

## AVIATION FUEL TAX

### ISSUE

The 2014 Ontario Budget announced an increase to Ontario's aviation fuel tax by 1 cent per year for 4 years, commencing in 2014. This tax increase will further reduce Canada's already uncompetitive travel and tourism industry and is an additional burden to Northern Ontario's First Nations fly-in communities.

### BACKGROUND

High fees and taxes on the Canadian aviation industry represent significant challenges for Canada businesses, governments and citizens. The Canadian Chamber of Commerce has listed "uncompetitive travel and tourism strategies" as one of the Top 10 Barriers to Competitiveness for the last two years. We are very concerned that the increase of Ontario's aviation fuel tax by 1 cent per year for the next 4 years will further reduce our already uncompetitive travel and tourism industries and increase costs and fees to Ontario businesses that use these services.

It is especially concerning here in the North, where many First Nation communities are only reachable by air for a large portion of the year. These additional taxes will be passed on to the consumer through higher airfares – increasing the cost of transportation for all goods and passengers, and further negatively impacting the cost of living for our First Nations people.

Small regional airlines such as Wasaya and Bearskin Airlines are already struggling financially due to limited passenger volumes and rising operating costs. Bearskin Airlines has recently undertaken a restructuring that has resulted in a large number of layoffs. This punitive tax will certainly lead to higher airfares, resulting to less demand.

Many of our region's smaller communities depend on tourism revenues generated from US hunters and fishermen. There is already a large price difference between US and Canadian aviation fuel sources. An increase aviation fuel taxes will only aggravate this situation and reduce the competitiveness of Ontario fishing and hunting excursions for the US customer.

It is of particular concern that some members of the Ontario government have suggested that the increase in aviation fuel tax would be used to fund transit projects in Southern Ontario. It is simply wrong that Ontario's remote fly-in communities should be paying for transit infrastructure in the Greater Toronto Area or that one mode of transportation would be used to subsidize another.

### RECOMMENDATION

NOACC calls on the Ontario Government to exempt Northern Ontario aviation fuel from the annual one cent increase in aviation fuel taxes that was implemented in 2014.

*Adopted by the membership: September 24, 2015*