

# CBAA ACAA

*Canadian Business Aviation Association  
Association canadienne de l'aviation d'affaires*

60th Anniversary | 60e anniversaire



## **Towards the future: How business aviation can support Canada's economic recovery**

**2021 Pre-Budget Submission to the department of Finance**

Submitted 19 February 2021

# This is Business Aviation!



A **critical asset** that creates economic opportunity and jobs throughout Canada.

A **world leader** in the creation and adoption of technologies that reduce our environmental footprint.

A **corporate advantage** that connects Canadian entrepreneurs and corporations to remote locations and world markets.

## DID YOU KNOW...

TSX 60 companies that use business aircraft outperform those that don't by **43 percent**

The average business aviation salary is **\$95,900**, almost **TWICE** the national average of **\$51,000**

EVERY DAY, business aviation generates **\$33 million** in GDP

**CBAA+ACAA**  
Canadian Business Aviation Association

## Big Economic Returns from a Tiny Carbon Footprint

Responsible for a minuscule fraction of total aviation emissions business aviation punches well above its weight in economic benefits for Canada.

### ANNUAL IMPACTS

DIRECT

**23,000**



TOTAL

**47,100**

FTEs of Employment

**\$2.3 billion**



**\$3.5 billion**

Wages

**\$3.4 billion**



**\$5.8 billion**

GDP

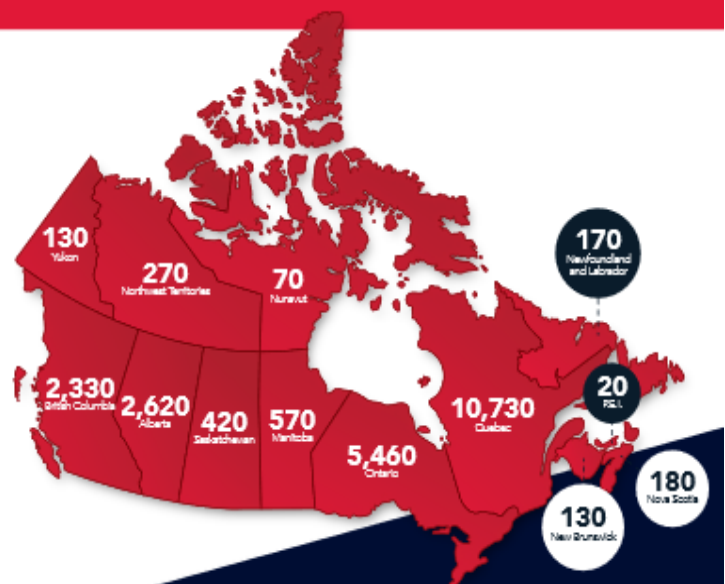
**\$7.8 billion**



**\$12.1 billion**

Economic Output

## Canada-wide employment in high-paying careers



\*Source: 2017 Economic Impact Study on Business Aviation Operations & Manufacturing in Canada

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## Executive Summary

Since 1961, the Canadian Business Aviation Association (CBAA) has worked to promote the interests of business aviation. Serving businesses and communities in every corner of the country, business aviation is safe, reliable and efficient, and emerging from COVID-19, a tool to enable Canada's economic recovery and growth.

Business aviation is:

- **A critical asset that creates economic opportunity** and jobs throughout Canada
- **A world leader** in the creation and adoption of technologies that reduce our environmental footprint, and
- **A corporate advantage** that connects Canadian entrepreneurs and corporations to remote locations and world markets

Business aviation stepped up during COVID-19, repatriating Canadians in the early days of the pandemic, implementing the highest levels of safety and health measures, volunteering to deliver vaccines to remote communities and donating time and materials to keep people healthy and safe. We are proud of our people, who has done so much and are ready to do more.

This submission, developed with input from industry members across Canada, points a way forward that not only supports this critical asset, but helps the Canadian economy as well.

## Short-term remedial and relief recommendations

- Accelerate the 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.
- Provide support to industry for the rising costs associated with airport fees and air navigation as the result of COVID-19.
- Suspend all federal and carbon taxes on jet fuel and avgas until air travel reaches pre-COVID-19 levels.
- Work with the business aviation community to pilot COVID-19 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.

## Longer-term recommendations for recovery and growth

- Recommendation #1:** Create a federal financial stimulus programs that would encourage the purchase and environmental modernization of business aircraft, materials and services.
- Recommendation #2:** Exclude all aircraft that are used for business purposes from any new “luxury” tax schemes.
- Recommendation #3:** 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.
- Recommendation #4:** Make a portion of the R&D investment tax credit refundable to companies in the aerospace industry and have the remaining portion of the credit remain non-refundable and subjected to a 20-year carry-forward period, after which point any unused credits would expire.
- Recommendation #5:** Allow corporations to renounce R&D expenditures to flow-through share investors, similar to what is currently permitted in the mining, oil and gas industries.
- Recommendation #6:** Offer a tax holiday for corporations carrying out large investment projects in Canada. Quebec currently offers a 15-year tax holiday in such cases.
- Recommendation #7:** 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.

## **Business aviation is essential to our economic recovery**

Since 1961, the Canadian Business Aviation Association (CBAA) has worked to promote the interests of Canada's business aviation community. Canadian companies use many types of aircraft including small and nimble two and four seater aircraft that land on gravel roads, water and ice, to meet the challenges of Canadian geography and weather to connect Canadians. In addition, these time machines connect executives and key staff to remote communities, major centres, worksites and regions underserved or unserved by scheduled flights within Canada and across the globe.

Using on-demand and non-scheduled point-to-point flights, business aviation connects Canadians, most especially when traditional airline service cannot. With Canada's major carriers cancelling hundreds of flights to dozens of Canadian communities, business aviation has become even more essential, delivering cargo, personnel and supplies, and ensuring that commerce and trade can continue to support local jobs and businesses. But it can do more.

In the longer term, business aviation can help give Canada's entrepreneurs and corporations a much-needed competitive edge, providing safe, reliable and rapid transportation of key personnel and goods, using some of the most technologically advanced and sustainable aircraft flying today. Moreover, supporting the use of these technologies also supports Canadian aviation research, development and manufacturing giants such as Bombardier, CAE and Pratt & Whitney Canada.

Business aviation is also a significant contributor to the Canadian economy in its own right, employing over 50,000 Canadians and generating over 12 billion dollars annually, prior to the onset of COVID-19.

Moreover, its importance to Canadian businesses and communities is growing. Before the pandemic affected travel within and around Canada and the globe, in previous years, we estimated that business aviation accounted for approximately 17% of all aircraft movements in Canada alone. Today, with commercial flights slashed and many routes to small communities cancelled, that percentage is almost certainly to be significantly higher, as business aviation, including charter flights, continues to provide Canadians with essential connectivity, emergency and humanitarian responses as well as a significant competitive advantage for Canadian enterprises.

However, its potential is being hampered by the economic and social cost of COVID-19.

While we commend the government on its actions to keep Canadians safe and the economy stable, it must begin to see aviation as a national priority and take immediate action.

We acknowledge, with thanks, the support that the federal government has already given the air sector, such as the funding announced in the Fall Economic Statement and through

programs such as the Canada Emergency Wage Subsidy. However, because of the prolonged travel restrictions, including, international testing pre departure and upon arrival, and the most recent three-day quarantine requirements as well as provincial restrictions, our industry continues to be at long term risk. We are also concerned that business aviation may not be eligible to apply for certain programs.

The 2021 federal budget should be the starting point for a new direction and a vision for Canada's economic recovery that leverages the 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.

## **A "Whole-of-Government" Response is necessary for a safe resumption of air travel**

To ensure that Canada moves forward, both industry and all levels of government must cooperate in unprecedented ways. For example, while testing is not in Finance's purview, it is impossible to plan for an economic recovery in the air sector until we implement a testing regime that allows for the safe reopening of both business and commercial aviation. The regime must be consistent across provinces, aligned to operation types and with international standards. It should also allow for the reduction or elimination of quarantine when it is safe to do so. We believe that the department of Finance can play an important role to keep this as a priority with health agencies to support our economic recovery.

The business aviation community and the CBAA have been actively engaged with Transport Canada and with both federal and provincial health agencies to help move this key item forward.

## **Short-term remedial and relief actions**

- Accelerate the 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.
- Provide short- and long-term support to industry to mitigate the rising costs associated with airport fees and air navigation as the result of COVID-19.
- Suspend all federal and carbon taxes on jet fuel and avgas until air travel reaches pre-COVID-19 levels.

- Work with the business aviation community to pilot OVID-19 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.

## Longer-term recommendations for recovery and growth

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

Stimulus programs could take several forms, including an accelerated capital cost allowance, expense tax deduction, tax credits and/or a rebate program.

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. In 2017, the CBAA estimated that business aviation directly generated almost 12,000 highly paid and highly skilled jobs in Canadian aerospace and aircraft manufacturing and R&D, including for such companies as Bombardier, CAE, Pratt and Whitney Canada.

As well, these programs would also 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: Exclude all aircraft that are used for business purposes from any new "luxury" tax schemes.***

An outcome of travel restrictions and uncertainties is the increased interest in using business aircraft as a means of essential and safe transportation.

As part of its 2019 election platform, the Liberal Party of Canada signalled its interest in imposing a new 10 percent "luxury" tax on personal aircraft. As this is a recommendation that might appear as part of a federal budget, this is an opportunity for us to share our concerns.



Such a tax would have a punitive and disproportionate impact on the aviation industry and by extension the almost 50,000 people employed directly and indirectly by business aviation in Canada. In addition, we believe this action to be unfair and unsupported 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: 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.

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

***Recommendation #4: Make a portion of the R&D investment tax credit refundable to companies in the aerospace industry and have the remaining portion of the credit remain non-refundable and subjected to a 20-year carry-forward period, after which point any unused credits would expire.***

The international business aviation community, Canada included, is supported by our country's world-class aerospace sector. A net exporter, it is being severely impacted by COVID-19. Rather than look at direct financial assistance to specific companies, this recommendation would have wider beneficial impact to the industry and economy as it incentivizes companies to invest in R&D.

**Recommendation #5:** *Allow corporations to renounce R&D expenditures to flow-through share investors, similar to what is currently permitted in the mining, oil and gas industries.*

The Canadian aerospace sector has proven itself as a strategic industry that can be a source of future economic stability, similar to what is available to the extractive industries listed above. Applied to aerospace/aviation, this program has the added benefit of supporting a sustainable sector.

**Recommendation #6:** *Offer a tax holiday for corporations carrying out large investment projects in Canada. Quebec currently offers a 15-year tax holiday in such cases.*

Canadians should not rely solely on the government of Canada to make strategic investments in infrastructure. In order to access corporate capital, the government should incentivize corporate spending.

**Recommendation #7:** *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 CBAA 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.

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