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# Standing Committee on Transport, Infrastructure and Communities

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Chair: Mr. Vance Badawey





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• (1640)

[English]

**The Chair (Mr. Vance Badawey (Niagara Centre, Lib.)):** I call this meeting to order.

Welcome to meeting nine of the House Standing Committee on Transport, Infrastructure and Communities. I'm going to forgo the usual speech, as I'm sure many of you are well aware of what to do and what not to do in these new virtual meetings.

Pursuant to Standing Order 108(2), the committee is meeting today to continue its study on the impact of COVID-19 on the aviation sector.

I now welcome our witnesses and introduce, from the Air Transport Association of Canada—

**Mrs. Stephanie Kusie (Calgary Midnapore, CPC):** Mr. Chair, on a point of order, my understanding is that we have the potential to have the resources until 6 p.m. Eastern Standard Time. Given that the witnesses have been patiently waiting and have put aside their afternoons to be here, I ask that we please extend for the maximum amount of time possible, until 6 p.m. Eastern Standard Time.

Perhaps you can personally confirm that this is the latest we can go. Second, can you please confirm that this is possible?

Thank you, Mr. Chair.

**The Chair:** Thank you, Ms. Kusie.

Yes, it is. I can confirm that it is the latest we can go. My intent was to go six o'clock, but now that you've brought it up, I'll ask the committee.

Is everybody okay with that?

**Some hon. members:** Agreed.

**The Chair:** That's great. Thank you, Ms. Kusie.

Moving on, I'm going to introduce the witnesses. We have, from the Air Transport Association of Canada, John McKenna, the president and CEO; from the Canadian Airports Council, Daniel-Robert Gooch, president; from the Coopérative de transport régional du Québec, Serge Larivière, director general; from the National Airlines Council of Canada, Mike McNaney, president and CEO; and from the Regional Community Airports of Canada, Brian Grant, the chair, and Todd Tripp, vice-chair.

With that, gentlemen, I'm not sure who wants to start us off, but I'll throw it at you and recognize the first person who puts up a hand. That person will have the floor.

Mr. McKenna, do you want to start? The floor is yours.

**Mr. John McKenna (President and Chief Executive Officer, Air Transport Association of Canada):** Good afternoon.

The Air Transport Association of Canada represents this country's commercial aviation and has done so since 1934. We have approximately 180 members engaged in all levels of commercial aviation, operating in every region of Canada. We welcome this opportunity to speak to this committee on the impact of COVID-19 on our industry.

The damage is easy to assess. Operations are at levels 80% to 90% lower than one year ago. Some operators have suspended operations altogether. Tens of thousands of jobs have been lost. There's hardly enough revenue to meet our short-term obligations. Airports are raising fees to compensate for lost revenue. Not allowed by law to incur deficits, Nav Canada has implemented a fee increase of 29.5% as of last September 1.

[Translation]

All these increases, resulting from an absence of government assistance, dangerously limit our industry's ability to survive during the pandemic and seriously undermine any future recovery strategy.

[English]

The challenge facing us is to come up with solutions to limit the irreversible damage to our national aviation transportation system. While the Prime Minister recognizes that our industry is one of the hardest hit, only limited support has come so far from the government.

The financial update presented by the Minister of Finance on November 30 offered nothing in the way of financial relief to regional air carriers, and little more than repeating promises of a process regarding financial assistance for the larger airlines.

• (1645)

[Translation]

We have written over half a dozen letters since March to the government, offering our full cooperation in finding comprehensive and viable solutions. We have yet to receive a single acknowledgment from the government.

[English]

On November 8, the Ministry of Transport issued a statement to the effect that “The air sector cannot respond to these challenges on its own, given the unprecedented impacts on its operations.” The anticipated discussions would begin that week to establish a process with airlines regarding financial assistance. Three weeks later, our members and many other key stakeholders are still waiting for this process to begin.

Therefore, the question that the aviation industry has been asking for so long is, what is the government waiting for?

We fear two things from an airline perspective. The first is that the government is simply waiting to see which air carriers survive and perhaps then step in to help re-establish lost services, but at a great cost. Our other fear is that the government will choose to help only the two largest carriers. That would demonstrate a profound lack of understanding of Canada's air transportation network and quickly lead to a significant and very long-lasting disruption of domestic scheduled air services. Very many regions depend almost entirely on regional carriers as socio-economic lifelines with the rest of Canada.

[Translation]

The support of regional air transport in the North was most welcome. However, much more must be done if regional air transport in Canada is to survive, as there are many other remote parts of the country that rely on air transport as an essential service.

[English]

To limit the sweeping damage to the air industry, the Government of Canada must set up a financial aid program immediately, offering substantial, equitable and easily accessible funds. It should dedicate specific and adequate funding support to the regional airlines and provide Nav Canada with commensurate funding that the recent fee increases are designed to provide. It should champion rapid COVID-19 testing programs and contact tracing for international arrivals, and fully utilize the available science in reducing quarantine periods at Canada's major airports as quickly as possible.

The government should also recognize that the December 12 implementation deadline for the new pilot flight and duty time regulations is totally unrealistic. Canadian carriers are already fighting for survival and operating within unprecedented travel restrictions, and they cannot achieve the necessary pilot training and software development and implementation. Most certainly, they are not able to bear the extra cost at this crucial time. A deferral to post-pandemic times will not jeopardize safety in any way, and there would not be any cost to the government or taxpayer.

The government should order the Canadian Transportation Agency to work with carriers, rather than enforcing new APPR regulations that leave carriers with little choice other than to cancel flights in the face of the agency's totally disconnected appreciation of the reality our industry is facing in complying with the constantly changing government health restrictions on air travel.

Our plea to the government is to support aviation when it most needs help, work with industry, increase interdepartmental co-oper-

ation efficiency, assume a leadership role in the coordination with the provinces in finding Canada-wide solutions and, finally, lift travel restrictions.

Service cuts have already been announced all over Canada, and more are to come unless something is done soon.

[Translation]

Thank you.

[English]

**The Chair:** Thank you, Mr. McKenna. We will now go to Mr. Gooch.

Mr. Gooch, the floor is yours.

**Mr. Daniel-Robert Gooch (President, Canadian Airports Council):** Mr. Chair and members of the committee, thank you for the opportunity to speak with you today, and for the study.

I'm Daniel Gooch. I'm president of the Canadian Airports Council

We have 54 members that represent more than 100 airports around the country, including all of the privately operated national airports system airports and many regional airports.

We appreciate the opportunity to address you so soon after the fall economic statement. While we are still waiting on program details for much of it, our initial assessment is that airport measures are a positive first step, but they are insufficient to avoid serious challenges in the new year, such as additional rate and fee increases that nobody wants to see.

Along with our sector partners, airports moved quickly when the pandemic began, to invest in increased cleaning and social distancing and to mandate masks indoors before being asked to. They had implemented nearly all global ICAO standards before they were even released, all while watching the business collapse.

Since April, passenger traffic in Canada has dropped about 90%. Today the business is about 10-15% of normal. This has placed a big burden on our workers. It's thanks to them that our airports remain safe and healthy, but they are doing this work under very difficult circumstances. The air sector has laid off about half of its employees.

Most of Canada's airports are not subsidized by government. They rely on passenger revenues. All of the services they provide, including emergency services, are supported by passenger revenue, which has vanished. During an unprecedented crisis like this, the system simply cannot work.

As travel restrictions and quarantines drag on into the winter, the outlook is bleak. Airports expect to incur more than \$4.5 billion in lost revenue, and debt levels will increase by \$2.8 billion by the end of 2021. With COVID-19 on the rise and full global vaccination some time away—maybe years away—this will not be solved soon. Critical decisions must be made now if Canada's travel and tourism sector is to start recovery next summer, as we expect it will in other northern hemisphere countries. Summer 2021 simply cannot look like summer 2020.

This is critical for regional airports and their communities. With route cancellations already announced by both Air Canada and WestJet, and potentially more to come, regional connectivity is under threat. Airports are part of a system. Airlines, Nav Canada and other partners are hurting and need federal attention if our system is to recover.

This is why we were hoping to see news in the FES, the federal economic statement, on rapid antigen screening at airports. This is an essential piece that needs to be implemented for those who are travelling today and to return consumer confidence in the travel process when Canadians are ready to travel again in great numbers.

We were pleased to see the FES announce \$500 million to make critical investments in safety, security and transit infrastructure at large airports. While this is a positive move, the money won't go far over six years, given the need and the size of some of these projects.

The FES increased funding to the airports capital assistance program by \$93 million a year over two years. It provides important funding for small airports for safety- and security-related investments. It is a positive move, but we do wonder how airports will be able to contribute their part, given they have run down their cash reserves.

It is good to see \$206 million for regional air routes, but we have no details, and regional connectivity is essential to the well-being of our communities, so we urgently want to understand more.

On the airport ground rent paid by 22 airports, the CAC has sought multi-year waivers at the eight busiest airports until business has recovered. We recommend that government eliminate rent for the other 14 small airports, as they have never provided more than \$15 million in revenue in any year to the federal government. This would make a big difference to those airports when revenue recovers.

The federal government owns the land that these 22 airports sit on, so rent is like a dividend they pay to their sole shareholder. It is a revenue-based charge that is very lucrative for the federal government in good years, providing \$419 million in 2019 and \$6.5 billion since 1992.

In the FES, the largest four airports, which pay 85% of the rent, were only granted a deferral on 2021 rent, which is to be repaid over 10 years, beginning in 2024. Rent was waived just one more year for 12 mid-sized airports that pay about about 15% of rent, while the eight smallest rent-paying airports were given three more years of rent relief, which represents 0.3% of rent paid in good years.

None of these airports were expecting to pay any rent in 2021, because they won't make enough money to trigger it.

This is helpful, but airports won't receive any cash from this. It means that these airports will be able to stop paying the federal government its dividend for one year longer, but we expect recovery to take as long as five years.

• (1650)

Rent really needs to be waived beyond 2020 as the sector recovers. Then these funds can be used to pay down debt accrued through the pandemic.

I must note that most airports pay no rent, which is why we also asked for interest-free loans or direct operational support. The FES did announce a highly affected sectors credit availability program, HASCAP, but its cap of \$1 million is insufficient to help many airports. The very small airports it might be able to help include a lot of municipal airports, which have been excluded from federal COVID programs so far.

**The Chair:** Mr. Gooch, can you wrap it up?

**Mr. Daniel-Robert Gooch:** To conclude, no matter where you live in Canada, the air sector is essential to putting our economy back on track, and airports are a key part of that. We need them to be ready for every journey.

Thank you.

**The Chair:** Thank you, Mr. Gooch. That was well done.

We'll now move on to Mr. Larivière. Mr. Larivière, the floor is yours.

[*Translation*]

**Mr. Serge Larivière (Director General, Coopérative de transport régional du Québec):** Good afternoon.

Thank you for the opportunity today to present the Coopérative de transport régional du Québec initiative, TREQ.

[*English*]

There are many major impacts of the COVID-19 crisis on many industries. For sure, today you have been presented with the impacts on the airlines and the airports of our country.

This unprecedented crisis might also be viewed as creating an opportunity to rethink our domestic air transportation systems. As you might know, a large part of the country is poorly served at the regional level. More specifically, the east—Quebec and the Atlantic provinces—doesn't have a normal regional service.

Everyone knows about the high price of tickets, but what's more important to know is the impact of these prices on utilization. IATA and Stats Canada reveal the magnitude of the dysfunction of our regional air transportation on this side of the country. There are five times more passengers per capita flying point to point on regional carriers in Ontario than in Quebec. On the domestic side, just to bring us back to the national level, Quebec is missing 10 million passengers in its airports.

What are we saying? While the rest of the country and the continent are using air transportation for their need of long-distance travel, those of us in the east of Canada are either driving six to 12 hours to get to a meeting or a medical appointment, or worse, we don't travel. This goes to our ability to occupy our territory, develop our economy and our tourism industry, or just to provide quality of life to many remote communities on this side of the country.

Our project mission is to correct this situation for the province of Quebec. We are breaking away from the paradigm by using a collective approach, putting the regions and their communities at the centre of our governance. Our model will combine the drive of the private sector with the nobleness of the public sector. That model is a co-op, the Coopérative de transport régional du Québec. Without going into the detail of what it looks like, our model is similar to that of Porter Airlines in Ontario, and we will be flying 78-seater Q400s starting in June 2021.

Thank you.

• (1655)

**The Chair:** Thank you, Mr. Larivière.

We'll now go to Mr. McNaney.

Mr. McNaney, the floor is yours.

**Mr. Mike McNaney (President and Chief Executive Officer, National Airlines Council of Canada):** Thank you, Mr. Chair, and I will get this in at four minutes and 45 seconds.

The National Airlines Council of Canada represents Canada's largest air carriers: Air Canada, Air Transat, Jazz Aviation, and WestJet. That represents approximately 90% of domestic capacity and about 60% of international capacity.

In 2019, our members carried over 80 million passengers to communities across the country and the world. They employed over 60,000 Canadians directly, and over the past decade they built a level of connectivity and service regionally, domestically and internationally that supported more than 630,000 jobs in the overall transport, tourism and aerospace economy.

However, as we are all brutally aware, none of these numbers reflect current reality. Today, tens of thousands of employees have lost their jobs, billions in dollars of aircraft are parked, 80% of capacity is shut down and passenger numbers have crumbled to 10%

of typical levels, with no line of sight on when things may begin to recover.

However, the path to stabilizing the aviation sector is actually quite clear. It is clear because basically every other country in the world has already started down this path and did so months ago. Canada is indeed an outlier. There have been some measures instituted and others announced this week, but almost one year into the crisis—and my members started to be impacted in January—we are still talking about a process for establishing financial assistance.

Meanwhile, countries around the world have already provided \$173 billion U.S. in support to their aviation sectors, precisely because of the critical role aviation must play in their respective economic recoveries. While this support has taken various forms, at its most basic it consists of financial measures to stabilize the industry, promotion of rapid testing within aviation and travel, and taking a science-based approach to quarantine in conjunction with testing.

Since the spring, we've been asking the government to provide low-interest loans and loan guarantees. We have also asked the government to address liquidity challenges within the broader sector, including airports and government service providers such as Nav Canada. As astounding as it may seem, in the midst of this pandemic and its incredible destruction of demand, airlines were hit with a 29.5% tax increase in September for air navigation services as Nav Canada tries to address its own financial shortfall, with the government refusing to provide assistance.

Though our requests for liquidity support have not been addressed, we have not stood still and simply waited for government action. Over the past few months, airports and Air Canada and WestJet have led the development and implementation of testing projects at Toronto Pearson airport, Calgary International Airport and Vancouver International Airport in order to provide government with further data to enable science-based decisions concerning quarantine. As members of the committee heard on Tuesday, federal departments are being fully engaged in these projects, and we are hopeful that the Calgary initiative in particular, given the extensive involvement of the Alberta government, will provide a model for implementation in other provinces.

As we continue our work to drive further action on testing and data-based decision-making and continue to implement the myriad of measures required by Transport Canada to protect passenger and employee health, which again members also heard about on Tuesday, we are very appreciative of the statements made recently by Dr. Tam that the risk of transmission of COVID-19 on aircraft is low.

However, while we try to move Canada down the clear path presented by other governments, the economic situation continues to deteriorate. Canada has now lost approximately 85% of its connectivity, with flights significantly reduced or service eliminated across every region in the country as carriers try to preserve liquidity and some semblance of operation.

My members have spent years and invested billions of dollars building regional and international networks to create the level of connectivity our economy enjoyed at the end of 2019 and the level of connectivity that will be required to ensure our overall economic recovery across every region of Canada, but that investment—and much more importantly, the tens of thousands of direct jobs it entails—is being systematically eroded. In addition, we have now begun to see foreign carriers that have received liquidity support from their governments taking international market share from Canadian operators. This is a direct threat to the future competitiveness of the sector and may roll back years of successful international expansion.

In closing, over the past several weeks we have seen heartfelt demonstrations by aviation workers who have lost their jobs, and appeals by aviation unions for government action. We have also seen the government statement concerning refunds as a condition for financial assistance, as well as statements by ministers that they realize the industry will not be able to move forward without government assistance.

The objective here is not just to have the sector survive; it's to have a competitive, thriving industry that drives jobs and investment and quality of life in every region of the country and in every community, large and small.

The overall path ahead is very difficult, but it is clear. The rest of the world is on it. We need to join them.

Thank you, Mr. Chair.

• (1700)

**The Chair:** Thank you, Mr. McNaney. The was four minutes and 26 seconds. Well done. You beat it by a couple of seconds. Good job.

**Mr. Mike McNaney:** Thank you.

**The Chair:** We're now going to go on to Mr. Grant.

Mr. Grant, the floor is yours.

**Mr. Brian Grant (Chair, Regional Community Airports of Canada):** Thank you.

Thank you for the opportunity to speak to the committee regarding the effects of COVID-19 on the aviation sector, and in particular for us today, to address the staggering impact on community and regional airports across our country.

My name is Brian Grant. I am chair of the Regional Community Airports of Canada, and I am joined by Mr. Todd Tripp. We are CEOs of regional airports located in northwestern Alberta and northeastern Ontario. Our organization represents a unique sector of the industry as airports that provide local and regional transportation infrastructure and services in support of rural and remote areas of our vast country, including emergency health services, cargo

shipment, forest firefighting, passenger connections between communities and larger links for domestic and transborder international destinations.

Our membership is composed of airports that move 500,000 passengers or less annually. In essence, our airports support the necessary transportation for economic development and acceptable qualities of life for Canadians who deserve it, no matter where they live.

Many Canadians and various levels of government hear of air transportation and think of airlines that move people and goods. In reality, air service includes much more, with airports, cargo and baggage handling, refueling, air navigation and more playing essential roles and providing jobs in the local economies.

The COVID-19 pandemic has inflicted debilitating effects on passenger traffic and business sustainability in all sectors of aviation, particularly on the regional components of the system. Airports are subject to stringent regulations imposed by the federal government, which are necessary for the safe and effective movement of aircraft and passengers. We are faced with limited abilities to reduce our operating costs, while our sole sources of revenue continue to be stifled by COVID outbreaks and restrictions. The vast majority of regional and community airports are experiencing in excess of a 90% loss in passenger travel and over a 70% loss in revenues. Most of these airports are experiencing less than 25% of pre-COVID flights, and in some cases have lost their passenger service completely.

This pandemic has caused airports to drain financial reserves that may have existed, and it is now pushing airports to reduce availability of infrastructure, reduce levels of service and lay off essential staff to face the continuing pressures of COVID-19. A recent report compiled by RCAC in May 2020 identified 46 airports that suffered total loss of airline service by the end of April. Additionally, 11 airports experienced flight reductions in excess of 90% compared to January 2020. A further 79 airports saw reductions of their flights in excess of 80%. Many of those conditions remain today, and they will continue throughout the entire pandemic. Industry analysts indicate that recovery will take two to four years.

Nearly all assistance programs and announcements to date are not applicable to rural and regional airports, as these airports are ineligible to apply for help. Immediate priorities must include a review of the current eligibility requirements for the Canada emergency wage subsidy to include airports, regardless of their ownership or governance models; sustainable funding to replace lost revenues and ensure that local infrastructure remains open and rates and fees remain low to support the airline recovery; an immediate increase to the airports capital assistance program for small airports, to \$95 million annually for the next five-year period; and a removal of the required contribution share for these airports for the next two years.

Airports' access to regional air service programs is essential to enable airports to reduce rates and fees and bolster air service. Our federal government, as regulator, holds sole jurisdiction over the aviation industry. It is critical that a holistic approach to the impacts of this pandemic be applied to ensure the survival of aviation in Canada.

In closing, airports are the foundation of our air service in the country. Without safe, secure and accessible airports, the efforts made to sustain other sectors of the aviation industry cannot be successful.

I thank you, and I'm able to take questions.

• (1705)

**The Chair:** Thank you, Mr. Grant; well done.

We're now going to go to our first round. We have Ms. Kusie from the Conservatives, Mr. Bittle from the Liberals, Mr. Barsalou-Duval from the Bloc and Mr. Bachrach from the NDP.

Ms. Kusie, for six minutes the floor is yours.

**Mrs. Stephanie Kusie:** Thank you very much, Mr. Chair, and thank you very much to all of our witnesses.

First of all, as the vice-chair of this committee and a member of the official opposition, I want to express my complete disappointment in the government's response to all of you and your employees. I can't tell you what an honour it has been to advocate for them. I know you do it well, but it has truly been an honour. How touching it is when I receive their messages, and how heartbreaking to receive pictures of them in uniform holding their children.

With that, I'll move to Mr. McNaney first. It's very nice to see you, Mike, as always.

As question number one, the government introduced the LEEFF and talked a lot about it as a potential financing tool, but many of your members didn't apply. Why did they not apply for the large employer emergency financing facility, please?

**Mr. Mike McNaney:** Thank you for the question. It's nice to see you, too.

I think there are a few elements to it. The general view was that LEEFF was never set up to deal with the challenge that we are facing in aviation, particularly large operators, given the sheer size of the companies.

Sorry; I seem to be getting simultaneous interpretation in my ear-piece here.

**The Chair:** Mr. Clerk, we're getting the French and the English at the same time. Can we ask interpretation about that?

**The Clerk of the Committee (Mr. Michael MacPherson):** We're going to have our IT guys check that out.

**The Chair:** Let's try this again.

Carry on, Mr. McNaney.

**Mr. Mike McNaney:** Okay, thank you.

There were a couple of reasons to it.

We didn't think that LEEFF was necessarily set up for large organizations. Of course, it is just for large employers. It has been stuck at stage zero on the economic recovery continuum since the beginning of the pandemic. All the measures that applied in March and April, from a travel perspective or a border measures perspective, are all still in place, so we have never been moving forward on the economic continuum.

Also, the terms and conditions of it—and you've seen this stated publicly by various companies—were not consistent with the depth and scope of the crisis we have been facing.

We started to write to the government in midsummer with a request for low-interest loans and loan guarantees that would be available to all in the sector and would be structured such that there could not be any potential competitive impact on the sector overall.

• (1710)

**Mrs. Stephanie Kusie:** I want to go back to something you talked about, Mr. McNaney, and that is the long-term impact of the lack of government assistance for your members. Can you expand upon that, please? What do you suspect the long-term impacts will be regarding this government's inaction?

**Mr. Mike McNaney:** We are starting to see the impacts now. It is unnerving for us from a commercial perspective, and it should be unnerving for us broadly from an economic recovery perspective as well. As I mentioned in my opening comments, we are seeing that foreign carriers have started to receive support from their governments, and they started to receive it around May and June. They have now started to take a greater share of international markets from Canadian carriers.

My members spent years, as I said, and billions of dollars building up that network connectivity and that international competitiveness. We have a very small domestic market in Canada. We need every internationally successful company we can get our hands on, regardless of the sector.

We are seeing our competitiveness internationally being eroded. What you will also see—and this has been discussed by others earlier—is that internal domestic connectivity and the ability to support our overall economy and move forward in the recovery are absolutely also going to be undermined. We will not be able to turn on a dime to bring back all this capacity, the billions of dollars' worth of aircraft and the tens of thousands of employees. It's going to take us quite some time to do that. That's why it has been so critical that these other jurisdictions have provided this interim financial support so that the aviation sector can stabilize itself and then get ready for that future development and future competitiveness that obviously we're all hoping occurs as we get to the other side of the pandemic.

**Mrs. Stephanie Kusie:** Thank you, Mr. McNaney.

Mr. Gooch, in your opinion, is it feasible to implement rapid testing before departure for domestic flights at our other large airports across the country, with the right supports?

**Mr. Daniel-Robert Gooch:** Thank you, Ms. Kusie. It's good to see you again. Thank you for all your support.

**Mrs. Stephanie Kusie:** It's nice to see you.

**Mr. Daniel-Robert Gooch:** We are looking to see rapid antigen testing expanded to more airports. I know our member airports are working with provincial health authorities and the federal government to make that happen as quickly as we can. We're really focused on international air travel primarily, but of course there are some parts of the country where domestic travel is really quite suppressed, even more than the average at this point—in Manitoba and Atlantic Canada, for example. At least in Atlantic Canada, our members are urgently calling for rapid testing to be introduced into those airports so that we can make travellers even safer than they already are and provide greater confidence to travellers on the safety of air travel.

We have a few short months to get this in place if we are going to have it in place in time for the summer season. We believe other countries in the northern hemisphere are going to start to see a recovery in travel and tourism in the summer, and we're not sure yet if Canada's going to be able to participate in it.

**Mrs. Stephanie Kusie:** Mr. Gooch, in your opinion, is it feasible to implement a pilot project at all the large airports for international arrivals like the one at YYC?

**Mr. Daniel-Robert Gooch:** There is a great appetite to expand what we've seen in Calgary to other parts of the country. Certainly, our airports and our air carrier partners are ready, willing and able to help.

**The Chair:** Thank you, Mr. Gooch. Thank you, Mrs. Kusie.

We will go on to Mr. Bittle for six minutes.

**Mr. Chris Bittle (St. Catharines, Lib.):** Thank you very much, Mr. Chair.

For the National Airlines Council, I understand that the airlines and your members are seeking billions of dollars of taxpayer assistance to deal with this crisis. At the same time, I've read some media reports that some of your members are reluctant to open their books. Is that true?

**Mr. Mike McNaney:** Mr. Chair, I think that's to me.

I haven't seen those same media reports. I know that the government has said, and repeated a couple of days ago, that it is beginning confidential conversations because of the nature of the discussions and the commercial activity that they'll have to get into. I fully assume that it's going to proceed on the pace and tone that the government wishes to do so, and—

• (1715)

**Mr. Chris Bittle:** Would you agree, then, that it's reasonable that if Canadian taxpayers are going to provide billions of dollars on a confidential basis, Transport Canada should be able to access those books and that the Government of Canada should have access to them?

**Mr. Mike McNaney:** I think it's reasonable that the government and the individual companies will confidentially discuss all the details that they need to discuss in order to ultimately get to a conclusion that hopefully provides support for aviation and the thousands of people who have lost their jobs.

**Mr. Chris Bittle:** Excuse me. That's really wasn't an answer. Is it reasonable or unreasonable?

**Mr. Mike McNaney:** It is absolutely reasonable for both parties to be able to have a deep conversation about what is needed. I haven't seen those media reports, sir, so I'm afraid I can't speak to those directly.

**Mr. Chris Bittle:** Even as a taxpayer, would it be reasonable to assume that books be opened if an industry is looking for a significant aid package from the government? I'm surprised it is taking this many questions to get to something I thought would be an easy "Yes".

**Mr. Mike McNaney:** I think we're generally saying the same thing. We might just be putting the emphasis on a different syllable. I think it's perfectly legitimate for the government to be looking for the information it needs to provide for the loans that are necessary, yes.

**Mr. Chris Bittle:** Thank you.

I think it's disappointing that you're evading the question on whether the major airlines should be opening up their books and sharing that information. It seems like there's a willingness to just demand a blank cheque, but maybe I'll move on to the next point.

Do you think that any financial assistance should be tied with restrictions on executive compensation?

**Mr. Mike McNaney:** I think the government is going to have the opportunity to put in place whatever conditions it deems fit. I'm in an awkward position in that we are talking about the scope of support, which is not defined, and what that might be.

In terms of loans and loan guarantees, as I said, yes, the government should be able to access the information it needs to determine that those loans and loan guarantees are necessary, whatever that might entail. In terms of the conditions that the government wishes to put upon it, that will be the government's decision, and then it will be up to each company to decide how it wishes to proceed.

**Mr. Chris Bittle:** Then would you agree that it would be within reason to make conditions on maintaining staffing levels or to honour contracts with Canadian aerospace firms?

**Mr. Mike McNaney:** You're asking me to comment on conditions for something that does not yet exist. It's a bit like asking me to comment on conditions for the sale of a house that hasn't been built and the plans for which I have not seen.

I think it is absolutely legitimate for the government to conclude whichever questions and whatever information it believes it needs to determine the path forward, whatever those conditions might be. Then companies will have to decide how they proceed with it.

In a broad sense, yes to the various points you're making, but I'm not familiar with the particular individual stories you're referencing.

**Mr. Chris Bittle:** Okay.

**The Chair:** You have two minutes, Mr. Bittle.

**Mr. Chris Bittle:** Thank you.

You seem to suggest that there's been no support. I'm wondering if you could tell me—if you have that information at your fingertips, and if not, maybe you can provide it later—how much your members have received from the government with respect to the wage subsidy.

**Mr. Mike McNaney:** Sure.

Just to be clear, I didn't say there was no support. I actually said in my comments that support has been provided and that further support was announced a couple of days ago. Our principal point is that it is not in line with what we're going to need to actually have the recovery that we hope to have and to bring back the tens of thousands of jobs that have been lost.

The members have availed themselves of CEWS and have publicly stated their thanks for that. We're not diminishing that contribution. Our point is that there is going to be a great deal more that's required to be done, and that is based on what we were seeing in other countries as they move forward to stabilize the sector and prepare for the overall economic recovery.

**Mr. Chris Bittle:** I'd like to clarify something that you said. You talked about a tax increase with respect to Nav Canada. You agree with me that the government did not raise taxes and that Nav Canada is an independent agency.

**Mr. Mike McNaney:** I would take a look at Nav Canada's press release from May. They did state in there that they had engaged the government to try to get support so that they would not have to follow through with the increase in navigational fees, and the government said no to that request.

**Mr. Chris Bittle:** My question was about a tax increase. It's not a tax increase.

**Mr. Mike McNaney:** To be mildly direct, I think within the context of Ottawa's debate, the fee and the tax are two different things, but has it increased the cost of aviation and flying in Canada? Yes, it has. Whether you wish to call it a fee or a tax, to us in the industry it's somewhat immaterial.

**Mr. Chris Bittle:** Well, when you're calling it a tax, you're suggesting it's the government levying it, not an independent agency. I'm just surprised at the language used.

• (1720)

**Mr. Mike McNaney:** It's an independent agency, sir, that derives its mandate from the statute of Parliament as a monopoly on the service provision of navigational services for safety purposes. Its entire mandate flows from the federal government, and the federal government has representation with Nav Canada.

Again, for the industry, honestly, whether it's a fee or a tax, Nav Canada went to the government and did not receive support in the midst of this crisis, so they brought in a 29.5% increase. That only represents a third of the budget shortfall they are projecting. That is all in the public realm through the release in the summer.

**The Chair:** Thank you, Mr. McNaney and Mr. Bittle.

We'll now go to Mr. Barsalou-Duval for six minutes.

[*Translation*]

**Mr. Xavier Barsalou-Duval (Pierre-Boucher—Les Patriotes—Verchères, BQ):** Thank you very much, Mr. Chair.

My first question is for Mr. Larivière.

Mr. Larivière, we have just talked about the challenges airlines are facing due to COVID-19. We know that Air Canada has cancelled some thirty routes throughout Quebec. That's when you began your efforts, as the opportunity to offer the regions a different type of transportation than Air Canada was becoming a reality.

In the information provided by the minister, we can see a willingness to have airlines refund tickets contingent upon assistance, which is a good thing. But the minister's letter mentions the need for regional service as well, also linked to assistance for domestic airlines.

How do you feel about the fact that, in a way, regional air travel with the major airlines is being financed through this assistance? What impact might this have on smaller airlines or on the competitiveness of regional air travel?

**Mr. Serge Larivière:** Thank you for your question.

I believe that would create a missed opportunity. The situation may be different elsewhere in Canada, but in Quebec, forcing Air Canada to go back to routes it has cancelled means forcing an airline whose primary mission, between you and me, is not to provide regional service in Quebec.

Air Canada's mission, business model, and it does it very well, by the way, is to connect us to the world. Honestly, the regional routes are there to feed hubs, to bring passengers from the regions to their flight in Montreal, essentially for Quebec. In our view, the Government of Canada would be making a bad decision if it forced something that's not natural.

You are right to say that Air Canada reducing its service offering and discontinuing several regional routes, particularly in Eastern Quebec, are triggers for us. However, the regional transport issue in Quebec started long before COVID-19. It may have been the straw that broke the camel's back.

The TREQ project is about the regions coming together to say they don't ever want it to happen again and that they don't want to go back to the old way. Either we force Air Canada to do what it doesn't want to do or we rush into another solution that could turn into a monopoly. People are tired of that. Over the last 30 years, the monopoly scenarios have not worked in Quebec. So it's time to look at the problem from another angle.

**Mr. Xavier Barsalou-Duval:** Thank you.

Mr. Larivière, I'd like to ask you a second question.

You raised the issue of monopolies. In Quebec, Air Canada has a monopoly that rapidly takes hold in the regions through persuasive pricing policies, which are often temporary as long as the competition is there. Then prices shoot back up.

If the government intends to force Air Canada to go back to the regions, wouldn't that create a monopoly and prevent healthy competition from finally settling into the regions? What impact would it have on prices?

• (1725)

**Mr. Serge Larivière:** I believe the best thing the government can do is maintain healthy market conditions. It's not that we don't want Air Canada in the regions; on the contrary. We have no problem with it, but we want Air Canada to do it without dumping.

A business with \$18 billion in annual sales need only start a price war and the competition is gone just like that. That's been the problem for the last 30 years. Now we see a business opportunity with Air Canada having discontinued those routes.

Are we going to try to set up shop?

The question is, when it wants to take over those routes three or four years down the road, is Air Canada going to use predatory techniques to get rid of the competition?

It would be detrimental to all airlines on this side of the country.

**Mr. Xavier Barsalou-Duval:** Thank you.

If I'm not mistaken, you have run airports in the past, and you have studied the measures announced by the government for airports.

Do you feel these measures will be enough to help airports? It's actually money for future infrastructure and it may not help them cover the bare essentials and pay the bills.

**Mr. Serge Larivière:** Exactly. I wear another hat. It's me behind Mont-Tremblant International Airport and I'm the operator. I agree with my colleagues from the airport associations that airports are being massacred right now. Much like the airlines, losing our strategic assets, even the employees we must let go, is devastating.

In regional airports, the employee who does the snow removal also refuels and provides the weather reports. It takes years to train these employees. When we lose them, it takes years to get back to where we were. That is what's happening right now because of the pandemic.

Many of the smaller airports don't need huge amounts of money to make it to the other side.

I agree with Mr. McKenna, Mr. Gooch and Mr. Grant on the need to support all airports. An effort is being made for the major airports, but I believe this government effort must also include all regional airports.

**Mr. Xavier Barsalou-Duval:** Thank you very much, Mr. Larivière.

My question is for the ATAC or even the CAC.

[English]

**The Chair:** Mr. Barsalou-Duval—

[Translation]

**Mr. Xavier Barsalou-Duval:** All right.

[English]

**The Chair:** Mr. Barsalou-Duval, my apologies. The time's up.

I now have to go to Mr. Bachrach. Those were great questions, and thank you, Mr. Larivière.

Now, Mr. Bachrach, the floor is yours for six minutes.

**Mr. Taylor Bachrach (Skeena—Bulkley Valley, NDP):** Thank you, Mr. Chair. I'd like to start with some questions for Mr. Grant.

Mr. Grant, as I'm sure you're aware, small airports are vital to the quality of life in northwest British Columbia, the region I'm so pleased to represent. Airports in communities like Smithers, Terrace, Sandspit, Bella Bella and Bella Coola have all struggled during the pandemic, but I want to step back a little bit because a lot of these small and regional airports were originally owned and operated by the federal government and were transferred, were downloaded, to local governments to run several years ago.

Has the federal government provided communities and local governments with adequate resources to operate these airports in a way that is safe and that provides the services that citizens expect?

**Mr. Brian Grant:** I think the easy answer is no. Certainly there has been some attempt by the federal government to fulfill its mandate in giving us some capital funding, but the large majority of airports, as you mentioned, in not been able to even participate because the funds simply aren't there to match the contribution agreements.

There's been nothing in the way of operational support since the late 1990s. These airports were transferred strictly to municipalities and local community governments, and the load is being borne by them.

**Mr. Taylor Bachrach:** Mr. Grant, you mentioned earlier that these small airports really suffered because they weren't able to access some of the pandemic support that was offered by the federal government, especially the wage subsidy. I'm assuming that your organization advocated to the federal government that municipal airports should qualify for that funding. What was their response?

**Mr. Brian Grant:** We certainly did advocate, and we identified that there basically has been no ability for small and regional airports to take advantage of many of the programs. We mentioned that we needed to address the issue with the queues, but we have still not had an answer to that. We do not even have an idea of whether and when that may be discussed.

• (1730)

**Mr. Taylor Bachrach:** Do you think it's fair that the larger airports are able to access the wage subsidy and small and regional airports haven't been able to?

**Mr. Brian Grant:** I wouldn't say it's an issue of fairness. I think it's simply an issue of education and not being able to understand that there are other airports out there. Certainly we feed the large airports, and they need to have that support. Smaller airports seem to have been carved away and forgotten about, as though they are just regional cost centres, so we haven't really had any attention from the federal government.

**Mr. Taylor Bachrach:** Mr. Grant, you mentioned the ACAP program earlier. As a former mayor, I can attest to the importance of this program. The reality is that funding for ACAP has been stalled for decades at about \$38 million per year.

I understand you're advocating an increase to \$95 million per year. What's that number based on, and what would that kind of stable permanent funding allow small regional airports to do in their operations?

**Mr. Brian Grant:** I think the important part is that the airports capital assistance program has not been topped up since the early 2000s. The \$95 million we have advocated—for over the past four years, as a matter of fact—simply addresses the infrastructure inflation rates in order to accommodate the rehabilitation of most of our infrastructure.

At this time, the \$95 million, if it is accessible to more participants or is accessible to more airports at a lower contribution rate, won't do it. That's an adjustment just to meet the current inflationary demand since 2001.

**Mr. Taylor Bachrach:** The ACAP dollars, if I understand correctly, are 90% funded by the federal government, and the airports have to kick in another 10%. Is it challenging for small communities and municipalities to come up with that 10% through revenue tools like property tax?

**Mr. Brian Grant:** Actually, the airports capital assistance program funding is on a sliding scale, so the more passengers you move, the less the contribution the federal government gives you. Even for those that are 100% funded, with small passenger movements, the application process to get a project approved costs money. It costs those airports and communities money to have pre-design studies done so they can identify that they have a plan and project that needs to be done. Many of those airports—Smithers airport is a prime example that I have talked to lately—simply do not invest in getting an application ready, because it's \$25,000 or \$30,000 out of their pockets with no guarantees for five years.

**Mr. Taylor Bachrach:** Is it fair to say that the reason you're advocating for the funding to be 100% during the pandemic is to help those small airports get the funding they need for capital upgrades and safety upgrades and those sorts of things?

**Mr. Brian Grant:** Absolutely, and I can speak to personal experience in my home airport. We have lost 90% of our traffic movement and 75% of our revenues. We're at a 25% and 30% contribution rate from the federal government.

I agree 100%. They can add all the money they like to the program, but if it's not 100% funded, we can't access it.

We are advocating, and have been for a number of years, for changing the requirements around application processes so that it's not just about money; it's about the ability to access the money.

**Mr. Taylor Bachrach:** This is my last question.

Nav Canada announced it's cutting air traffic services at seven regional airports. What will the impact of this be, and is this a safety concern?

**Mr. Brian Grant:** For some airports and some communities it certainly is a safety concern. For others it's not as much a safety concern as having the appropriate tools and technology when that service leaves. There is no avenue to fund that at this point, even through the ACAP program.

Automated weather stations and automated lighting controls... It's important that we have the ability to fund those before anything is decided by way of removing service, and that is a serious safety issue.

**Mr. Taylor Bachrach:** Thank you, Mr. Grant.

**The Chair:** Thank you, Mr. Grant and Mr. Bachrach. Those were great questions.

We are now going to move to our second round. For five minutes each, we will have Mr. Kram from the Conservatives and Mr. Sidhu from the Liberals, and two and a half minutes will go to Mr. Barsalou-Duval from the Bloc Québécois and Mr. Bachrach from the NDP.

Mr. Kram, you have the floor for five minutes.

**Mr. Michael Kram (Regina—Wascana, CPC):** Thank you, Mr. Chair.

My questions are for the witnesses from the Canadian Airports Council and the Regional Community Airports of Canada.

For the past eight months, the government has been talking at a high level about its plan to save Canada's airports from bankruptcy. Then on Monday Minister Freeland delivered her fall economic statement, which included a section about supports for the air sector. This section describes funding for health and safety infrastructure and for transit infrastructure, and the waiving or deferring of lease payments for the next few years.

Do you feel that the government's plan to save Canada's airports from bankruptcy meets your needs, and if not, why not?

● (1735)

**Mr. Daniel-Robert Gooch:** The \$500 million you describe certainly will be very helpful. We've recommended that. In fact, we recommended most of what was in there; it was just not at a level sufficient for our nation's airports to avoid really serious challenges next year.

That money will be very valuable. Certainly there is a big project in Montreal, but the price tag for that project is \$600 million. An additional \$225 million in runway investments will need to be made to add runway and safety areas. It's a federal regulation that's coming into play, so airports are installing things and making investments into accessibility upgrades because of regulations that are coming into place. Our members do not oppose these regulations, but they do wonder how they're going to be able to pay for them.

In terms of the rent relief, we've been saying for quite some time that there really does need to be an actual waiver of rent and that it needs to be for multiple years if it's to have a meaningful impact. Even with that, for the 14 smallest airports, including the one in Regina in your community, a waiver on rent when rent is a revenue charge and you're only bringing in a fraction of what you were making is not as valuable as it would be in year two, year three, or year four, when traffic is actually starting to recover and those volumes and those revenues that come with it are starting to recover. As a result, airports are taking on \$2.8 billion in debt that needs to be repaid.

The situation is bizarre. If the government were to give an airport \$10 million, that would be \$10 million in revenue that it would not need to raise in another way. If the airport didn't get that and it had to borrow that money, it would have to pay back interest on that. Actually the federal government makes more money when the airport doesn't have relief and has to borrow, because for every dollar that the airport has to generate to pay back the debt, it's also paying back interest, and the federal government gets a cut on every one of those dollars. The situation is very difficult, and it's not sustainable, certainly, without additional support for airports.

**The Chair:** Mr. Kram is next.

**Mr. Michael Kram:** Thank you.

I should follow up on a question my colleague Mr. Bachrach asked.

Last week various news outlets reported that Nav Canada was planning to shut down the air traffic control towers at the airports in, I believe, Whitehorse, Prince George, Fort McMurray, Regina, Sault Ste. Marie, Windsor and St. Jean, Quebec.

Could the witnesses representing the airports give us an idea of what it means for the airports' capacity to attract new flights and new carriers when the airport does not have an air traffic control tower?

Can the other witnesses representing the airlines give us an idea of what it means to the airlines that want to increase services to an airport when that airport does not have an air traffic control tower?

**Mr. Daniel-Robert Gooch:** Brian, do you want to take that one first?

**Mr. Brian Grant:** I think from the perspective of our members in regional and community airports, air traffic control towers certainly have not been the catalyst as to whether or not we receive service. Those areas at this time are just simply trying to get by and to ensure that they can keep the peace to keep those airlines flying in.

I think that's a better question for the carriers, especially, to identify how they work with those situations.

**The Chair:** You have one minute.

**Mr. Michael Kram:** I'm sorry, Chair, but do I have the floor again?

**The Chair:** You do. You have one minute, Mr. Kram.

**Mr. Michael Kram:** Then I would like to hear an answer to my previous question from the witnesses representing the airlines.

As we come out of the pandemic, if an airport does not have an air traffic control tower, how does that impact the airline's ability to increase flights to the airport?

**Mr. Mike McNaney:** I'll answer quickly and then turn it over to my colleague John.

Our principal concern about anything with respect to ATC, air traffic control, and navigation is with respect to safety and safety of operations.

You do absolutely look at the coverage you're going to get and the times of day you'll get coverage and whether your alternates will actually be covered in order to fly service, so it can have a commercial implication, but ultimately you're most focused on safety and the provision of safety services. I think that comes back to my earlier comments about Nav Canada needing support.

• (1740)

**The Chair:** Thank you, Mr. McNaney. Thank you, Mr. Kram.

We now move to Mr. Sidhu for five minutes. Mr. Sidhu, the floor is yours.

**Mr. Maninder Sidhu (Brampton East, Lib.):** Thank you, Mr. Chair, and thank you to all of the witnesses for being with us today.

My question is for Mr. McKenna and Mr. Gooch.

What lessons do you think should be drawn from the EU experience of relaxing travel quarantines only to have to reimpose them when the second wave hit?

Mr. McKenna, you can start.

**Mr. John McKenna:** The only answer I can see to that is that you can't continuously do that. Obviously if you're going to relax measures, it's because you have measures in place that allow you to do that regardless of what happens. I think we have to avoid that at all costs.

**Mr. Maninder Sidhu:** Mr. Gooch, can I get your thoughts on that as well?

**Mr. Daniel-Robert Gooch:** I can't really speak to the individual measures that might have been put in place in different European places and whether they were effective. I do know that what we have been calling for is rapid antigen testing before people get onto flights so that travellers can have that additional degree of confidence.

What we have seen from the studies that have taken place so far is that there are a very small number of travellers who have been testing positive, less than 1%. What we have now is testing on international arrivals. It would be even better to have it prior to departure.

There are many different ways to design that. Obviously the best way would be to have a very accurate predeparture antigen test. There are other places that have combined a test several days prior to departure with a rapid test at the airport. There are different ways of doing it.

**Mr. Maninder Sidhu:** Thank you for that.

Mr. Chair, how much time do I have left?

**The Chair:** Are you splitting your time?

**Mr. Maninder Sidhu:** I am.

**The Chair:** You have about 60 seconds.

**Mr. Maninder Sidhu:** Mr. Gooch, you mentioned rapid testing. We did dispatch millions of rapid tests to the provinces. To my understanding, there is a reluctance to use them, as they are not as reliable as lab tests.

Are you concerned about the accuracy of these tests? What are your thoughts on rapid testing?

**Mr. Daniel-Robert Gooch:** I'm certainly not a public health expert. My understanding is that several tests have been approved for Canada and there are others on the way. As I was referring to earlier, some places are administering a more accurate PCR test a couple of days prior to departure and then combining that with an antigen test.

We really need to move to having conversations with our colleagues from the air carriers about how to do this. We've been looking to advance discussion on this aspect since the spring. We are now having these conversations, but we don't have a lot of time ahead of us if we are to rescue Canada's tourism sector next summer. As people are getting vaccinated and as pent-up demand for travel starts to materialize next year, we think we're going to see Canadians wanting to travel and other people wanting to travel. We want to make sure they can do so and feel even safer with a test.

**The Chair:** Thank you, Mr. Gooch.

Mr. El-Khoury is next.

[*Translation*]

**Mr. Fayçal El-Khoury (Laval—Les Îles, Lib.):** Thank you, Mr. Chair.

I thank the witnesses.

We know very well that the aviation sector is a key factor in our regions' development. It's also a pretty powerful driver for developing our economy, especially in a large country like Canada.

My question is for Mr. Larivière. The Fall Economic Statement announced that up to \$206 million over two years from 2020 to 2021 will go to regional development agencies for a new regional air transportation initiative. I'd like to know if you have thought about how to spend this money.

Where should these funds go first?

**The Chair:** Mr. Larivière, you have the floor.

**Mr. Serge Larivière:** Thank you for your question.

We welcome this aspect of the economic statement. We will need to see the details of what is allowed within this envelope and which development agency will lead the project. We can well imagine that our project or others could help us bring air access solutions to all the regions with the resources needed to do that.

As I mentioned in my speech, the potential is there for some exciting opportunities. Mr. Gooch just alluded to that. In the coming months and years, Canadians will want to stay in Canada to see their country. Some Canadians have taken very nice trips to the regions. They hadn't done it for a long time, and they have realized that Canada is a huge country. [*Technical difficulties*] creating accessibility is one more tool to help us restart the economy. We will have to [*Technical difficulties*] later on—

• (1745)

[*English*]

**Mr. Chris Bittle:** I have a point of order.

**The Chair:** Yes, go ahead.

**Mr. Chris Bittle:** I think we're having some technical issues, which are leading to some translation issues.

**Mr. Fayçal El-Khoury:** Yes.

**The Chair:** Okay, I'm going to stop the clock here, Mr. Clerk.

**The Clerk:** We think it should be okay if he tries again.

**The Chair:** Mr. Larivière, can you close out your answer, please?

[*Translation*]

**Mr. Serge Larivière:** I was saying that we can look inside the envelope announced in Monday's economic statement to get the details on what that means. It will certainly provide an extremely practical tool for initiatives like ours and others across the country to occupy territory and be able to provide quality air access at normal prices across Canada, particularly in Quebec. I agree with Mr. Gooch's comment that—

[*English*]

**The Chair:** Thank you, Mr. Larivière. Thank you, Mr. Sidhu and Mr. El-Khoury.

We're now going to go on to Mr. Barsalou-Duval for two and a half minutes.

[*Translation*]

**Mr. Xavier Barsalou-Duval:** Thank you very much, Mr. Chair.

My question is for Mr. McKenna.

Based on what I have heard from some, the government is working on potential assistance for the airline industry. Assistance in homeopathic quantities has been announced for regional transportation, but we don't know the details yet. For airports, they might have assistance for infrastructure, but I don't know how many years from now.

Are your members worried that only large businesses will get help in the end?

**Mr. John McKenna:** We are certainly not against helping large businesses. That is important. We have an aviation continuum in Canada, so we want to make sure that smaller carriers get something too. They connect with the larger carriers and the regional centres in Canada.

We are very concerned about this. We don't have any information. We have no contact with the government at this time with respect to assistance. We provided the government with a lot of information in June, July and August about financial data, job losses, daily losses and so on, but we've had no response whatsoever. The politicians are not talking to us right now about any sort of assistance.

**Mr. Xavier Barsalou-Duval:** Thank you, Mr. McKenna.

My next question is for Mr. McNaney.

Almost all other countries around the world have put together a plan to help the airline industry. In Canada, it feels like it's never going to happen and the only carrier that stands to benefit from it is the one best able to weather the storm, Air Canada.

In your opinion, why hasn't the government announced a real plan to help the airline industry yet?

[English]

**Mr. Mike McNaney:** I'm not quite sure that I follow the premise there in terms of only one operator benefiting at the moment. I think the entire industry is in dire condition.

If I might just make a quick point, as we're looking at different aspects of the aviation community, it does seem that there's an element of our conversation that it is taking on a bit of a *Hunger Games* competition between sizes small and large, and that is not our intent at all in appearing before you today.

In terms of the amount of time it has taken for the federal government, I think the federal government is the only one that can answer that question. We have certainly been hoping for some action.

There's another piece that I really do want to stress for this committee. It has come up, and Daniel and the others have addressed it. There is the financial piece, and that is very important and I certainly understand the interest in it, but there is absolutely that preparatory work, and it is all going to be tied to testing, border measures and quarantine levels. That is going to be equally critical if we're going to go forward and be able to pull in all the jobs from the airports and carriers of different sizes that we're talking about here.

I hope that in your report and your engagement with government you will place a very strong emphasis on the steps that need to be taken for the recovery. As has been outlined and as Daniel has noted, airlines and airports across the country are working very closely

on trying to drive that in conjunction with provincial health authorities and federal health authorities.

• (1750)

**The Chair:** Thank you, Mr. McNaney. Thank you, Mr. Barsalou-Duval.

We're now going to move to Mr. Bachrach for two and a half minutes.

Mr. Bachrach, the floor is yours.

**Mr. Taylor Bachrach:** Thank you, Mr. Chair. I'll continue with some questions for Mr. McNaney.

Mr. McNaney, several of the airlines were utilizing the wage subsidy during the pandemic and then went off the wage subsidy. Currently the sector is looking for federal support but is not using the federal program that is set up to help ensure that employees are kept on the payroll, etc. Can you explain why that is?

**Mr. Mike McNaney:** Obviously I can't speak to any particular carrier's operations and the decisions it has made. At a general level, what we have seen—and I mentioned it briefly in my opening comments—is that we are down to approximately 10% of the number of passengers that we would expect to have in Canada at this point. That has been going on now for six or seven months.

The simple fact is that there is no business, no activity that can be sustained when you're operating on 20% overall of your fleet and 10% load factors on your aircraft. Again I have to stress that I don't speak for any particular carrier and the decisions it has made, but by and large, we have simply seen this continued degradation of passenger counts, etc., and that has left us where we are today.

**Mr. Taylor Bachrach:** Mr. McNaney, I certainly understand the impact on the air transport sector and the need for federal support. I think that a lot of Canadians are looking at these big financial packages and seeing that in the past, some of those federal contributions have gone to executives and to shareholders.

We've been saying very clearly that we feel that any federal support for the sector should go straight to workers to make sure that people remain employed and that it should not go to executives and shareholders. Do you think that's a reasonable expectation for the Canadian public to have with regard to sectoral support from the federal government?

**Mr. Mike McNaney:** I think it's a reasonable expectation. I think we also have to look at what industry—at least my side of the industry—is asking for, and that is loans and loan guarantees. I do think that is a reasonable enough ask. In terms of the details, etc., I'm sure the federal government will avail itself of everything it needs to, but at this point we do not know what the tone and tenor of any support might actually be.

**The Chair:** You have time for a short question, Mr. Bachrach.

**Mr. Taylor Bachrach:** The minister has said that no dollars are going to flow until the airlines refund the passengers who had their flights cancelled. Do you think that's a reasonable expectation?

**Mr. Mike McNaney:** I think it's a reasonable expectation in the minister's view, and I'm fully certain that whatever comes forward is going to be commensurate with that view.

**Mr. Taylor Bachrach:** Is it reasonable in your view, Mr. McNaney?

**Mr. Mike McNaney:** In my view, to be honest with you, reasonableness would have been that seven months ago the situation would have been addressed and financial assistance to the industry would have been provided on a robust basis and we would not find ourselves having these elements of conversation with respect to the number of flights that have been cancelled and the number of layoffs we've had.

**The Chair:** Thank you, Mr. McNaney. Thank you, Mr. Bachrach.

I'm now going to go to Mr. Shipley for five minutes. Mr. Shipley, you have the floor for five minutes.

**Mr. Doug Shipley (Barrie—Springwater—Oro-Medonte, CPC):** Thank you, Chair. I wasn't sure I was going to get those five minutes. I was starting to think we were—

**The Chair:** I'm trying to squeeze them in.

**Mr. Doug Shipley:** I appreciate that. I'll try to make good use of them. I had even closed my notes, so just give me a moment.

My first question is for Mr. McKenna.

Mr. McKenna, in your opening comments, you made a statement that intrigued me, and I wrote down what you said. You said you wrote six different letters and had no acknowledgements back. Could you explain to me when those were sent—not specific dates, but roughly when—and to whom those were sent and what was requested in them?

• (1755)

**Mr. John McKenna:** We have written letters basically every month since March to the Minister of Transport, the Minister of Finance, the Minister of Economic Development and the Prime Minister. Basically we are doing two things. We are identifying what kind of help would be required and we're offering our services, our co-operation, to work toward such a program. That's what we offered, and we keep offering the same thing much in the way I spoke about today in my opening statement.

**Mr. Doug Shipley:** Just to clarify, you mentioned that you haven't heard back on any of those letters whatsoever.

**Mr. John McKenna:** That's right. We have not had any kind of response to any of those from anybody.

We are talking to the ministers' offices; I have to be frank on that. They do return our calls. We have a conversation going on with them, but it's not really a dialogue. We're asking for things, and they're saying, "Well, we feel your pain and we're trying to do something to help you." Basically that's what we're getting as an answer, but we've had no formal responses at all to any of our letters.

**Mr. Doug Shipley:** The next question is for Mr. McNaney.

Mr. McNaney, you mentioned in your opening remarks that other countries started months ago and that Canada is a bit of an outlier with some programs that were offered. Could you tell us exactly where we're slipping behind, what some of those other countries have offered and where Canada is missing?

**Mr. Mike McNaney:** There are a few elements to it. At its most basic, sir, is direct sectoral support for the aviation sector, and that started to flow in other jurisdictions, in particular in the EU, back in May, and in the United States in the May-June time period, and it is consistent over a variety of things.

Some of it has been loans. Some of it has been loan guarantees, as we said. Some of it is in direct injections into operators. The whole point of it, as I said at the outset, was to stabilize the sector because of the broader role it has to play.

I want to very quickly note that Canadian carriers are in this crisis now not because we've had bad business plans or made poor corporate decisions. We're in this crisis because of the pandemic and the economic chaos of that pandemic. I certainly do not view what we are looking for as a bailout. A bailout is for an industry that got itself into trouble because it made bad decisions and people stopped buying its products, and that was not the case. We entered 2020 with a level of connectivity we had not seen—tens of thousands of jobs—and we continued to invest, but the pandemic has ostensibly laid low all of that activity.

**Mr. Doug Shipley:** Thank you.

Further to some of your comments, Mr. McNaney, you mentioned that foreign operators were taking market share. That's very concerning to me. Customers are always hard to get, and when you lose one, it's very hard to get it back.

Flying isn't banned in Canada; it's just a little more difficult. What is it that is causing us to lose market share to foreign competitors?

**Mr. Mike McNaney:** We're losing that market share, sir, because as they have continued to receive support, they have been able to keep more capacity in the market than Canadian operators are able to do, and what we are seeing over time is that they are starting to pick up more and more of the capacity of those particular international routes. It has taken Canadian carriers years to muscle their way in on these routes.

You're absolutely right that once you have lost customers, it's extremely hard to get them back, and it's particularly difficult in aviation, where carriers compete ferociously with each other on long-haul service.

We basically, to some degree, ceded the playing field to these international operators. Because they are receiving investments and support from their governments, they are able to keep a level of capacity beyond what they used to be able to, and now we are falling behind.

**Mr. Doug Shipley:** Thank you.

Chair, I still have a bit of time, do I?

**The Chair:** You have 30 seconds.

**Mr. Doug Shipley:** All right, I'll make this a very quick question.

I'm not sure who to direct this to. It's with regard to much smaller airports. For example, an airport like Thunder Bay airport, a very small regional airport, has had almost no traffic, but there are still some fixed costs there, which are now being passed on to the few surviving regional small airlines that are drastically needed to service the north and many of the indigenous communities in Ontario. Those fees that are being passed on to those small airlines that are still managing to fly are just not doable.

What can be done for these small airports where costs for things like fire, emergency or snowplowing are all being passed on now to these small regional airlines that just can't pay the additional costs because the other airlines aren't flying?

Can one of you gentlemen help me out with that and say how we can help these smaller ones and these remote airlines?

**The Chair:** I will ask whoever wants to try to answer that question to try to fit it into an answer for the next speaker.

I'm going to move to Mr. Rogers for five minutes. He will be the last speaker of the day, so if one of you can try to incorporate your answer to that question into the answer to one of his questions, that would be wonderful.

Mr. Rogers, the floor is yours for five minutes.

• (1800)

**Mr. Churence Rogers (Bonavista—Burin—Trinity, Lib.):** Thank you, Mr. Chair. I was thinking that we were running out of time.

I welcome all the witnesses today and thank them for the information and insights they've provided.

Mr. Grant, the fall economic statement contains a significant boost to ACAP, the airports capital assistance program, as well as up to \$206 million over two years, starting in 2020-21, to the regional development agencies for new regional transportation initiatives. How might these measures help your members and what kinds of projects do they help to fund?

**Mr. Brian Grant:** Thank you.

The airports capital assistance program will fund capital things such as runway overlays, runway rehabilitations, lighting, equipment used to maintain the runways and other safety measures strictly related to passenger air service.

On the \$206 million, we're still waiting for information on just exactly what sectors that will involve. We don't expect a lot from that, as the small regional airports operations and the ability to pass on as little of a fee cost as possible is where we're at. It goes back to the last question about what we can do with those fees. The small airports are actually very limited in what they can do going forward. We have already cut everything to the bare bones and, unfortunately, support is the only answer, I believe, to keeping those fees low.

**Mr. Churence Rogers:** Thank you, Mr. Grant.

Mr. Gooch, help us understand the importance of the airline industry and the importance of airports by explaining the role that airports play in connecting communities, and even the country as a whole, particularly in small rural parts of Canada.

**Mr. Daniel-Robert Gooch:** Thank you for the question.

It's essential. I'm from the same part of the world that you are. I'm from the western coast of Newfoundland. My community is Stephenville, which saw steady declines in air service over the years, whereas Deer Lake has had it build up. You can see the difference in terms of whether you can get there or not, and whether you need to connect multiple times or not.

We saw tremendous investment into all parts of Canada by our air carrier partners over the last 10 years, and Atlantic Canada saw a lot of that, with new air carriers coming into the market, the introduction of WestJet and the expansion of Porter. All of this increased competition increased connectivity, and it brought fares down. We saw this around the country.

It is so important for these communities. They spent a decade building up those services. When we saw air traffic in the region plummet to levels that my colleague in Deer Lake says she hasn't seen since the year I was born, it was devastating. It's absolutely devastating. When a community loses service.... If you think it's difficult to get a customer back when you've lost them, it's just as difficult to get an air carrier and an air service back when you've lost them.

**Mr. Churence Rogers:** Yes, and I appreciate where you're coming from, because we've heard from the Atlantic association of airlines and the airlines council, and certainly the Atlantic bubble, which contributed to that as well. Plus, they've been lobbying hard for rapid testing in airports. Some people have already mentioned that today. Do you see, Mr. Gooch, that this would be beneficial in small rural airports as well?

**Mr. Daniel-Robert Gooch:** Absolutely. The communities in Atlantic Canada are really hurting, and they want to see the expansion of rapid tests. I am optimistic. We have good engagement with government on a lot of these issues, and there are forums where these conversations are taking place. There are more of the tests, hopefully, coming into Canada, and we can deploy them in this type of an environment.

It's a bit slow so far, and we do have some concerns about the timelines, because we don't have a lot of time to waste. The summer schedule for airlines is not set the week before summer; it's set months out. Airlines need to decide where they're going to put their aircraft, and they will put their aircraft where they're going to make the most money—even more desperately so in terms of making those decisions nowadays.

• (1805)

**The Chair:** Do you have a quick question?

**Mr. Churence Rogers:** No, that's fine, Mr. Chair. I'm good with these key questions. Thank you.

**The Chair:** Thank you, Mr. Rogers, and thank you, Mr. Gooch.

Thank you to all the witnesses today and to the members. We had great dialogue, great questions and great answers for the most part.

I want to say before I adjourn the meeting that we look forward to further dialogue with the sector and the department, a dialogue

that I'm sure, with fair conditions attached, will see us come back with what we're all looking for in the best interests of the people we represent.

With that, I will adjourn this meeting.

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