

February 22, 2002

The Honourable Paul Martin
Minister of Finance
140 O'Connor Street, 21st Floor, East Tower
Ottawa, ON K1A 0G5

The Honorable David Collenette
Minister of Transport
Place de Ville, Tower "C"
Ottawa, Ontario KIA 0N5

Dear Ministers:

Re: Air Travelers' Security Charge

The Metropolitan Halifax Chamber of Commerce is a not for profit business advocacy organization representing more than 2000 businesses in the Halifax region. We are writing to express our concern with regard to the proposed air security charge scheduled to begin on April 1, 2002.

It is the strong view of the Chamber that the federal government should review and revise this policy. Estimates indicate the total cost of operating the program for 2002-2003 will be \$ 223 million, yet the government has budgeted \$ 430 million to be collected during this period from the proposed charge. Certainly it is not necessary to point out that the air industry in Canada today is by far the weakest of all transportation modes. Indeed, the lack of competition, reduced demand over the past 4 to 5 months, and the huge debt load of Air Canada have all mitigated to make the industry perhaps weaker than it ever has been. To take revenue out of the dollars available to enable a healthy and competitive industry to evolve will increase the likelihood of more and more expensive problems in the future.

The efforts of the Minister of Transport to try and foster a strong and competitive air industry are efforts much needed. The industry is a major segment of business and economic development.

An efficient, competitive and cost effective air industry is:

- A major stimulus to business, tourism and quality of life;
- A major selling point to attracting foreign investors and industrial development;
- A major contributor to increased productivity;
- Supports spreading economic development outside the major growth areas;

We are alarmed that the Air Travel Security Charge significantly exceeds actions planned by the United States; the charge of \$24 on a domestic round trip ticket is more than 50% greater than the U.S. charge.

By imposing a greater burden on Canadian business than American competitors, the Federal Government puts Canadians at a competitive disadvantage and further reduces Canadian productivity. The Minister of Finance has done an exemplary job of selling the comparative strength of the Canadian economy versus our G-7 partners. What message will be sent when business travelers in Canada must bear a larger security burden than travelers in the U.S.?

While we are supportive overall of the government's need to improve security measures in airports and airplanes, it is our view the government should consider the following before implementing the proposed security charge:

- The airport security fee should be linked to the cost of operating the program.
- Revenues collected from the fee should be held in a stand-alone account and used only for airport security costs.
- The charge should not exceed planned U.S. charges.
- The health of the industry and its ability to evolve into a healthy and competitive contributor to the Canadian economy should be monitored with an eye to eliminating the charge as soon as possible.

In view of the concerns noted, we urge you to revise the air travelers' security charge as proposed and would welcome the opportunity to discuss this issue with you further.

Sincerely,

Lois Dyer Mann
President