

April 10, 2014

The Hon. Eric Hoskins (MPP, St. Paul's)
 Minister of Economic Development, Trade and Employment
 8th Floor, Hearst Block
 900 Bay Street
 Toronto, Ontario M7A 2E1
ehoskins.mpp@liberal.ola.org

Dear Dr. Hoskins:

Re: Why It Makes Sense to Eliminate Ontario's Tax on Jet Fuel for U.S. and International Flights

We are the Coalition for a Competitive Ontario. Our members represent a broad spectrum of people and industries and are major facilitators of economic activity and commerce.

We have come together to call for the elimination of Ontario's tax on aviation fuel used for flights to the United States and to other international destinations. For the reasons that follow, we believe that this tax is inconsistent with the interests of Ontarians as it hinders job creation, economic growth, trade and the development of Ontario's vital travel and tourism sectors.

Making the Case for the Elimination of the Aviation Fuel Tax for U.S. and International Flights

The economic benefits of air transportation are significant and the sector supports over 400,000 jobs but the benefits could be much greater. Ontario, sadly, is leaving a lot of money, jobs and economic prosperity that would be generated on the table. Eliminating this tax would provide the following benefits:

1. ONTARIO'S COMPETITIVENESS

Simply put, Ontario's tax on aviation fuel for flights to the United States and to other international destinations puts the province at a competitive disadvantage. By eliminating this tax, Ontario would level the playing field and harmonize its aviation fuel tax policy with that of the Canadian and U.S. federal governments, as well as with the policies of most Canadian provinces¹ and U.S. states (namely neighbouring and competing jurisdictions such as New York, Ohio, Illinois and Minnesota).

¹ Aviation Fuel Taxes on US on International Flights, Canada and Provinces (cents per litre):

Canada	0		Newfoundland and Labrador	0*
Quebec	0		Prince Edward Island	0.7
British Columbia	0		Nova Scotia	2.5
Alberta	0		Manitoba	3.2**
New Brunswick	0		Ontario	2.7
Saskatchewan	0			

*: International flights are exempt. Only flights to the U.S. are subject to the tax

** : 0 cents per litre for U.S. and international cargo flights



In an increasingly integrated North American economy, eliminating this tax would enhance and strengthen Ontario's overall competitiveness. It would also follow the elimination of the same tax in British Columbia in April 2012 that helped Vancouver International Airport consolidate and strengthen its position as a leading transpacific gateway. In fact, in making its decision, the B.C. government recognized the need to increase the province's competitiveness and bring it in line with the neighbouring jurisdictions of Alberta, Washington and California, which do not have a comparable tax.

The B.C. government's decision to eliminate the fuel tax was also in support of its Job Plan and aimed to add more flights to give B.C. businesses greater access to the growing economies of China, India, Korea and Japan.²

The overall competitiveness of Ontario-based businesses would also be enhanced. This would principally be the result of increased air transport activities at Ontario's airports. This in turn would lead to improved connectivity and integration with import/export and tourism source markets abroad, as well as higher business productivity through the more efficient transportation of persons and goods.

2. ECONOMIC BENEFITS

As evidenced by the broad range of Coalition members, aviation is a major enabler and facilitator of many sectors of the economy.

While the Government of Ontario collected approximately \$63 million in aviation fuel tax revenues from all flights departing Ottawa Macdonald Cartier and Toronto Pearson airports in 2012, fuel on U.S. and international flights at both these airports generated \$49 million in tax revenues for Ontario in 2012.³

It is estimated that the removal of the tax may generate *direct* additional economic output of between \$70 and \$138 million per year, as well as incentivize up to 185,000 more air travelers per year to use Ontario airports, and up to 52,000 more tourists per year to visit Ontario. It may also lead to the creation of over 1,800 new jobs in the province.⁴

To illustrate the benefit, the addition of just one additional daily passenger service between Ontario and India, for example, would result in an economic boost to the province of \$95 million and over 480 total jobs.⁵

In British Columbia, the government also noted that each new international flight would create between 150 and 200 new jobs at the Vancouver airport and about 400 additional indirect jobs in the community at various businesses including hotels, restaurants, travel agents and tour operators. It is important to note that B.C. has already seen concrete benefits related to new airlines servicing Vancouver. For example, since April 1, 2012, Virgin Atlantic introduced four flights per week to London from May to October, Sichuan Airlines introduced three weekly flights to Shenyang-Chengdu and Lufthansa commenced daily service to Munich in May 2013.

² See B.C. Government press release at <http://www.newsroom.gov.bc.ca> (see 2012/02/bc-delivers-on-commitment-to-eliminate-jet-fuel-tax.html)

³ Lazar, The Case for Eliminating the Government of Ontario Tax On Aviation Fuel on Transborder and International Flights, March 2013

⁴ See note 3.

⁵ Greater Toronto Airports Authority, forecast, April 2014



Eliminating the fuel tax on U.S. and international flights would assist in attracting new air services and routes to Ontario. Apart from bringing increased passengers, we believe that this has the ability to enhance business ties and stimulate two-way trade between Ontario and other countries over the long-term.

Closing Comments

In summary, we believe there are very compelling reasons for Ontario to eliminate the tax on aviation fuel used for U.S. and international air services. We ask the government to show vision and leadership in recognizing the value of the aviation industry as an economic engine for Ontario, a facilitator of growth for many areas of the economy and an enabler of travel and tourism.

Consequently, we respectfully urge the Ontario government to eliminate this tax and provide a much needed boost to Ontario’s economy.

Thank you for the opportunity to provide these submissions.

Yours sincerely,

COALITION FOR A COMPETITIVE ONTARIO

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 Marc O'Rourke, Executive Director


Douglas E. Lavin
 Douglas E. Lavin
 Vice President, North America


Daniel Gooch
 Daniel Gooch, President & CEO


Tony Pollard
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 Terry Bos, CEO


- c.c. **The Hon. Michael Chan, Minister of Tourism, Culture and Sport**
The Hon. Charles Sousa, Minister of Finance
The Hon. Glen Murray, Minister of Transportation