The Honourable Marc Garneau  
Minister of Transport  
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Via email marc.garneau@parl.gc.ca  

Honourable Minister:  

First of all, the Helicopter Association of Canada would like to thank Sara Wiebe and her staff for meeting with our Board of Directors by teleconference on April 20. Our Board members agreed unanimously that the opportunity to dialogue with Ms. Wiebe on the issues relating to the CTA Review Report that follow, was invaluable. This submission will serve to follow-up on those discussions.
HAC’s 136 Operator-members collectively, operate more than 80% of the commercially registered helicopters in Canada, today. Our 175 Associates, provide goods and services to our Operator-members, and represent most of the suppliers to the Canadian helicopter community.

While most of the Air-related recommendations contained in the CTA Review Report do not directly affect the interests of the Canadian Commercial Helicopter community, there were a few recommendations relating to Foreign Ownership that our members found quite alarming, and that we feel are important enough to bring to your attention, directly. There was also one recommendation relating to the CTA Review process for foreign ownership that found strong support among our members.

Before outlining the specific issues, you should be aware that the Helicopter Association of Canada is about to release a study entitled Economic Footprint for the Canadian Commercial Helicopter Industry. The study was based on a survey conducted of our Operator-members and their industry suppliers, and it is the first comprehensive survey of its kind for the helicopter industry in Canada. The study will be available publicly in the coming week however, I will be referencing selected findings from the report in this submission.

Transport Canada should understand that our industry sector has recently been facing challenging economic circumstances. Low Oil and Commodity prices have reduced the demand for the services of helicopter operators, and exploration projects have been significantly reduced in the last few years. As commercially operated Unmanned Aerial Vehicles (UAVs) come-of-age, they are eroding some of the more routine activity, traditionally carried out by manned rotary-wing aircraft – including aerial surveillance, and photography. As they gain popularity, and mainstream commercial UAV operations move beyond Line-of-Sight, we can expect to see even more business move to this lower-cost option. Furthermore, in recent years, the use of Privately Operated Aircraft for power line operations and for the movement of company workers and contractors has grown in popularity and reduced the demand for commercially operated helicopters.

In the face of these difficult economic circumstances, the number of total helicopters in Canada has steadily grown from roughly 1750 in the year 2000, to 2800 in 2014. Only 1800 of these are currently commercially registered.
The total economic impact of the Canadian Helicopter Industry, including Direct, Indirect and Induced economic output in 2015 was roughly 2.7 Billion dollars. For most of HAC’s Commercial Operator-members, the revenue generated from Aerial Work operations forms a large part of their annual revenue. Of the top 8 activities that Canadian commercial helicopter operators engage in, five of those activities involve Aerial Work operations. They include Oil & Gas operations (including pipeline patrol and exploration); Firefighting; Mining (including Mining Exploration and Drill-Moves); Forestry operations; and Hydroelectric operations.

Specialty Air Services

Many members of the Association commented on the recommendation contained in the CTA Review Report, at page 196 of Volume 1 that suggested an increase to 100% foreign ownership for all Specialty Air Service operations. This Association and its members strongly oppose this recommendation.

Much of the work that is carried out by Canadian helicopter operators is classified as Specialty Air Service operations including, firefighting, aerial application, Utility (Hydro and Power Line) operations, aerial construction, pine cone harvesting, wind turbine de-icing, aerial tree planting, aerial photography and filming, Infra Red scanning, wildlife surveys, fish re-stocking, seismic work and drill-moves, aerial geophysical surveys, and flight training operations - to name only a few. Our members were also concerned that Specialty Air Services were lumped in the same recommendation with all-Cargo operations. These two completely unrelated segments of the Canadian aviation industry were included together, without any rationale.

The opportunity to "own" a Canadian operation is much more powerful than the very limited rights that NAFTA conveys for American operators to "operate" in Canada. Furthermore, the recommendation's reference to "Specialty Air Services" would capture ALL CAR 702 operations, and not just the 14 specific types of Specialty Air Services (SAS) identified in NAFTA. Considered together with the effect of our weak Canadian dollar; the state of the Canadian economy; and the overcapacity that exists in the Canadian helicopter market today, a number of Canadian operators would become vulnerable to a foreign takeover.

On a separate but related subject, members commented on the importance
of reciprocity with other foreign jurisdictions. Our experience with NAFTA has certainly been that reluctance on the part of the Americans to extend truly reciprocal access to Canadian Specialty Service operators has largely sterilized the opportunities that NAFTA originally presented for Canadian Specialty Air Service operators. While American Specialty Service Operators already compete relatively freely with Canadian Operators in Canada, our operators find it difficult to enter the US and sustain operations under NAFTA. It is unlikely that the USA would ever be prepared to extend 100% foreign ownership rights to foreign interests. In the face of a “Buy American” policy and pressure applied by local American politicians, many Canadian operators have been directed by the FAA to cease work being conducted in the USA under NAFTA. Furthermore, if the ownership limit were to be increased to 100%, the pressure would intensify on Transport Canada to allow Restricted Category and ex-military aircraft to conduct Aerial Work operations in Canada – a change that our members believe, would be a retrograde step for safety.

An Increase in Foreign Ownership limits to at least 49 Per Cent

A number of our members were also alarmed by a recommendation in the CTA Review Report that would allow an increase in foreign ownership limits to at least 49 percent for air carriers operating commercial passenger services, that would include helicopter operators. Our members are opposed to any increase in the current foreign ownership limits as they apply to helicopter operators, as there is currently sufficient access to capital in the Canadian market, and the effect of the recommendation would be to dilute Canadian ownership interests. This association strongly opposes the increase in the foreign ownership limit for commercial passenger carrying services in our industry segment.

CTA Regulations and Rulings

A number of operators commented on the process that is used by the CTA to determine whether a change in ownership circumstances satisfies the Canadian ownership requirements. Operators commented that the decisions that are issued by the CTA on this subject do not provide enough detail on the specific ownership circumstances to allow them to understand the reasoning that was applied by the Agency when the application is approved. The current process provides little transparency to Canadians,
and offers little substantive guidance to other operators preparing to restructure their own companies. The lack of transparency also erodes the credibility of the CTA, and there is a perception that the ownership rules can be circumvented relatively easily – by transferring the assets of the company to a corporation that is not subject to any ownership limits, and leasing the assets back to the Canadian AOC holder, for example. There was also some agreement with Recommendation four of the CTA Review report, that suggested that consideration should be given to a review of the current criteria, focusing on matters related to the strategic decision making of the company, and taking in to consideration the practices of other comparable international jurisdictions for benchmarking.

If you have any questions, I would be pleased if your staff contacted me directly on my cell or by email at any time.

Thank-you for the opportunity to comment.

Sincerely,

Fred L. Jones BA LLB
President & CEO

Cc
Sara Wiebe, Director General Air Policy, Transport Canada
Jill Lane, Canadian Aerial Applicators Association (CAAA)
Glenn Priestley, Northern Air Transport Association (NATA)
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