

*Shared values and shared
opportunities:*

Business Aviation Working for Canada



Pre-Budget Submission to Finance Canada
February 2020

CBAACAA
Canadian Business Aviation Association

Contents

- Executive Summary and Recommendations 3
- Introduction..... 5
- How Business Aviation Works for Canada..... 7
- Climate Change Solutions That Make a Difference 9
- Ensuring Clear, Fair and Reasonable Tax Policies 13
- How Modernized Aviation Regulations Will Yield Better Outcomes 14
- Airport Accountability: Why Business Aviation’s Voice Needs to be Heard..... 16
- APPENDIX: VINS Plastics 17
- APPENDIX: KPCL Dirt Movers..... 18

Executive Summary and Recommendations

The Canadian Business Aviation of Canada (CBAA) represents the \$12.1 billion aviation community with one voice and a singular purpose: to promote and simplify business aviation.

If Canada is to lever the potential of business aviation as a tool of progressive social and economic opportunity, government must acknowledge and endorse it as a distinct transportation mode with different attributes, needs and outcomes than scheduled air carriers.

The 2020 federal budget can be the starting point for a new direction and a clear vision for Canada. This document focuses on the actions we can take to align business aviation with many of the government's goals to improve the economic wellbeing of Canadians no matter where they live, while ensuring access, reducing our carbon footprint and enhancing safety through modern and realistic regulations.

Climate Change Solutions that Make a Difference

<i>Recommendation #1</i>	Include 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.
<i>Recommendation #2</i>	Incentivize avionics upgrades through an accelerated capital cost allowance, expense tax deduction, credit and/or a rebate program.
<i>Recommendation #3</i>	Incentivize the rapid adoption of space based Automatic Dependent Surveillance-Broadcast (ADS-B) to enable more fuel-efficient routings.
<i>Recommendation #4</i>	Incentivize the modification of an aircraft, or purchase of efficient and technologically advanced aircraft that has an effective reduction in its environmental footprint, through an accelerated capital cost allowance, expensed tax deduction, credit and/or rebate program.

Ensuring Clear, Fair and Reasonable Tax Policies

<i>Recommendation</i>	That the Government of Canada exclude all aircraft that are used for business purposes from its new 10 percent "luxury" tax.
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How Modernized Aviation Regulations Will Yield Better Outcomes

Recommendation #1 Work with industry, to create a modernized set of Canadian Aviation Regulations (CARs) for business aviation that is efficient, practical, flexible, and responsive to business aviation operations, particularly for small operators.

Recommendation #2 Increase efficiency and safety by working with industry and association based subject matter experts to lever the business aviation Safety Management System (SMS) and its robust risk mitigation to enable change and encourage the use of appropriate delegations and appropriate exemptions.

Airport Accountability: Why Business Aviation's Voice Needs to be Heard

Recommendation That the Government of Canada consult with the business aviation community through the CBAA on any measures to strengthen the transparency, accountability and efficiency of Canadian airports.

Economic Impacts of Business Aviation Operations & Manufacturing in Canada



Annual Direct Impacts:

23,000 FTEs of Employment
\$2.3 billion in wages
\$3.4 billion in gross domestic product (GDP)
\$7.8 billion in economic output



Annual Total Impacts:

47,100 FTEs of Employment
\$3.5 billion in wages
\$5.8 billion in gross domestic product (GDP)
\$12.1 billion in economic output

Introduction

The Canadian Business Aviation of Canada (CBAA) represents the \$12.1 billion aviation community with one voice and a singular purpose: to promote and simplify business aviation and its significant contribution to the economy of Canada

This is the CBAA's first submission in advance of a federal budget. In the past, business aviation was perceived as a relatively small niche segment, whose needs and agenda were subsumed within the larger aviation sector.

This was never really true, and even less true today. Business aviation is a distinct segment, operating very differently from scheduled air services and contributing to the nation's economy by enabling productivity improvements, efficiency gains and business development in ways that airlines cannot.

Business aviation can continue to be a force for positive change. With its rapid fleet turnover as well as its adoption of cutting-edge technology, business aviation can help Canada reduce its carbon emissions and reach its climate goals.

Business aviation provides stable and consistent transportation, linking small communities, to major airport hubs, and creating new opportunities for local jobs that support a strong middle class. Connecting Canadian entrepreneurs and corporations to world markets, business aviation can help assure our competitiveness and success in international trade and commerce.

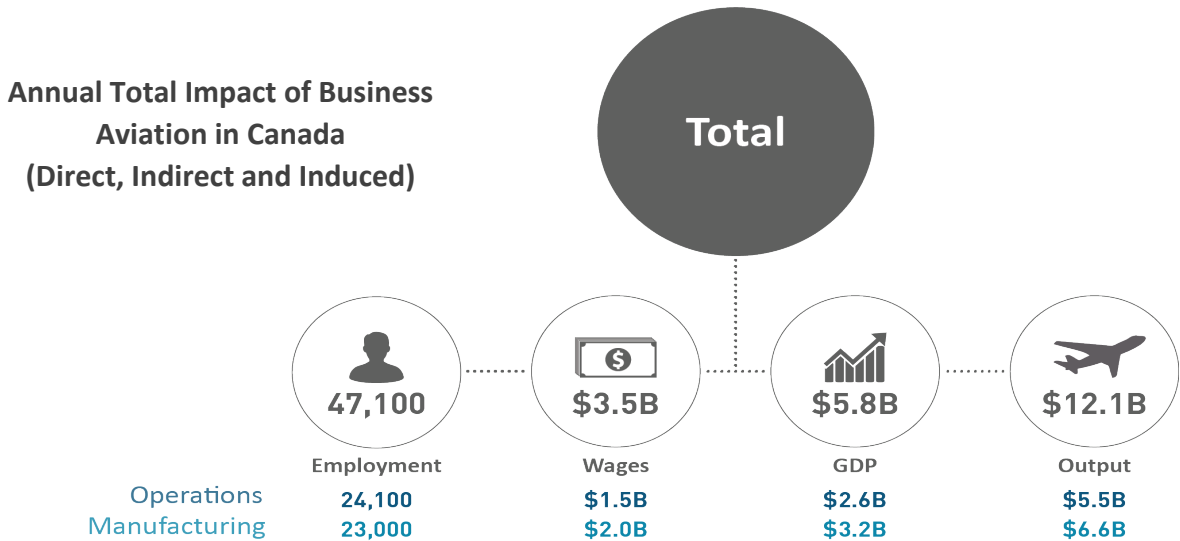
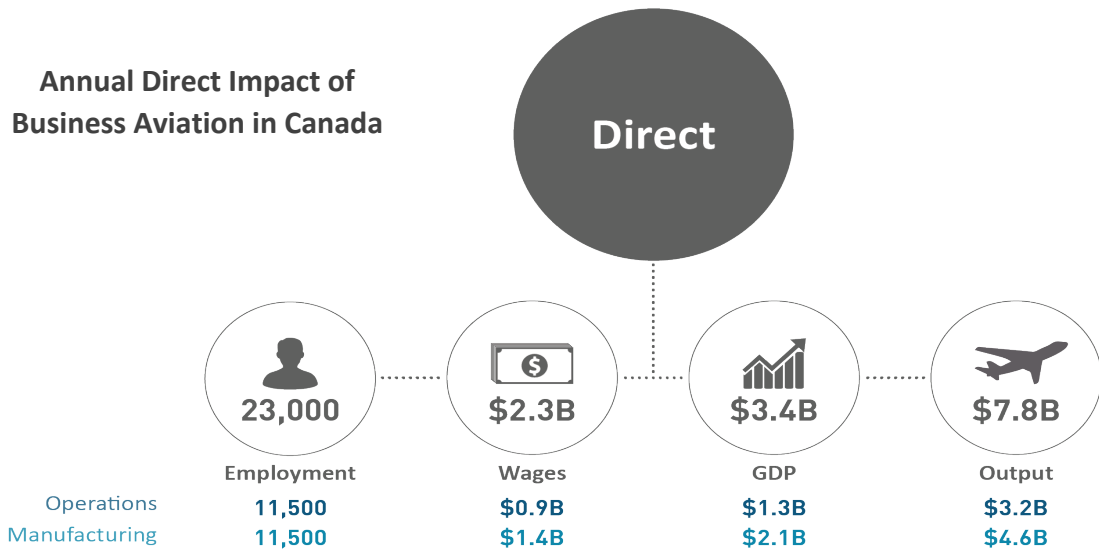
Moreover, business aircraft are uniquely able to provide a first response to natural disasters and other crises, operating on short notice into outlying airports with small and sometimes unpaved runways, or even onto roads, that are inaccessible to airliners or automobiles – or are even half a world away.

Companies use business aircraft to transport employees, goods, and equipment to remote or isolated worksites, enhance productivity by reducing travel time and use the aircraft as an office on wings and as a competitive advantage when serving customers scattered across the globe. Research has shown that TSX 60 Canadian companies that employ business aircraft outperform non-users by 43 percent.

Non-scheduled business flights are often the only realistic option for air service from small and remote communities to larger centres. Able to fly in and out of the most isolated areas in Canada, business aircraft provide safe, secure and respectful connectivity to ensure that every Canadian has the same access to essential services and personnel, such as health care and education, no matter where they live.

If Canada is to lever the potential of business aviation as a tool of progressive social and economic opportunity, government must begin to understand it as a distinct transportation mode with different attributes, needs and outcomes than scheduled carriers.

The 2020 federal budget can be the starting point for a new direction and a clear vision for Canada. This document focuses on the actions we can take to align business aviation with many of the government’s goals to improve the economic wellbeing of Canadians no matter where they live, while ensuring access, reducing our carbon footprint, and enhancing safety through modern and realistic regulations.



How Business Aviation Works for Canada

Business aviation is one of Canada's most valuable, but perhaps most underestimated, economic assets. Often characterized as a niche product with limited impact on broad economic outcomes or opportunities, the reality is quite different.

A Critical Asset That Delivers Economic Opportunity

Business aviation allows Canadian companies to punch above their weight, competing with countries with many times the population and greater access to more scheduled airline options. It facilitates transportation of service and specialist employees and executives to further their business initiatives and operations. It also helps to improve worker productivity, customer service and retention, and enhances supply chain performance in every province and territory. In addition, Canada is home to a number of aerospace manufacturing firms that manufacture and support the building of business aviation aircraft for use in Canada and abroad.



Business aviation in Canada provides many benefits to the economy by enabling productivity improvements, efficiency gains and business development. From an operations perspective:

- Enables employees to reach multiple destinations in a single day and return home to headquarters or family. This saves time and money and improves quality of life;
- Enhances productivity by allowing employees to work together in secure, private spaces; and
- May be the only effective transportation option available for employees to reach remote or distant customer locations. Certain locations may only be reachable by float plane or helicopter.

A Strategic Corporate Advantage

Numerous studies, including an analysis of the TSX 60¹, consistently show that corporations that use business aviation outperform those that don't, by significant margins. In Canada, TSX 60 companies that use business aircraft outperform those that do not by 43 percent. That difference translates into greater returns on valuations of all types: shareholder investment, more jobs and economic spin offs.



High-Value Direct Employment Across Canada

23,000 Canadians are employed directly in business aviation operations and business aircraft manufacturing with an average annual salary of \$95,900, almost TWICE the national average of \$51,000².

An additional 24,000 jobs are indirect or induced by business aviation, for total employment of 47,000.

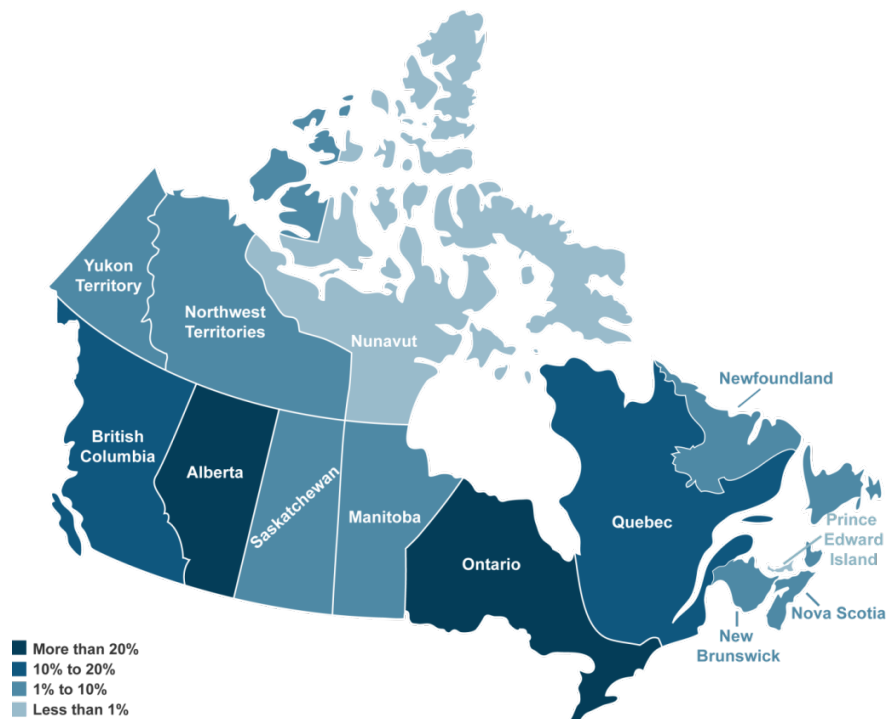
Careers in business aviation include pilots and flight crews, as well as engineers, designers, avionics, and many others who fly, support and design business aircraft, engines, simulators and more.



¹ NEXA ADVISORS *Business Aviation and Top Performing Companies 2017: North American Edition S&P 500 & TSX Companies Using Business Aircraft to Create Enterprise Value*

² Workopolis <https://careers.workopolis.com/advice/how-much-money-are-we-earning-the-average-canadian-wages-right-now/>

Opportunity in every province and territory



Distribution of Business Aviation Aircraft Across Canada

Operating primarily out of Canada's major airports and serving communities in every region, business aviation is a piece of critical transportation infrastructure that complements scheduled airline service by providing efficient, secure, point-to-point access that the airlines cannot provide.

In addition to the operating aspects of business aviation, Canada also makes a strong contribution to

the aerospace manufacture of business aviation aircraft that support business aviation globally. Canada is home to Bombardier, a global leader in the manufacture of business aircraft, as well as industry-leaders such as Pratt & Whitney Engines, Bell Textron Helicopters, CAE and Viking Air Ltd., to name a few of the major players in the business aircraft manufacturing sector based in Canada.



Photo Credit: P&WC



Photo Credit: Bombardier



Photo Credit: CAE

Climate Change Solutions That Make a Difference

Business aircraft emissions are a miniscule fraction of total aviation emissions – less than one percent. As air carrier emissions are estimated to be two percent of total carbon emissions from all sources, business aviation’s fuel emission so insignificant, it is tantamount to being nonexistent.

BUSINESS AIRCRAFT LEAD THE WAY:

Wingtip devices(winglets) were first introduced in 1977 on a Learjet 28, the first time this device was used on a production aircraft, either civilian or military.

Despite our trivial contribution to carbon emissions, we believe we have a moral and ethical obligation to take every action possible to reduce our emissions further. Even more, we believe that business aviation can serve as a role model and exemplar for carbon reduction for the entire aviation community.

Through the **Business Aviation Commitment on Climate Change**, Canadian business aviation operators are part of a worldwide effort to reduce CO₂ emissions 50 percent by 2050, relative to 2005. This commitment is achievable as business aviation aircraft tend to be newer than commercial counterparts, developing and deploying cutting edge technologies earlier than airlines. As one of many examples, winglets reduce fuel consumption by four to seven percent. Now a common modification on all aircraft to reduce drag and improve fuel efficiency, they were introduced in 1977 on a Learjet 28: the first time this device was used on a production aircraft, either civilian or military.

Adding to our commitment, Canadian business aviation operations are subject to CORSIA, the Carbon Offsetting and Reduction Scheme for International Aviation established by ICAO. However, that is just the beginning.

With the support and partnership of the Government of Canada, we believe that the Canadian business aviation community can accomplish even more, using smart strategies and programs to advance the use of upgraded or new aircraft, new operational techniques, onboard technologies and sustainable aviation fuel (SAF). While SAF is available, they are difficult to obtain. Government assistance can help remove barriers and roadblocks to more widespread availability.

2%

Improvement in efficiency per year from 2010 until 2020



Carbon-neutral growth from **2020 onward**

50%

Reduction in carbon emissions by 2050, relative to 2005

Recommendation #1 **Include 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.**

In the 2019 mandate letter to the Minister of Finance, the Prime Minister requested that the Minister act to:

Cut tax rates by 50 per cent for companies that develop and manufacture zero-emissions technology. Eligible sectors should include but not be limited to: manufacturing related to renewable energy, renewable fuel production, zero-emission vehicles, carbon sequestration and removal technology, batteries for use in zero-emission vehicles, and grid storage and electric vehicle charging systems.

This is an admirable goal but excludes opportunities to reduce emissions in the aviation sector. Work in Canada to develop, manufacture and use sustainable aviation fuel (SAF) should be explicitly included.

The adoption of SAF is key to achieve our **Business Aviation Commitment on Climate Change**. There are many benefits to fast tracking SAF availability:

- **SAF is safe, and available today**
 - They have been tested by manufacturers of aircraft, engines and components, to assure their reliability and safety, in the air and on the ground.
 - Equally important, the fuel can be blended with current fuels, so manufacturers do not have to redesign engines or aircraft. The fuel can simply be “dropped-in” whenever they are available.
 - They support compliance with emerging international emissions standards, including the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), as well as the European Union (EU) Emissions Trading Scheme.
 - Their use also allows operators and others in industry to achieve corporate social responsibility goals.
 - Alternative fuels may provide improved efficiency, reducing operating costs and extending flight-range capabilities.

Recommendation #2 **Incentivize avionics upgrades through an accelerated capital cost allowance, expense tax deduction, credit and/or a rebate program.**

Business aircraft can be retrofitted to incorporate many enhancements that would improve fuel efficiencies.

An upgrade of the on-board avionics would allow operators to save a considerable amount of time and fuel when approaching and landing at an airport using an advanced form of GPS

navigation known as Required Navigation Performance (RNP). Introduced in 2010, RNP has revolutionized the way instrument approaches are designed and carried, with less fuel and greater levels of safety.

The largest hurdle is cost. The avionics upgrade has many costly yet essential elements, including hardware, certification documentation, approval and training.

The Government of Canada already has a track record of influencing positive consumer behavior through incentives and rebates on the purchase of energy saving products. In much the same way, business aircraft operators would be encouraged in their efforts to upgrade their equipment. As a result, Canada would have safer and more fuel-efficient aircraft in its skies.

Recommendation #3 **Incentivize the rapid adoption of space based Automatic Dependent Surveillance-Broadcast (ADS-B) to enable more fuel-efficient routings.**

ADS-B provides satellite-based air traffic surveillance covers the entire planet, a service through a joint venture called Aireon that includes NAV CANADA as well Iridium Communications and air navigation service providers from the UK (NATS), Ireland (IAA), Italy (ENAV) and Denmark (Naviair). Already required for operations over the U.S. as of January 2020, Canada will consider the implementation and integration in the coming months.

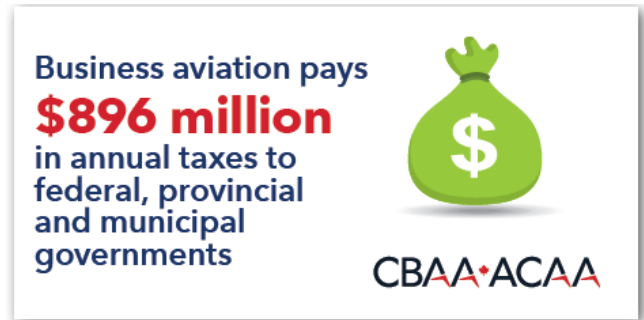
This expansion of ADS-B surveillance coverage will save an estimated \$374 million in fuel costs by 2020 by enabling more fuel-efficient routings, while reducing greenhouse gas emissions by about 982,000 metric tons.

While commercial carriers have already begun to add ADS-B capabilities, smaller business aircraft have not yet been as quick, hampered by the costs of the upgrade, specifically antenna requirements. Manufacturers are currently developing versions of ADS-B antenna for lighter aircraft. However, cost will continue to be an inhibiting factor. Support from the federal government would help speed the process, and ensure that every aircraft flown in Canada can enjoy the fuel-saving and enhanced safety and efficiency provided by ADS-B.

Recommendation #4 **Incentivize the modification of an aircraft, or purchase of efficient and technologically advanced aircraft that has an effective reduction in its environmental footprint, through an accelerated capital cost allowance, expensed tax deduction, credit and/or rebate program.**

Business aircraft are costly, particularly for small businesses that use their aircraft to move their people and goods. It isn't surprising that there is an active market for pre-owned aircraft. As sound as these aircraft are, they cannot always match the technological sophistication or efficacy of a new aircraft.

The Government of Canada can help by offering a credit, accelerated capital cost depreciation or rebate on the purchase of a new aircraft that is more efficient and has a lower environmental footprint than the equipment it is replacing, reducing both carbon emissions and noise levels.



Ensuring Clear, Fair and Reasonable Tax Policies

The government's intent to impose a 10 percent "luxury" tax on the purchase of "personal aircraft" is of particular concern to the business aviation community. GST and applicable PST are already captured on the purchase of any aircraft for personal use. While the wording in the mandate letter to the Minister of Finance implies that only those who purchase and use the aircraft for pleasure would be affected, the lack of clarity suggests that those who use small aircraft for business purposes may be inadvertently caught up in the net.

Under the Income Tax Act, an aircraft flown for business purposes and owned or leased by a corporation, partnership or sole proprietor can be considered a cost incurred to earn income that is recognized by the Canada Revenue Agency.³ The Act does not specify or limit the type of aircraft: an airplane of any size can be used for business purposes.

As well, the personal use of an aircraft is already recognized as a non-deductible taxable benefit to the individual. Again, the size or type of aircraft is irrelevant.

Recommendation **That the Government of Canada exclude all aircraft that are used for business purposes from its new 10 percent "luxury" tax.**

³ ...certain costs that are reasonable for a particular type of business, and that are incurred for the purposes of earning income. Business expenses can be deducted for tax purposes" Canada Revenue Agency. [Definitions for B \(Business\)](#)

How Modernized Aviation Regulations Will Yield Better Outcomes

The CBAA has had an important opportunity to work with Transport Canada on modernizing Canadian Aviation Regulations (CARs), beginning with our submission to the Treasury Board of Canada in September 2018, and evolving to a strong and respectful process today, with an aim to ensure greater flexibility and clarity in CARs and eliminate “one-size-fits-all” and prescriptive regulations.

We were encouraged to see that in the letter to the Minister of Transport, the Prime Minister asked that Minister Garneau “*continue to improve the safety of Canada’s transportation sector through a review and modernization of relevant legislation and regulations*”.

CARs have not been modernized since 1996. Transport Canada itself noted that this has resulted in regulations that are outdated, inflexible and are not risk-based or harmonized with international standards. As part of a government-wide initiative, the CBAA developed a legitimate way forward to allow a process to replace regulations that are overly prescriptive, not suited to business aviation and poorly drawn.

While the process between Transport Canada and the CBAA is well underway, it is important that we stay focused on the actions and approaches that ensure that Canada is ready for the future: updating CARs to catch up with ICAO standards and approaches and to anticipate future needs and changes, including the evolving roles of the state regulator, ICAO and remotely piloted aircraft systems (RPAS), among others.

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

Recommendation #1 **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.**

The SMS regulations are symptomatic of the general regulatory overburden of the CARs 604 (corporate aircraft) regulations which were developed and published without the support of any risk analysis. Since small operators cannot comply with these regulations, the desired safety outcomes from the regulations are not achieved and operators are wasting time and money in a futile attempt to comply. A further unintended consequence of these regulations is the use of “work arounds” that see operators either re-equip with

slightly smaller aircraft that are not required to operate under CARs 604 or have registered their aircraft in a “flag of convenience” country. Both situations permit these aircraft to operate to a lower safety standard and put not only operators but also their passengers at a greater risk.

Recommendation #2 **Increase efficiency and safety by working with industry and association based subject matter experts to lever the business aviation Safety Management System (SMS) and its robust risk mitigation to enable change and encourage the use of appropriate delegations and exemptions.**

Enabled in the Aeronautics Act, a Minister’s Delegation allows an authorized person to perform functions on behalf of the Minister. The use of delegations is both commonplace and safe as delegations are “held by qualified individuals in the private sector who have demonstrated their ability to perform these regulatory functions, and who have extensive experience in their particular field associated with the delegation”.

Examples include the recently adopted delegation for Minimum Equipment Lists (MELs) as well as the Approved Check Pilots (ACP) who conduct pilot proficiency checks or a line check on company pilot employees and Maintenance (MD-M) which provides the aviation industry with a mechanism that allows qualified individuals, other than Civil Aviation Safety Inspectors, to issue Certificates of Airworthiness and Special Certificates of Airworthiness.

These and the other delegations used in civil aviation are essential. Transport Canada does not have the resources that equal the expertise and knowledge that can be accessed in the private sector.

Exemptions are a de-facto acceptance by regulators that accommodations can and should be made to ensure the highest level of regulatory compliance while recognizing that one size does not fit all. The CBAA will continue to work with Transport Canada to identify and create exemptions when warranted, including in areas of regulation related to flight and duty times and flight data recorder requirements, among others.



Airport Accountability: Why Business Aviation's Voice Needs to be Heard

We note that part of the Minister of Transport mandate calls for measures to strengthen transparency, accountability and efficiency of Canadian airports. This comes at an opportune time for business aviation, as we are increasingly meeting new challenges related to access of certain airport facilities, most particularly, runways.

Business aviation complements scheduled airline service in a number of critical ways, given Canada's geographical size, population and the importance of a diversified and robust international export market.

It provides efficient, secure, point-to-point access not always provided by scheduled carriers. It is a safe and secure option for both C-level executives and employees for whom mobility and speed is essential in dealing with clients, suppliers and communities. Moreover, business aviation is completely unsubsidized, and naturally adapts to the different needs in urban, remote and northern communities.

However, these benefits exist only as long as the aircraft can stage and deploy quickly and efficiently. Without speed and access, the benefits of business aircraft dwindle, ultimately affecting their contributions to Canadians in small communities as well as economic activity of businesses surrounding the airport.

Currently, some small airports are being decommissioned and landing restrictions and slot allocations are being imposed or contemplated at major hubs. As airports are public assets that serve their communities, with business aviation contributing approximately \$900 million in taxes every year, it is reasonable to have the right to fair and equitable access to runways and services at Canada's airports.

Recommendation

That the Government of Canada consult with the business aviation community through the CBAA on any measures to strengthen the transparency, accountability and efficiency of Canadian airports.

CONNECTING CANADIANS TO OPPORTUNITY: BUSINESS AVIATION IN ACTION



Operating of the largest earth-moving companies in Saskatchewan, the Panteluk family uses their business aircraft to get to places easily and support business operations, such as moving equipment, and even delivering paycheques to staff.

APPENDIX: VINS Plastics

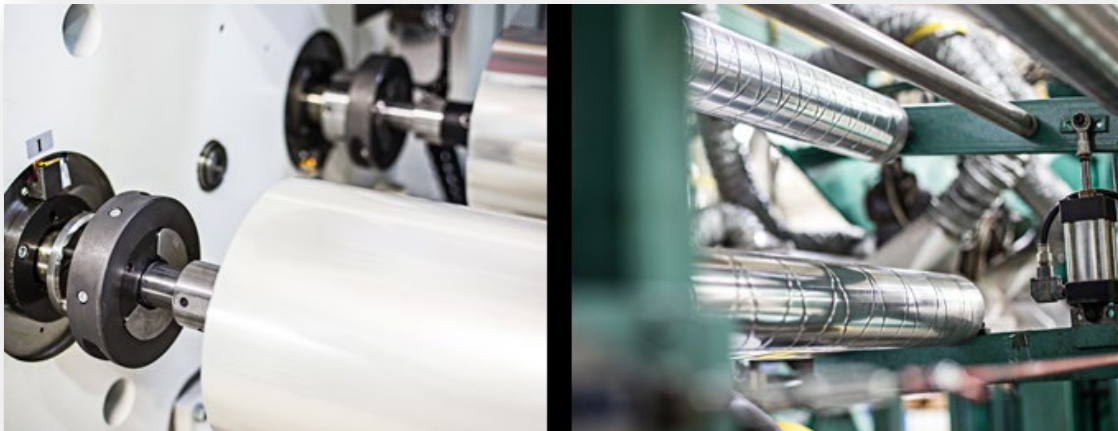
Employing 75 people in Bradford Ontario, this family owned manufacturing business uses its business aircraft to compete successfully with firms in Asia, the U.S. and Europe.



In order to close sales in an increasingly competitive market, Jamie Vins and his marketing team fly to meet clients spread across the Eastern and Central U.S. to sell customised flexible plastic products. “Video and phone don’t help close the deal,” says Vins, the President and CEO of Vins Plastics Limited.

Based in a Bradford, Ontario, this family-owned business competes with firms from Asia, the U.S., and Europe to sell its packaging materials. Vins has over 75 employees, its own R&D lab, and produces its packaging product in Ontario. Many employees have been with the company for over 15 years. Selling into the U.S. market is critical for maintaining its workforce and keeping its unit costs down.

Selling high end packaging materials for medical products is the most competitive market the company is in. These are technical packages designed for specific products. “Time is of the essence for our pharmaceutical customers and we can react quickly with a business aircraft,” says Vins. His marketing team makes approximately eight flights per month primarily to U.S. clients in New Jersey, Illinois and Texas. The company’s Embraer Phenom 100 carries two to three sales and engineering staff for these meetings, plus all the samples and other materials needed to demonstrate their capabilities and close a sale. The speed and responsiveness of aviation is critical to the success of this Canadian manufacturer, especially when faced with Asian competitors.



APPENDIX: KPCL Dirt Movers

Operating of the largest earth-moving companies in Saskatchewan, the Panteluk family uses their business aircraft to get to places easily and support business operations, such as moving equipment, and even delivering paycheques to staff.

Kelly Panteluk is a second-generation construction company owner. Based in Saskatchewan, Kelly Panteluk Construction Ltd. (KPCL) is one of the largest privately owned businesses that provides heavy equipment earth moving and underground services in Saskatchewan. The company was established in 1953 by Kelly Panteluk's father, who bought his first aircraft, a Cessna 206, in 1966. The Cessna 206 was used to get to places easily and support business operations, such as moving equipment, and even delivering paycheques to staff. Furthermore, business aviation has enabled Mr. Panteluk to do business quicker and farther away from the company's home base.

Operating out of a small community in Estevan, Saskatchewan with no commercial service, it would take Mr. Panteluk approximately two hours to drive to a commercial airport from his home. However, as a business owner and pilot with his own aircraft he is able to get in the air and to his job sites quicker, increasing efficiencies and accessibility.

