Pacific Gateway target of a 40 per cent increase in passenger traffic and a 70 per cent increase in cargo tonnage through Vancouver by 2020.

While much of our aviation growth will occur through YVR and the Lower Mainland, every community in B.C. will benefit from new job opportunities, expanded air services and increased access to international markets as we build our capacity as a global aviation hub.

Through the efforts outlined in this strategy, we will continue to grow our economy and create jobs as we strengthen our position as Canada's Pacific Gateway, connecting North America and Asia.

The Honourable Mary Polak

Minister of Transportation and Infrastructure

EXECUTIVE SUMMARY

A dynamic aviation sector is critical to growing the B.C. economy and supports each of the three pillars of *Canada Starts Here: The BC Jobs Plan*—enabling job creation, delivering goods to market, and opening and expanding markets. The B.C. aviation sector ranges from:

- Vancouver International Airport, which supports more than 61,000 jobs and generates more than \$11 billion in economic activity each year; to
- Regional airports which accommodate major air carriers and which provide opportunities for the aerospace sector to develop and base operations in B.C.; and
- Smaller facilities which provide access to rural residents and act as staging areas for emergency services and resource development.

With a clear vision of the role that the aviation sector can play in communities throughout the province, this strategy identifies actions that B.C. will pursue to maximize the economic potential of the sector and the economies it supports.

Our vision is for an aviation sector that is viable and competitive in the global marketplace, enabling passengers and goods to connect with destinations around the world through B.C. airports.

Summary of Actions:

Immediate actions to improve aviation competitiveness:

- Establish partnerships with the B.C. aviation management and consulting sectors to identify and support global market development opportunities.
- Support the creation of an aerospace cluster that can attract global investment.
- Measure the benefits of eliminating the provincial International Aviation Fuel Tax.
- Identify and pursue immediate opportunities to expand international air cargo and passenger services to B.C.
- Develop and pursue options in partnership with industry and the federal government to improve the Transit Without Visa (TWoV) Program.
- Call for the streamlining of Visa application procedures.

Actions to expand access to British Columbia:

Partner with Vancouver International Airport to encourage Asian routing through B.C.

- Strengthen engagement between B.C. and federal agencies to pursue.
 - Increased capacity in bilateral air transport agreements (ATAs);
 - · Greater flexibility on international routings; and
 - Resolution of ATA provisions that lead international airlines to serve B.C. through the U.S.

Optimize the aviation sector's long-term potential—regarding access:

- Develop provincial priorities for Customs designations.
- Continue to work with partners in the aviation sector, and with major trading partners, to identify passenger or cargo facilitation issues that need to be addressed.

Optimize the aviation sector's long-term potential—regarding costs:

Quantify the regulatory and administrative cost structures for aviation in Canada and our main competitor, the U.S.

- Assess the economic impact to B.C. of Canadian travelers using U.S. border airports instead of B.C. airports.
- Identify barriers and issues, and continue to work closely with the sectors, the federal government and other Canadian jurisdictions to address them in priority order.

Optimize the aviation sector's long-term potential—regarding infrastructure:

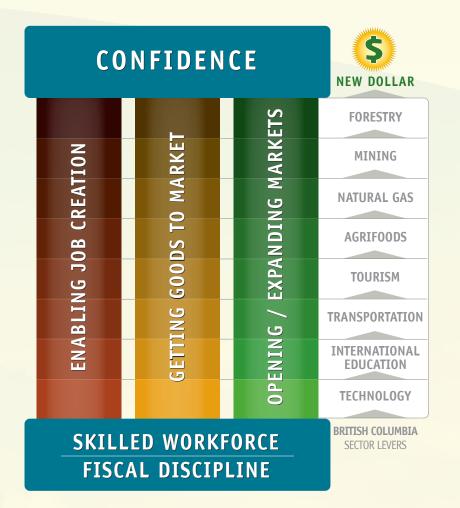
- Partner with airports to identify infrastructure needs and economic opportunities.
- Promote federal investment in air infrastructure.
- Assess past airport improvements against the rationale for each specific investment.
- Inventory air infrastructure and existing project proposals.
- Engage the B.C. aviation sector to manage ongoing skills development.

"The world is changing. Markets are changing. Investors' perceptions are changing too. And even as other jurisdictions slow down and try to ride out the current climate of uncertainty, B.C. is poised to take full advantage—attracting new investment into our economy, creating and protecting jobs for families in every region.

This is at the heart of *Canada Starts Here: The BC Jobs Plan*. It has three pillars to help us deal with today's economic uncertainty and emerge from it stronger than ever:

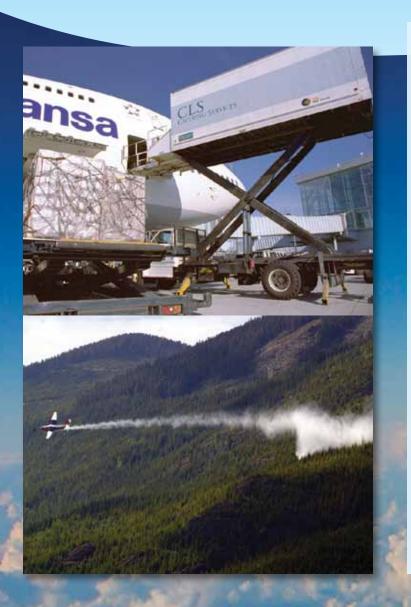
- Working with employers and communities to enable job creation across B.C.
- Strengthening our infrastructure to get our goods to market.
- Expanding markets for B.C. products and services, particularly in Asia."

...Canada Starts Here: The BC Jobs Plan



CONNECTING WITH THE WORLD

AN AVIATION STRATEGY FOR BRITISH COLUMBIA



Aviation is critical to growing the B.C. economy—supporting jobs, enabling investment, and facilitating trade. *Canada Starts Here: The BC Jobs Plan* has the ultimate goal of creating jobs in every community. Its three pillars—enabling job creation, delivering goods to market, and opening and expanding markets—need the support of a dynamic aviation sector.

B.C. is well positioned with its access to European, North American and Asian markets. Recognizing that investors and decision makers from all sectors identified in *The BC Jobs Plan* rely on effective air access, the *Pacific Gateway Transportation Strategy 2012–2020* has identified an increase in air passenger and cargo capacity between B.C. and Asia as a crucial support to the B.C. economy. To strengthen ties to the Asia Pacific, the Province will seek federal support to remove barriers that currently slow or impede the expansion necessary to enable B.C. to fulfill its potential as a pre-eminent aviation gateway.

Aviation is big business. There are 38 certified airports in B.C. which serve the scheduled passenger transportation needs of the province. In total, B.C.'s aviation sector includes more than 300 airports, heliports and water aerodromes that connect families by providing travel opportunities, passenger and cargo charter services, and medevac services.



Generating Revenues to Pay for Local Services

Airport businesses, employees, passengers and airport operators themselves pay taxes and fees related to airport activities. These include property, income, payroll, retail and fuel taxes, as well as fees such as the Air Travellers' Security Charge. B.C's largest airport, Vancouver International, generates over \$600 million a year in revenues to all levels of government, including:

- over \$435 million to the federal government—enough to fund the Department of Western Economic Diversification Canada,
- over \$135 million to the Province—enough to fund the B.C. Ministry of Environment,
- over \$27 million to the City of Richmond —enough to fund the City's parks and recreation budget, and
- over \$6 million to TransLink enough to purchase ten new conventional buses.

The aviation sector in B.C. includes:

- Vancouver International (YVR), Canada's second busiest airport, which served 235,000 tonnes of cargo and over 17 million passengers in 2011. YVR supports more than 61,000 direct, indirect and spinoff jobs, generating more than \$11 billion a year in economic activity.
- Major regional airports, such as Victoria International (YYJ) and Kelowna International (YLW). YYJ and YLW are B.C.'s second and third, and Canada's ninth and tenth, largest airports, serving
 1.5 and 1.4 million passengers, respectively, in 2011. Together they support over 2,900 direct jobs and generate more than \$1.1 billion per year in economic activity.
- Smaller facilities, such as Dease Lake Airport (YDL) in the northwest. YDL provides general access to residents and visitors, acts as a staging area for mining operations, and enables medevac services for the Highway 37 corridor.

The aviation sector supports British Columbians in their everyday lives, as well as attracting investments and enabling our resource, tourism and knowledge-based industries to thrive. Our aviation sector is strong and diverse. But—for a variety of reasons—it has yet to fulfill its potential. That is why aviation is among the economic sectors identified for priority action in *The BC Jobs Plan*.

B.C. recognizes the importance of aviation to the provincial economy, as a major sector in its own right and as a vital economic enabler underpinning other economic sectors. B.C. envisions a domestic airline industry that is viable and competitive in the global marketplace, airports that offer cost effective services, and international airlines—whether domestic or foreign—that connect residents globally through B.C. airports. B.C. sees a future where:

- YVR can achieve its full potential as an economic engine for Canada and a seamless global hub for traffic between Asia and the Americas.
- Regional airports have the resources, cost structures and freedoms needed to pursue their unique visions and roles from basic access to attracting investment and securing niche market air services.
- B.C. families have affordable air access, allowing communities throughout the province to realize their business and economic opportunities.
- Domestic airlines, aerospace companies and aviation management consultants can continue to grow and export their considerable expertise globally.

Vision

An aviation sector that is viable and competitive in the global marketplace, enabling passengers and goods to connect with destinations around the world through B.C. airports.



AVIATION CONNECTS...

The World to
B.C. Tourism Opportunities

Natural Resources to Global Investment



Airports throughout B.C. enable tourists and other visitors to access all regions.

Airports act as staging areas, allowing investors, crews and equipment to access remote sites.

International Students to Agrifood and Aquacultural Products to Global Markets Educational Opportunities Airports Airports Berries Educational Cherries Institutions Seafood Greenhouse **Vegetables** B.C. provides world class K-12, post secondary New air freighter services—such as and language skills educational opportunities that connecting Vancouver to Shanghai to a global audience. —bring B.C. products to Asian tables.

B.C. is taking the steps needed to further strengthen and grow our aviation sector, by optimizing our current potential and taking action to remove impediments. We are recognizing the importance of aviation to families—ensuring that our aviation network connects families within our province and to the world.

Our government commits to:

- Immediate actions to improve aviation competitiveness.
- Actions to expand access to B.C.
- Optimize the aviation sector's long-term potential.



The federal government has primary responsibility for aviation in Canada. This includes the regulation of airports, aircraft, airlines, air navigation and pilots, as well as jurisdiction related to international access and border security.

The federal government owns the four largest airports in B.C.

—Vancouver, Victoria, Kelowna and Prince George—leasing them to local operators. The federal government also directly operates three remote facilities.

Most B.C. airports are owned and operated by airport authorities —private, not-for-profit entities created for that purpose—or by local governments. They look to both senior levels of government for partnerships on capital investments and help with other aviation issues.

Federal jurisdiction limits the provincial role in aviation. However, Canada's devolution, cost recovery and commercialization polices, dating to the early 1990s, signal a role for B.C. There are a number of measures B.C. can take to help make the province's aviation sector stronger and, in an increasingly global economy, more competitive.

Supporting Every Sector of the B.C. Economy

Whether the cargo is Okanagan cherries, Fraser Valley blueberries or seafood fresh from the coast, aviation is critical for delivering B.C. products to market.

Aviation supports provincial and national economies in many ways:

- the tourism sector generated over \$13.4 billion in revenue province-wide in 2010,
- the oil, natural gas and mining sectors rely on aviation to get crews in to remote job sites,
- the international education sector contributes 22,000 jobs to communities throughout B.C., and
- seafood exports were worth over \$950 million in 2010.



ACTIONS:

- Establish partnerships with the B.C. aviation management and consulting sectors to identify and support global market development opportunities. B.C. companies already export expertise in airport operations and aviation consulting services. Promotion of B.C.'s expertise in these industries will enhance B.C.'s reputation for excellence in aviation, attracting companies and skilled jobs to B.C.
- **Support the creation of an aerospace cluster that can attract global investment,** including business opportunities generated by industrial regional benefits flowing from federal government procurement. The aerospace industry includes the manufacture and maintenance of aircraft or aircraft components. With a growing international market for aircraft, the industry is well positioned to grow the economy and create jobs for British Columbians.
- Measure the benefits of eliminating the provincial International Aviation Fuel Tax. This two-cent-per-litre tax was eliminated for international flights as part of Budget 2012. The tax was undermining B.C. competitiveness because there were no comparable taxes in neighbouring or competing jurisdictions—such as Alberta, Washington or California.

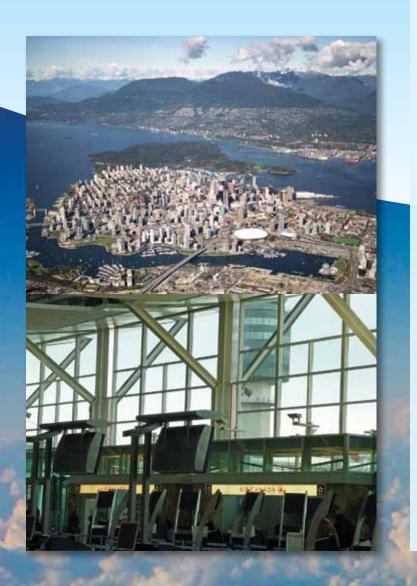
The Province announced a plan to eliminate the tax in September 2010 at the World Route Development Forum in Vancouver—one of the aviation world's premier annual events. Eliminating the tax will save the industry an estimated \$12 million in the first year alone, helping to make B.C. more attractive to international carriers. The Province will monitor the industry to determine how this change has led to increased air services and increased provincial revenues from payroll taxes as new jobs are created, and from consumption taxes as more visitors come to B.C.

Identify and pursue opportunities to expand international air cargo and passenger services to B.C.

There are important markets for B.C. goods as well as sources for investment, international students and tourism, where increased air access could produce immediate economic benefits. With focused marketing efforts, B.C. may increase connections with fast-growing economies such as China, India, South Korea and Brazil, without requiring specific action by the federal government.

A daily international passenger service is estimated to create approximately 186 direct jobs; a daily cargo flight creates 73 jobs.





- Develop and pursue options in partnership with industry and the federal government to improve the Transit Without Visa (TWoV) program. TWoV allows citizens of China, Indonesia, the Philippines, Taiwan and Thailand, who possess an approved U.S. Visa, to transit Canadian airports on approved air carriers en-route to the U.S. without having a Canadian transit Visa. B.C. would like to explore ideas such as:
 - Extending TWoV to the citizens of India;
 - Including additional Chinese partner airlines in the program and allowing them to fly TWoV passengers from any international departure point in China; and
 - Allowing TWoV for transiting passengers en-route to countries other than the U.S., such as Latin American nations.
- Individual issues include the need for Canadian Visa application or issuance services closer to the markets that airlines are trying to serve (e.g., Guangzhou) and the need for issuing multiple-visit Visas to businesspersons, rather than single-visit tourist Visas.

ACTIONS TO EXPAND ACCESS TO BRITISH COLUMBIA

International aviation is governed worldwide by a network of Air Transport Agreements (ATAs), authorizing and regulating commercial air services between partner nations. More than 7,500 ATAs are in existence, enabling and restricting international aviation through provisions governing:

- Airfares.
- Which, or how many, airlines can operate in a given market.
- Which airports those airlines can fly to.
- Market capacity (how frequently an airline can serve a particular market, or the maximum number of passengers they may be allowed to carry).
- Business issues, such as setting up sales offices in, and remitting profits from, the partner jurisdiction.

Canada has ATAs with more than 90 countries. While many provide for open access for direct services, others contain restrictions which limit the ability of B.C. to maximize the value of its aviation sector.



ACTIONS TO EXPAND ACCESS TO BRITISH COLUMBIA



"Global trade
and tourism, and
international
connectivity have
never been more
prevalent or important
than right now. We are
increasingly reliant on
air travel—whether we
are exporting cherries
to China, have friends

and family visiting from the Philippines, or are welcoming international students from Japan—convenient and affordable air travel is a key component for the success of these activities."

MLA Rob Howard, Parliamentary Secretary to the Minister of Transportation and Infrastructure The federal government has recognized the need to ease constraints. Its Blue Sky policy, released in 2006, has the objective of providing "a framework that encourages competition and the development of new and expanded international air services to benefit travellers, shippers, and the tourism and business sectors." Consistent with this framework, B.C. and Canada could realize almost immediate economic benefits with the following actions.

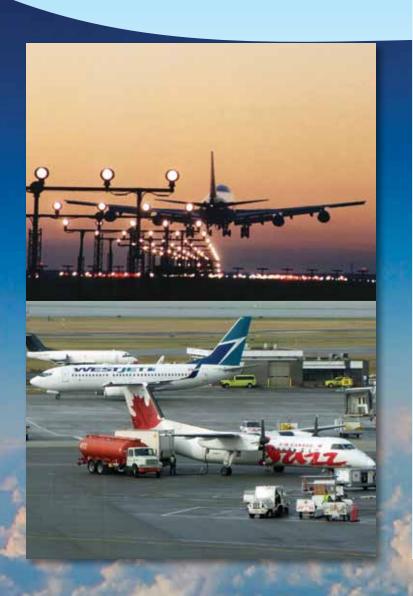
ACTIONS:

- Partner with Vancouver International Airport to encourage Asian routing through B.C. Explore the potential to collect and hub traffic between Asia and the Americas, recognizing that B.C. is perfectly situated between the world's two largest economies.
- Strengthen engagement between B.C. and federal agencies for directed action on ATAs. Stress the need for ongoing dialogue, enable detailed information sharing, and allow for a process to mutually identify and address emerging priorities. This will include B.C. playing an active role when Canada reviews its aviation policy. The following areas are of specific interest to B.C.:
 - **Increased capacity in ATAs.** Some of Canada's ATAs restrict the number of flights that can be flown on an international

ACTIONS TO EXPAND ACCESS TO BRITISH COLUMBIA

- route. For example, Taiwanese carriers are limited in serving B.C. to a maximum of 10 flights weekly, despite their stated desire to operate up to three times daily. Ongoing capacity restrictions limit the economic benefits that would accrue to B.C. from more international traffic.
- Greater flexibility on international routings. Some of Canada's ATAs restrict the international routing options available for airlines serving B.C. For example, the ATA with Singapore allows unlimited direct services, but restricts airlines from operating through an interim point such as Seoul, South Korea. Where a direct service is not economically viable, use of an interim point like Seoul improves route viability for the airline while bringing trade and investment benefits associated with the airline's global network to B.C.
- Resolution of ATA provisions that lead international airlines to serve B.C. through the U.S. For example, Icelandair and Emirates Airline have faced limits on levels of service they can offer in Canada, even though there is demand for their service and they have expressed a preference to route flights to Vancouver. By operating out of Seattle, they are shifting jobs and economic activity away from Canada.





In addition to the more immediate issues previously outlined, B.C.'s aviation sector faces a number of complex challenges that can be addressed only through concerted efforts over time. The Province is committed to working with its partners in the aviation sector, including the federal government, to improve access, reduce costs and address airport infrastructure deficits.

Each of these issues has a significant impact on the B.C. economy, but none can be settled unilaterally.

ACCESS:

Throughout the global aviation network, reasonable restrictions are in place to protect safety and security. At the same time, a number of issues restrict legitimate air travel and, in the process, undermine the potential for further economic growth. These include certain Visa policies and procedures, as well as airport-specific issues such as Customs designations. Regional airports with Customs designations can receive direct flights from the U.S., allowing companies engaged in local projects such as the planned Liquified Natural Gas terminals in Kitimat, to more directly access their projects.

ACTIONS:

Develop provincial priorities for Customs designations.

These could enable increased investment and economic development in communities outside the Lower Mainland. B.C. has called for the restoration of the Customs designation at Northwest Regional Airport, serving Terrace-Kitimat, to help ensure access for industry related to Pacific Gateway projects. B.C. will work with the airport community to identify and address any similar constraints elsewhere in the B.C. airport network.

Continue to work with partners in the aviation sector, and with major trading partners, to identify passenger or cargo facilitation issues that need to be addressed. Create a forum with federal agencies for issues to be identified and managed as economic opportunities arise. This will include continually monitoring access issues to minimize barriers to new international passenger and cargo services.



"Charging air travellers to recover security costs through the ATSC (Air Travellers' Security Charge) places an unreasonable burden on the air transport industry in Canada... The net result is a cost disincentive to trade and tourism with far greater economic costs than those associated with securing Canadian air travel."

– Canadian Airports Council

COSTS:

Canada is a high-cost jurisdiction for aviation. In a recent report¹ on competitiveness, Canada ranked 9th out of 139 countries overall, but 105th in terms of price competitiveness, due largely to fee structures that imposes costs directly onto air travellers. This affects the yield an airline may earn on a route, and is considered a primary factor in the leakage of Canadian air traffic to U.S. airports.

ACTIONS:

- Quantify the regulatory and administrative cost structures for aviation in Canada and our main competitor, the U.S. This will better position B.C. to dialogue with Canada on any comparative advantage held by U.S. airlines or airports. Examples of costs to address include:
 - Airport rents the federal government owns the 26 airports across Canada that form the National Airport System (NAS), including the four largest in B.C. NAS airports pay rent to the federal government, with Vancouver International alone having paid over \$1 billion in rental fees since devolution to local control in 1992. These rents increase costs overall as the airport passes them on to airlines and shippers. However, the federal government does not play traditional landlord roles related to

¹ The World Economic Forum's Travel and Tourism Competitiveness Report 2011.

construction, operations or maintenance, and NAS airports have been significantly reconstructed since devolution.

Boards of trade, chambers of commerce and airport authorities in B.C. and across the country have been urging the federal government to reduce or eliminate these rents. Although the federal government introduced a new formula in 2005 that reduced rents, they remain a significant expense.

• Air Travellers' Security Charge (ATSC) — the ATSC was introduced following the 9/11 terror attacks, directly increasing the cost of flying domestically or internationally from Canadian airports. While other countries have similar fees, Canada is alone in placing the full burden of post-9/11 security costs on passengers.

Business and aviation-sector groups have been calling for the charge to be reduced or eliminated, noting that security is a societal benefit that is paid for directly, in whole or in part, by federal governments in other jurisdictions.

Assess the economic impact to B.C. of Canadian travelers using U.S. border airports instead of B.C. airports. This phenomenon, known as leakage, transfers the economic

"Leakage" is the term used to describe the loss of Canadian air travellers to U.S. airports, which frequently offer lower fares to U.S. and international destinations. A study for the Canadian Airports Council estimated that leakage accounted for 4.8 million passengers, or 20% of the total trans-border (Canada–U.S.) market. That is equivalent to all the passenger traffic at B.C.'s second through eighth busiest airports combined.

benefits associated with trans-border air services, from direct jobs at Canadian airports to business connectivity associated with direct access to trans-border markets, to border communities in the U.S.

with the sectors, the federal government and other
Canadian jurisdictions to address them in priority order,
to better position the aviation and aerospace sectors as
drivers of economic growth and prosperity in Canada.



INFRASTRUCTURE:

Even in the absence of policy or regulatory impediments, the B.C. aviation sector is, in some cases, restricted by infrastructure. Airports cannot market themselves for services either domestic or international if they cannot handle those services safely and securely—whether in terms of runway dimensions, the ability to store perishable cargo, or other facility deficits.

ACTIONS:

- Partner with airports to identify infrastructure needs and economic opportunities. Recognizing that airports are economic assets to the nation, the province and the communities and regions they serve; the Province can play a leadership role, supporting airports province-wide to work collectively to ensure that airport infrastructure is used to its full potential, and that airports are not duplicating roles and responsibilities.
- Promote federal investment in air infrastructure. Canada invests in airports through such formalized means as the Airports Capital Assistance Program, which focuses on safety issues at airports with scheduled passenger services, and through contributions to specific projects through agencies



Since 2003 the Province has invested over \$65.5 million in capital projects at 36 B.C. airports.



such as Western Economic Diversification Canada. Continued and expanded investment, including investment focused on economic development, must be encouraged as B.C. and Canada continue to develop and promote B.C. as Canada's Pacific Gateway.

- Assess past airport improvements against the rationale for each specific investment. B.C. needs to work with those airports that have received provincial and federal investments over the past 10 years, to assess the effectiveness of dollars spent as a precursor to future airport expenditures.
- Inventory air infrastructure and existing project proposals.

Many airports in B.C. have primary infrastructure dating from the 1980s or earlier. In partnership with the airport community, B.C. needs to inventory and assess the air infrastructure and note any deficiencies that may affect ongoing airport operations. Once an inventory has been done, it can be assessed against provincial priorities across transportation modes and in other sectors.

Engage the B.C. aviation sector to manage ongoing skills development. As with other sectors, meeting the demands of an aging workforce will challenge the aviation sector in the future. Consistent with *Canada Starts Here: The BC Jobs Plan*, the province will work with partners such as the federal government and the B.C. Aviation Council to identify and address these challenges.





Expected Benefits

With this strategy, B.C. is renewing its commitment to the aviation sector, helping the province to fulfill its potential as a pre-eminent aviation gateway. While many of the measures outlined in this document can only succeed with the support of partners—including the federal government—B.C. is prepared to lead with independent actions, and to provide a strong voice for the B.C. aviation sector in Ottawa.

In keeping with the targets in *The BC Jobs Plan*, a measure of success for this strategy will be for Vancouver International Airport to attract one new international carrier per year for the next two years, to further develop trade and tourism between B.C. and the Asia Pacific.

Over time, as this strategy is implemented, British Columbians can expect increased opportunities for airports to generate economic growth and more jobs in their regions, including:

- Lower costs for airports and passengers as taxes, fees and rents are reduced or eliminated.
- Less leakage of B.C. passengers to airports in Seattle and other U.S. cities.
- Increased number of travellers, especially from the Asia Pacific.

