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ENHANCING THE EFFICIENT, AFFORDABLE OPERATION OF CANADA'S AIRPORTS

Report of the Standing Committee on Transport, Infrastructure and Communities

Peter Schiefke, Chair

FEBRUARY 2023
44th PARLIAMENT, 1st SESSION

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NOTICE TO READER

Reports from committees presented to the House of Commons

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

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THE STANDING COMMITTEE ON TRANSPORT, INFRASTRUCTURE AND COMMUNITIES

has the honour to present its

EIGHTH REPORT

Pursuant to its mandate under Standing Order 108(2), the committee has studied reducing red tape and costs on rural and urban Canadian airports and has agreed to report the following:

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SUMMARY

While Canada's air travel industry experienced a significant drop in traffic during the COVID-19 pandemic, travellers began to appear in greater numbers in the spring of 2022. It is in this context that the House of Commons Standing Committee on Transport, Infrastructure and Communities (the Committee) undertook a study on ways to reduce red tape and costs for Canadian airports in order to make air travel more affordable and accessible.

The COVID-19 pandemic exposed flaws in the user-pays system, as the lack of passengers caused airport, airline and air service provider revenues to plummet. Similarly, some witnesses argued that the costs on various stakeholders are too high. They pointed to rent collected by the federal government from major airports, airport improvement fees, navigation fees, fuel costs, security fees, and so on.

Air travel is critical to connecting remote and Northern communities and should not be considered a luxury. While most witnesses were appreciative of the various federal funding programs to support air travel, they said this funding was insufficient to ensure the viability of Canada's entire air network. Some witnesses added that new regulatory requirements, such as those related to crew hours, hampered their operations.

Following air traffic resumption in the spring of 2022, significant delays and wait times at major Canadian airports have frustrated travellers. Witnesses gave a variety of reasons for the delays, including widespread labour shortages; delays abroad; processing times for various documents, such as restricted area identity cards; delays in pilot licensing and certification; and the implementation of public health measures, including testing on arrival for international travellers.

The study highlighted the imbalance between demand for flights and network capacity. Overall, witnesses agreed that more cooperation is needed among the various stakeholders to address the wait times observed in the spring and summer of 2022 and provide a better experience for travellers passing through Canadian airports.

The Committee acknowledges that the challenges and issues experienced during the 2022-23 winter holiday season took place following the testimony heard during this study. As such, these issues will be addressed in a forthcoming report.

LIST OF RECOMMENDATIONS

As a result of their deliberations committees may make recommendations which they include in their reports for the consideration of the House of Commons or the Government. Recommendations related to this study are listed below.

Recommendation 1 – Costing review

That the Government of Canada review all the costs levied on airport authorities and airlines through a lens of how they affect other economic sectors such as tourism.

Recommendation 2 – Reinvesting in airport infrastructure

That the Government of Canada plan to reinvest all rent amounts collected from airports in airport infrastructure projects through federal programs such as the Airports Capital Assistance Program (ACAP), the Airport Critical Infrastructure Program (ACIP) and the National Trade Corridors Fund (NTCF); to support airports in smaller communities though an extension of the Regional Air Transportation Initiative; and by helping smaller airlines absorb the costs associated with regulatory changes.

Recommendation 3– Supporting rural airports

That the Government of Canada prioritize supporting rural airports by using repurposed airport rents to help smaller airports absorb costs associated with regulatory changes.

Recommendation 4 – Affordable air travel for rural Canada

That the Government of Canada develop policies to encourage affordable, equitable air transportation in rural regions that lack competition between carriers.

Recommendation 5 – Interline agreements

That the Government of Canada move towards encouraging interline agreements between all Canadian air carriers to give regional customers better access to larger and international carriers, and ensure affordability and reliability of regional airports.

Recommendation 6 – Audit of delivery of service standards and comparison to other jurisdictions

That the Government of Canada evaluate the performance of airports and airlines in meeting federally-mandated service standards, including delays, cancellations, security screening, baggage handling, border and customs processes. Transport Canada should compare this data on Canadian airlines and their performance with other jurisdictions and publish the results.

Recommendation 7 – Ensure credentials are processed in a speedy fashion

That the Government of Canada should immediately implement strategies to reduce the lengthy administrative delays in getting the medical certificates, security clearances, and other required documents for pilots, crew members and other airport personnel, without compromising safety.

Recommendation 8 – Technology and digital solutions

That the Government of Canada collaborate with Canadian airport authorities, labour organisations and other stakeholders to develop innovative data and digital solutions and invest in technology to improve operational performance and travellers' airport experience.

Recommendation 9 – Conduct a comprehensive lessons learned from the rollout of pandemic travel restrictions in 2020-22

That the Government of Canada assemble a panel of external experts to conduct a comprehensive lessons learned from the implementation of pandemic travel restrictions, including how staff shortages exacerbated airport issues, for the purpose of documenting policies and procedures that worked, that didn't work and/or could be improved so that Canadian airports and airlines can be better prepared for any such future circumstances.

ENHANCING THE EFFICIENT, AFFORDABLE OPERATION OF CANADA'S AIRPORTS

INTRODUCTION

Canada is a vast country spanning almost 10 million km^2 with an extensive transportation system. The National Airports System (NAS) consists of 26 airports primarily in urban areas, but Canada also has hundreds of smaller airports and heliports in remote and Northern areas. While the challenges differ depending on the context in which they operate, Canada's many airports allow people to travel, visit loved ones and obtain essential services. Recognizing the importance of reliable air service in a country as vast as Canada, the House of Commons Standing Committee on Transport, Infrastructure and Communities (the Committee) agreed to the following motion on 3 February 2022:

> That, pursuant to Standing Order 108(2), the Committee undertake a study on ways to reduce red tape and costs on rural and urban Canadian airports to make air travel more affordable and accessible.

The Committee dedicated five meetings to this study between 16 May 2022 and 3 October 2022. It heard 32 witnesses and received three briefs.

Following the worldwide implementation of travel restrictions in March 2020, passenger traffic at Canadian airports fell abruptly. As public health measures were lifted and the summer season approached, air passenger traffic began to pick up in mid-spring 2022. Subsequently, the Committee agreed to the following motion on 8 August 2022:

> That the Minister of Transport appear before the committee for no fewer than two hours, on the subject of airport delays and cancellations, ArriveCan and reimposed measures on travellers; that this meeting take place no later than August 22, 2022, and that, if possible, this meeting be televised.

The Committee held this meeting on 19 August 2022 and heard 10 witnesses. The sections below summarize the discussions with various stakeholders – including airport authorities, airlines and municipalities – about the current and future challenges facing Canadian airports.

CANADIAN AIRPORT GOVERNANCE AND COST STRUCTURE

In the late 1980s, the Government of Canada undertook a reform of how airports in Canada are managed and operated, which led to the creation of the NAS in the mid-1990s. For large airports serving provincial capitals, the management and operation was handed over to not-for-profit airport authorities by means of long-term leases. Small airports and regional airports were sold to their communities, usually for a nominal amount. Remote and arctic airports were either transferred to provincial or territorial governments or remained under federal government operation.

Rent Paid to the Federal Government

> **"Airports have paid more than $4 billion in rent to the federal government since our structure was created back in 1992. That rent is a significant contribution to government, but only a fraction of those funds contributed to government are going back into the aviation system."**
>
> Monette Pasher
> Interim President, Canadian Airports Council

The 21 airport authorities that manage NAS airports must pay rent to the federal government, which is still the owner/lessor of the land and airport facilities. During his testimony, John Gradek, Lecturer and Academic Programs Coordinator of Supply Chain Management and Logistics and Aviation Management at McGill University's School of Continuing Studies, explained that, in order to pay their lease, airport authorities must generate sufficient revenues to cover their financial requirements.

The cost of rent is a percentage of the revenue of airport authorities. According to Monette Pasher, Interim President of the Canadian Airports Council, the cost of rent is too high, exceeding $400 million annually. For instance, Carmelle Hunka, Vice-President of People, Risk and General Counsel at the Calgary Airport Authority, said that the Calgary Airport Authority would pay over $2 million a month in rent for July and August 2022. Some witnesses expressed their hope that the federal government would reinvest

the rents collected in airport infrastructure projects.[1] On that topic, John McKenna, President and Chief Executive Officer of the Air Transport Association of Canada, called for the federal government to "stop using aviation as a revenue stream."

During the COVID-19 pandemic, the federal government provided rent relief from March to December 2020, and then waived rent payments for medium airports (2021) and small airports (2021–2023) and deferred rent payments for large airports (2021). According to Robin Guy, Senior Director of Transportation, Infrastructure and Regulatory Policy at the Canadian Chamber of Commerce, the federal government "should provide a full waiver of rent until travel numbers have stabilized." Ms. Hunka welcomed the deferment of rent payments in 2021, but said this measure was not sufficient to offset the decline in revenue caused by the pandemic. In her opinion, given the limited revenue sources available to airports, paying rent and not receiving investment in return "challenges" the ability of the Calgary International Airport to go forward.

User-pays Principle

> "COVID-19 exposed a fundamental weakness of our air user-pay system: It only works if there are revenue streams."
>
> Anthony Norejko
> President and Chief Executive Officer, Canadian Business Aviation Association

Canadian airport revenue comes primarily from aeronautical revenue, such as fees charged to air carriers; non-aeronautical revenue, such as revenues generated by businesses inside airports; and airport improvement fees, which are added to airfare.[2] Ms. Pasher explained that 90% of airport revenue comes from passenger traffic, which is why the drastic decrease in the number of flights during the pandemic was hard on airport finances. Several witnesses said that the pandemic revealed the flaws of the

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1   TRAN, *Evidence*, 44th Parliament, 1st Session: John McKenna (President and Chief Executive Officer, Air Transport Association of Canada [ATAC]); Carmelle Hunka, (Vice-President, People, Risk and General Counsel, Calgary Airport Authority [Calgary Airport Authority]); David Rheault, (vice-president, Government and Community Relations, Air Canada [Air Canada]); Monette Pasher (Interim President, Canadian Airports Council [CAC]); and Sunwing Airlines (Brief).

2   Canadian Airports Council, *Canadian Airport Model*.

user-pays model.[3] Some were concerned about the debt incurred by airports during the pandemic:[4] airports added $3 billion in debt and lost more than $4.6 billion in revenue in 2020–2021, according to Mr. Guy.

Overall, witnesses did not call into question the governance model for Canadian airports, but they did call for increased federal support, whether by means of rent relief or additional funding under various programs. Mr. Gradek called for the airport financing system in Canada to be reviewed to open the door to private investment. He made the following observation:

> The vehicle in Canada for airports is debt-based and user-pay. I think we need another vehicle within the airport environment in order to grow the airport structure we have and to renew the airports.

According to John Lawford, Executive Director and General Counsel at the Public Interest Advocacy Centre, private investment in airports is not necessarily an effective solution to fund a public service that he described as being "essential." He said that public services delivered directly by government are often more efficient, and added that "there should be more involvement" from the federal government, particularly to support small airports. Mr. Gradek contended that the funding mechanism for smaller airports in Canada was lacking, that the shortfall would have to be made up, either by private investment or by investment from other levels of government. He was concerned that smaller airports would start to shut down in the years ahead because they would no longer be able to maintain their operations and invest in their infrastructure.

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3   TRAN, *Evidence*: Anthony Norejko (President and Chief Executive Officer, Canadian Business Aviation Association [CBAA]); Suzanne Acton-Gervais (Interim President and Chief Executive Officer, National Airlines Council of Canada [NACC]); Howard Liebman, (Senior Director, Government and Community Affairs, Air Transat); John Gradek (Lecturer and Academic Programs Coordinator, Supply Chain Management and Logistics, and Aviation Management, School of Continuing Studies, McGill University [As an Individual]); and Sunwing Airlines (Brief)).

4   TRAN, *Evidence:* Pasher (CAC); Glenn Priestley (Executive Director, Northern Air Transport Association [NATA]); Martin Massé (Vice-President, Public Affairs and sustainability, Aéroports de Montréal [ADM]); and Gradek (As an Individual).

Canadian Airline Industry Costs

> "Clearly, a major problem in Canada is not lack of a low-cost airline but rather lack of a low-cost environment for airlines."
>
> Joseph Sparling
> President, Air North

In Canada, airfare includes the base fare, the Air Travellers Security Charge (ATSC), airport improvement fees (AIFs), taxes and other fees, including insurance, fuel or navigation fees. According to Sunwing Airlines, some of the fees that limit growth in the Canadian air transport sector include airport rent, city taxes and federal taxation, navigation fees, the ATSC and AIFs. Julian Roberts, President and Chief Executive Officer of Pascan Inc., said that up to 40% of the ticket value goes to taxes and fees.

Suzanne Acton-Gervais, Interim President and Chief Executive Officer of the National Airlines Council of Canada, elaborated on this point, saying that "it is well documented that high taxes and fees imposed on Canadian airlines and travellers create a competitive disadvantage for Canada's aviation industry versus other jurisdictions." According to Mr. McKenna, government taxes, including fuel taxes and the carbon tax, affect the cost of air travel. Other witnesses also identified the high cost of fuel as a factor in higher air ticket prices in Canada.[5]

Some witnesses said they noticed that AIFs were increasing all the time in Canadian airports.[6] According to Mr. Gradek, low-cost carriers point to these fees as the reason they cannot offer low fares to Canadians the way European and American carriers can. In addition to higher AIFs, Mr. Roberts said that landing fees, terminal fees and security fees are also on the rise. David Rheault explained that the impact of fee increases is greater in smaller regional markets because there are fewer passengers per flight to absorb these costs. Mr. Roberts agreed, calling for better balance between regional and national carriers as regards airport fees. He gave the following example:

> For landing and terminal fees, if you get, for example, a small turboprop under 40 seats, we're paying $240, versus a jet carrying over 100 passengers at $306. It's really hard to allocate that extra cost over so few seats, which is driving the ticket up quite a bit.

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5   TRAN, *Evidence:* Julian Roberts (President and Chief Executive Officer, Pascan Inc.); Norejko (CBAA); Priestley (NATA); and Joseph Sparling (President, Air North).

6   TRAN, *Evidence:* Roberts (Pascan Inc.); and Gradek (As an Individual).

Mr. Roberts expressed his view that airport fees should be more balanced between carriers. For instance, if fees were based on the number of seats, then all air carriers, and therefore all air passengers, would pay the same cost per seat. He said that he thought the same imbalance applied to NAV CANADA fees, which have increased by 29.5% in the last few years. Leigh Ann Kirby, Vice-President, Chief Legal Officer and Corporate Secretary at NAV CANADA, explained to the Committee that, while air traffic dropped significantly during the COVID-19 pandemic, NAV CANADA still had to maintain 100% service coverage, which increased its debt levels. However, Ms. Kirby emphasized that the increase in fees was only to meet covenant requirements, not to recover NAV CANADA's shortfall.

During his appearance before the Committee, Serge Larivière, President of Mont-Tremblant International Airport and Director General of the Coopérative de transport régional du Québec, explained that airports of entry in Canada are treated differently: the Mont-Tremblant International Airport must pay the Canada Border Services Agency (CBSA) for customs clearance services on a cost-recovery basis. He criticized this practice, saying that the clearance cost for a 4- to 15-seater aircraft had increased from $275 to $1,200 in 15 years. He also explained that the Canadian Air Transport Security Authority (CATSA) has recently decided "to recover the costs for the services it provides." Speaking out against this practice, Mr. Larivière called for the federal government to provide CBSA and CATSA with the budget they need so they can put an end to their practice of recovering their costs. Similarly, Sunwing Airlines said that in order for it to provide flights to sun destinations from regional airports instead of major airports, the government must "[e]nsure adequate resources and infrastructure for regional airports," particularly as regards security clearance.

According to Joseph Sparling, President of Air North, evidence suggests that domestic airfares are higher in Canada than in the United States because "the U.S. provides a lower-cost operating environment for airlines than does Canada." Mr. Sparling explained that higher costs make it difficult for the Canadian air sector to compete, which is why more than 5% of Canadian travellers choose to drive across the border to travel from a U.S. airport. According to Mr. McKenna, before the COVID-19 pandemic, about 5 million people a year would cross the border to fly. Ms. Pasher and Mr. Larivière both said that the American government provides more support to American airports than the Canadian government provides to Canadian airports.

Regional Air Transport

> "**These small airports are critical to the people who live in rural and remote parts of Canada, and it's not just for the citizens there. It's for our entire province.**"
>
> Gladys Atrill,
> Mayor, Town of Smithers

Some witnesses encouraged the federal government to view air transport not as a luxury, but as an important way to connect the Canadian population, particularly in Northern and remote areas.[7] According to Mr. Sparling, air transport should be viewed as a public service, especially in remote regions. Ms. Pasher referred to Canadian airports as "transportation hubs" that drive economic development in communities across the country.

With respect to the province of Quebec, Mr. Larivière told the Committee that air services are lacking, putting Quebec behind the rest of the country, and that regional development and intra-provincial tourism are affected as a result. He said that price sensitivity is an important factor for regional airfare, which is different for out-of-province flights. He contended that there is a market for regional flights under $400, but when tickets cost more than that, people will opt to drive instead, or will change their plans or choose to travel to an international destination because the cost seems more reasonable. With a view to reducing the cost of regional air travel, Mr. Larivière asked whether there is a way to bring down the fees for small airports, and whether NAV CANADA service fees for regional routes could be brought down.

When she appeared before the Committee, Gladys Atrill, Mayor of Smithers, British Columbia, explained that since the COVID-19 pandemic, scheduled passenger service at the municipal airport was provided only by Air Canada, and there was only one flight a day. She pointed out a lack of competition, and criticized the fact that airfare costs were so different between a Smithers–Vancouver flight and a Terrace–Vancouver flight, the former being "often way more expensive," despite the fact that the distances are comparable and the aircraft are the same. She proposed introducing regulations to link miles flown with the price charged. According to Ms. Atrill, if neighbouring airports have

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7   TRAN, *Evidence:* Sparling (Air North); Norejko (CBAA); Serge Larivière (President, Mont-Tremblant International Airport); Gladys Atrill (Mayor, Town of Smithers); McKenna (ATAC); and Gradek (As an Individual).

more frequent flights at more convenient times for lower prices, it could make the community of Smithers and Bulkley Valley less attractive for businesses and tourists.

Mr. Larivière told the Committee that the situation Ms. Atrill described is not unique to Smithers: Quebec's rural regions experience the same thing. In his opinion, there needs to be healthy competition in regional air travel in Canada. To achieve this, he suggested establishing a floor price for all destinations: that way, an air carrier could not offer lower prices for the sole purpose of putting a competitor out of business.

Some witnesses mentioned that agreements between major air carriers and smaller airlines should be encouraged, as it is a way to provide air service in the regions and link them to carriers that offer international flights.[8] Highlighting the advantages of agreements signed between Pascan and both Air Canada and Air Transat, Mr. Roberts made the following comment:

> Before the pandemic, if someone wanted to fly from Sept-Îles, they had to go to Montreal to catch an Air Canada flight. This year, a passenger from Sept-Îles can take a PASCAN flight to Quebec City or Dorval. Then they can choose to take an Air Canada or Air Transat flight. Quebec passengers now have more choices.

Howard Liebman, Senior Director for Government and Community Affairs at Air Transat, was proud of this agreement, pointing out that it is mutually beneficial, because it brings more international visitors to the regions and gives regional customers better access to Air Transat's network. Mr. Roberts said that the federal government could help by ensuring that interline agreements are put in place. Mr. Sparling contended that interline agreements should be mandatory between all Canadian air carriers. Andrew Gibbons, Vice-President of Government and Regulatory Affairs at WestJet Airlines Ltd., stated that WestJet did not need federal government involvement to encourage it to sign agreements with regional airlines, because it "was a market that we wanted to serve."

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8   TRAN, *Evidence:* Yani Gagnon (Executive Vice-President, Pascan Inc.); Sparling (Air North); and Roberts (Pascan Inc.).

Funding Programs

> "[W]e need to ensure that our airports are able to operate
> in a postpandemic world, which means investing in their
> health. More specifically, this means investments in our
> airport infrastructure, technology and innovation."
>
> Robin Guy
> Senior Director, Transportation, Infrastructure and Regulatory Policy,
> Canadian Chamber of Commerce

Some witnesses indicated that they appreciated the suite of programs put in place by
the federal government during the COVID-19 pandemic to ensure the survival and
recovery of the airline industry, as well as pre-existing programs.[9] The following
programs were mentioned:

- Airports Capital Assistance Program (ACAP);

- Airport Critical Infrastructure Program (ACIP);

- National Trade Corridors Fund (NTCF);

- Regional Air Transportation Initiative (RATI);

- Airport Relief Fund (ARF); and

- Canada Emergency Wage Subsidy (CEWS).[10]

While they were appreciative of these programs, witnesses agreed that more funding
was needed. As regards the ACAP, a program that funds infrastructure projects at
regional airports in Canada, Ms. Pasher and the Airport Management Council of Ontario
both suggested increasing the amount to $95 million a year, up from the current
$38 million. They also both recommended that the federal government extend the RATI,

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9   TRAN, *Evidence:* Andrew Gibbons (Vice-President, Government and Regulatory Affairs, WestJet Airlines Ltd.
       [WestJet]); Liebman (Air Transat); Atrill (Town of Smithers); Pasher (CAC); Norejko (CBAA); Robin Guy
       (Senior Director, Transportation, Infrastructure and Regulatory Policy, Canadian Chamber of Commerce);
       Leigh Ann Kirby, (Vice-President, Chief Legal Officer and Corporate Secretary, NAV CANADA); and Priestley
       (NATA).

10   See: Transport Canada, *Airports Capital Assistance Program*; Transport Canada, *Airport Critical
       Infrastructure Program*; Transport Canada, *National Trade Corridors Fund*; Government of Canada, *Regional
       Air Transportation Initiative*; Transport Canada, *Airport Relief Fund*; and Government of Canada, *Canada
       Emergency Wage Subsidy*.

a program that was introduced to support regional and local air transport as part of the post-pandemic recovery. Martin Massé, Vice-President of Public Affairs and Sustainability at the Aéroports de Montréal (ADM), expressed his disappointment that the ACIP program, a program launched in 2021 to help large airports make critical investments in safety, security or transit infrastructure, was not being continued. He mentioned major upcoming projects at ADM, including building a transit station for the Réseau express métropolitain. For her part, Ms. Hunka called on the federal government to give the Calgary International Airport access to funds for core infrastructure projects, whether through the NTCF or the reinstatement of the ACIP.

Some witnesses asked the federal government to provide financial support to NAV CANADA.[11] According to Mr. McKenna, the federal government should consider NAV CANADA as an essential service and support it financially in the future, should it sustain another significant drop in revenue because of a major crisis.

CHALLENGES FOR THE AIR TRANSPORT SECTOR'S RECOVERY

When he appeared before the Committee, Craig Hutton, Associate Assistant Deputy Minister of Policy at the Department of Transport, explained that during the COVID-19 pandemic, air traffic dropped by more than 90% and stayed at a very low level for more than a year. He stated that, in January 2022, air traffic was less than 40% of 2019 levels, and by May 2022, it had grown to nearly 80% of 2019 levels. Some witnesses said they thought that air traffic would fully recover no later than 2024.[12]

Trevor Boudreau, Manager of Government Relations at the Vancouver Airport Authority, put this increase in air traffic into perspective, explaining that the Vancouver Airport had experienced "the largest increase in passenger volumes in our 90-year history" between February 2022 and the months of May through August 2022.

The surge in air traffic placed pressure on all aspects of the Canadian air transport system, according to Mr. Hutton, and "delays and congestion overseas contribute to delays and congestion also in Canada" due to the global nature of the aviation industry. He made the following comment on the delays experienced in Canadian airports in the spring:

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11   TRAN, *Evidence:* McKenna (ATAC); and Sparling (Air North).

12   TRAN, *Evidence:* Massé (ADM) Hunka (Calgary Airport Authority).

> During the week of June 3 to 9, an average of 10% of passengers were waiting more than 15 minutes at Pearson, which was down from 23% the week of May 9 to 15. At Vancouver, this number improved to 13% from 26% over the same period.
>
> In addition to delays when boarding a flight in Canada, there have been delays for international travellers returning to Canada, primarily at Toronto Pearson. These delays are due to a number of compounding factors, including overall staffing levels in the system, infrastructure limitations and delays overseas, leading to a convergence of flights and public health measures.

Ms. Acton-Gervais said that she was concerned about airport wait times and delays and that travellers "need confidence that their journey can be predictable, timely and enjoyable, with clear service standards." Mr. Gibbons emphasized the importance of addressing this issue: he was concerned that people would not book trips because they were worried about the airport wait times.

Neil Parry, Vice-President of Operations at CATSA, said he thought the entire industry was preparing for a busy summer in July and August 2022, and the spike in demand in April and May was well above their forecasted demand. According to Mr. Gradek, as demand for flights increased in spring 2022, airlines introduced more flights to meet the demand. He believes that there was a disconnect between the flights being offered and the airport infrastructure capacity to manage the increased traffic. Mr. Gradek said that there was lack of coordination between air transport industry stakeholders, which was a contributing factor to the airport delays passengers experienced over the summer of 2022.

When he appeared before the Committee, Mr. Hutton explained that Transport Canada was working in collaboration with federal partners, including CATSA and CBSA, as well as industry, including air carriers and airport authorities, to implement solutions to reduce airport delays. He also emphasized that the department is a regulator, and thus "would not be involved in operational issues among partners in the sector;" and that it rather plays a "facilitator role to improve the information sharing and planning" that needs to go into the system in order to address the delays.

Mr. Rheault and Mr. Gibbons both informed the Committee that Air Canada and WestJet were working with Transport Canada to find solutions, and they assured the Committee that everyone was taking the airport delays very seriously. Asked more generally about their relationship with Transport Canada, Mr. Boudreau and Mr. Massé indicated that they were in contact with the department, as did Ms. Hunka, who mentioned that communications improved during the COVID-19 pandemic. According to Mr. Massé, the difference during the pandemic was that health sector stakeholders had a key role: previously, airport authorities had not interacted with them very much. For his part,

Mr. McKenna said he thought that "the people at Transport Canada did their very best" to accommodate the air transport industry following the implementation of federal government measures during the COVID-19 pandemic. However, he had the impression that "the people making those decisions were not at all aware or concerned about their impact on [the] industry," which he described as being "very frustrating."

Health Measures

> "[We]e think the policies, restrictions, and health measures that currently apply to air travel should be reviewed to ensure that they are consistent not only with what is happening elsewhere in the Canadian economy, but also with the measures in place in other countries."
>
> David Rheault
> Vice-President, Government and Community Relations, Air Canada

The public health measures in force in Canadian airports have changed considerably since March 2020. On 26 September 2022, the federal government announced the removal of all entry restrictions for travel to Canada, including testing, quarantine, and masking mandates, and made the ArriveCAN app optional.[13] Most of the evidence in this section was presented to the Committee in May and June 2022.

Some witnesses said the public health measures were one reason for the backlogs and delays at Canadian airports. Some asked the federal government to review all measures, while others had specific requests.[14] Ms. Pasher stated that administering COVID-19 testing upon arrival at the largest airports was leading to bottlenecks. She said it was "the most cumbersome burden" that airports were facing at that time. She called on the federal government to move testing off-site. Ms. Hunka, who appeared before the Committee in September 2022, was pleased with the federal government's recent announcement that random testing would be removed and the use of the ArriveCAN app and masks would be optional. In her view, this decision would allow Canadians "to travel free of restrictions consistent with the rest of the world." Mr. McKenna said that Canada lagged behind the world in eliminating public health restrictions. Mr. Rheault

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13   See: Public Health Agency of Canada, Government of Canada to remove COVID-19 border and travel measures effective October 1, News release, 26 September 2022.

14   TRAN, *Evidence:* Guy (Canadian Chamber of Commerce); Pasher (CAC); Priestley (NATA); Pasher (CAC); McKenna (ATAC); Acton-Gervais (NACC); Rheault (Air Canada); Gibbons (WestJet); Liebman (Air Transat); and Sunwing Airlines (Brief).

also called for the federal government to review the public health measures that applied to air travel to ensure that they were consistent with what was happening elsewhere in the Canadian economy. Mr. Gibbons shared that view, adding that random testing was not required for any other consumer activity in Canada.

On the topic of the ArriveCAN app, a digital tool for travellers to submit specific information before they arrive in Canada, which was made mandatory in November 2020, Mr. Guy recommended that the federal government do more to promote the app. He said that some travellers were not aware when they arrived in Canada that they were required to fill in their travel and vaccination information in the app. According to Denis Vinette, Vice-President of the Travellers Branch at the Canada Border Services Agency, ArriveCAN is "the fastest, easiest and most secure way for travellers to show they meet public health requirements." Sunwing Airlines said that the processing times for passengers at screening points, even for those who properly completed the ArriveCAN app, are longer than before, which causes congestion in airports. It recommended that the federal government "[r]emove redundant health checks and questions through ArriveCAN at government checkpoints." Mr. Vinette said that he thought the new Advance CBSA Declaration function in the ArriveCAN app, which gives travellers the option of filling out customs declaration in advance, would "greatly reduce their processing time" when they enter Canada through airports.

Glenn Priestley, Executive Director at the Northern Air Transport Association, addressed the matter of the vaccine mandate for employees in the aviation sector at a time when the sector is facing a labour shortage. In his view, the vaccine mandate, which was still in place when he appeared before the Committee, was slowing down recovery in the sector, because unvaccinated workers were available but were sitting at home. Mr. Gibbons shared this opinion, saying that more than 300 WestJet employees had lost their jobs due to the vaccination requirement. The vaccine mandate for employees in the federally regulated transport sector was suspended on 20 June 2022.[15]

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15   See: Treasury Board of Canada Secretariat, Suspension of the vaccine mandates for domestic travellers, transportation workers and federal employees, News release, 14 June 2022.

Processing Delays per Passenger

> "**Travellers need confidence that their journey can be predictable, timely and enjoyable, with clear service standards. Recent reports of backlogs at airports and excessive wait times are concerning.**"
>
> Suzanne Acton-Gervais
> Interim President and Chief Executive Officer,
> National Airlines Council of Canada

Some witnesses pointed to the staff shortage for border services and security in airports as one of the main reasons for airport delays in spring and summer 2022.[16]

Mr. Norejko said that "every partner in the airport ecosystem – including [...] CBSA and CATSA – is struggling to rebuild capacity" after demand plummeted during the COVID-19 pandemic. However, Mr. Parry said that CATSA's staffing capacity had been increasing and wait times for passengers were coming down. He mentioned that it is normal for wait times to be longer during peak periods, including the summer months, but that CATSA wanted to see these times trend down to normalized levels as it adjusted its capacity based on the anticipated volume and passenger arrivals.

Mr. Vinette assured the Committee that the CBSA "continuously monitors volumes and wait times to allocate resources and adjust staffing levels accordingly." He went over the measures the CBSA had taken to increase its staffing to meet summer volumes, such as increasing officer availability at major airports and hiring student border services officers. However, Sunwing Airlines said that even though more CATSA and CBSA officers were being hired, "processing time for credentials for staff is taking too long."

The Committee heard about other factors that affected wait times. For example, Mr. Guy said "massive delays in processing passports and NEXUS" were being felt in the air transport system. Furthermore, Mr. Hutton and Mr. Parry noted that changes in traveller behaviour affect processing times as well, particularly the increase in the number of air passengers travelling with carry-on luggage, which Mr. Parry said takes longer to process.

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16   TRAN, *Evidence:* Guy (Canadian Chamber of Commerce); Pasher (CAC); Norejko (CBAA); Acton-Gervais (NACC); Gibbons (WestJet); Craig Hutton (Associate Assistant Deputy Minister, Policy, Department of Transport [Transport Canada]); and Trevor Boudreau (Manager, Government Relations, Vancouver Airport Authority).

A few witnesses highlighted the success of technologies introduced recently in certain airports to reduce wait times. Ms. Hunka said that the Calgary International Airport succeeded in reducing processing wait times by implementing virtual queuing for security screening points. She explained that this system, called YYC Express,[17] gives passengers the option of making a reservation up to four days in advance for a specific time slot at a security screening checkpoint. It "allowed YYC to spread passengers out to some of the less busy screening points during the peak periods." She added that YYC Express was implemented and funded solely by the Calgary Airport Authority. She called on the federal government to invest in technology to assist in the traveller experience, as well as improved screening equipment and other technologies to get travellers through customs and immigration more efficiently.

Mr. Boudreau agreed with Ms. Hunka's remarks and announced the launch of YVR Express[18] at the Vancouver International Airport, as well as the anticipated arrival of virtual queuing systems at all other major airports in Canada. He also pointed out that the Vancouver International Airport uses data and digital solutions to improve its operational performance. For example, its digital twin platform allowed front-line workers "to monitor and deploy resources in real time to support travellers, airlines and government agencies when they needed it."

Some witnesses spoke about the need to implement a trusted traveller program in Canada.[19] Mr. Guy and Ms. Pasher mentioned the American PreCheck program, which allows pre-cleared travellers to navigate security faster, thereby reducing bottlenecks at security checkpoints. Mr. Norejko elaborated on this idea, saying he hoped there would be "a separate line [...] that recognizes and puts a risk profile to those passengers" and suggested working with the airline industry and CATSA to establish such a program.

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17   See: Calgary International Airport, *YYC Express*.

18   See: Vancouver International Airport, *YVR Express*.

19   TRAN, *Evidence:* Guy (Canadian Chamber of Commerce); Pasher (CAC); and Norejko (CBAA).

Labour Shortages

> **"[T]ravellers are also experiencing delays due to other airport services – including baggage handling. Ground crew labour shortages are also having significant impacts."**
>
> <div align="right">Craig Hutton
Associate Assistant Deputy Minister, Policy, Department of Transport</div>

Various witnesses talked about how air industry labour market imbalances were affecting airport operations, whether due to labour mobility, competitive wages or working conditions.[20]

Mr. Priestley drew the Committee's attention to the disparity between regions of Canada in terms of qualified, available personnel. He said it is common for pilots and maintenance specialists who have been trained in the North to be subsequently "recruited away to work for the larger airlines in the south," which explains the shortage of personnel in the North.

Ms. Hunka said the biggest challenge for staff retention at the Calgary Airport Authority was for the "lower skilled types of labour," partly because rates of pay were increasing due to inflation. She gave the example of ground handlers, saying that once they were hired, some would move from one company to another to get a higher wage. Mr. Gradek added that the service industry is highly competitive, which leaves the aviation sector at a disadvantage, particularly when "other organizations hanging around airports" are offering better wages.

Mr. Boudreau said that implementing a living wage program, like the one in place at Vancouver International Airport,[21] can help with employee retention. He explained that all employees hired at the airport receive at least "$20.52 an hour, which encapsulates both [their] wages and [their] benefits."

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20 TRAN, *Evidence:* Pasher (CAC); Roberts (Pascan Inc.); Priestley (NATA); Norejko (CBAA); Gagnon (Pascan Inc.); Sparling (Air North); Gibbons (WestJet); Hutton (Transport Canada); McKenna (ATAC); Gradek (As an Individual); Massé (ADM); and Hunka (Calgary Airport Authority).

21 See: Vancouver International Airport, *Living Wage Policy*.

Other Factors Contributing to Airport Delays

> "**We are really appreciative of the people who have stuck it out with us. Everyone's working toward recovery now. We need the government to catch up to us and help us along in all these efforts, however.**"
>
> John McKenna
> President and Chief Executive Officer, Air Transport Association of Canada

The Committee heard evidence about other factors contributing to airport delays, such as challenges associated with obtaining Restricted Area Identity Cards (RAICs) and the licensing and certification process for pilots.

Ms. Pasher commented on the high demand for RAICs and said that airport workers who have one "are sometimes moving from company to company within the airport." Ms. Hunka said that "[t]he time to process [RAICs] has increased, and that has put additional pressure on the system."

Mr. McKenna pointed to Transport Canada service delays, such as certifying pilot qualifications, renewing pilot licences, administering professional exams and periodic tests for pilots, as well as certifying aircraft.

Regulatory Requirements for Flight and Duty Times and Grants

> "**[W]hen tethering the instruction to do something by sometime, the regulation ought to be more closely linked to the opportunity to get the funding to do it.**"
>
> Gladys Atrill
> Mayor, Town of Smithers

Some witnesses said that new regulatory requirements were obstacles that would make existing labour shortages in the air transport system worse and would increase costs for small airports.[22] In its brief, the Airport Management Council of Ontario stated:

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22   TRAN, *Evidence:* Priestley (NATA); Roberts (Pascan Inc.); and Airport Management Council of Ontario (Brief).

With each new regulatory standard imposed, operators are responsible for evaluating implications for their airport and, where required, implementing the operating and / or capital actions required to ensure compliance at their own cost.

Examples of growing regulatory requirements given by witnesses include:

- Requirements associated with the new hours of operation under the *Canadian Aviation Regulations* (CARs);

- The implementation of Transport Canada Publication (TP) 312 on Aerodrome Standards and Recommended Practices;

- The new global reporting format for runway surface conditions;

- Obligations regarding the runway end safety area;

- Obligations regarding safety management systems; and

- Amendments to the *Official Languages Act*.[23]

Mr. Roberts noted that the flight and duty requirements applying to air operators governed by subparts 703 and 704 of the CARs would add "an additional pressure to the industry." In particular, Mr. Priestley claimed that reducing a pilot's duty day by one hour will make it impossible to do certain existing out-and-back routes, which will drive costs up. Mr. Priestley also mentioned that the revised aerodrome standards and recommended practices mean that older airports are not compliant.

With regard to grants, Ms. Atrill called on the federal government to relieve the burden placed on small airports by providing the funding required to meet new federal requirements in a timely manner. She noted that the grants are particularly important for small airports, like the Smithers Airport, which are "critical to the people who live in rural and remote parts of Canada."

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23   See: *Regulations Amending the Canadian Aviation Regulations (Parts I VI and VII – Flight Crew Member Hours of Work and Rest Periods)*, SOR/2018-269, 7 December 2018, in *Canada Gazette*, Part II, Vol. 152, No. 25, 12 December 2018; Transport Canada, *Aerodromes Standards and Recommended Practices – TP 312*; Transport Canada, *Canada Adopts New Global Reporting Format for Runway Surface Conditions*; Government of Canada, *Regulations Amending the Canadian Aviation Regulations (Parts I, III and VI – RESA): SOR/2021-269 Transport Canada*; Transport Canada, *Safety management systems in aviation*; and Canadian Heritage, *Details on the Bill entitled An Act to amend the Official Languages Act, to enact the Use of French in Federally Regulated Private Businesses Act and to make related amendments to other Acts*, Backgrounder.

As regards the Mirabel airport, Patrick Charbonneau, Mayor of the City of Mirabel, said he was concerned about how the easement preventing construction around the airport's runways was affecting nearby communities. He called on the Committee to lift the easement, which in his view is the key reason that it has become "difficult to plan for the economic development of the airport sector and neighbouring sectors."

Canadian Transportation Agency and the Air Passenger Protection Regulations

Tom Oommen, Director General of the Analysis and Outreach Branch at the Canadian Transportation Agency (CTA), appeared before the Committee to discuss the two roles of the CTA under the *Canada Transportation Act*:

> First, it acts as a quasi-judicial tribunal when deciding proceedings such as air travel complaints or rail complaints. Second, it acts as a regulatory body when making regulations, publishing guidelines, issuing determinations and enforcing compliance with the law.

Among other regulations, the CTA has established and implemented the *Air Passenger Protection Regulations* (APPRs).

He said that the complaints the CTA was getting largely related to flight disruptions and cancellations, involving complaints about compensation, refunds or baggage issues. When asked about the backlog of complaints submitted to the CTA, Mr. Oommen explained that the process for handling complaints had become more efficient. He said that before the pandemic, the CTA processed roughly 5,000 complaints a year, but was able to increase this number to 15,000 complaints on average with existing staff. In addition, he said that the federal government had allocated $11.5 million to the CTA in Budget 2022 to help maintain a certain level of staffing to maintain these numbers. At the time of his appearance, he estimated the backlog at 25,000 complaints.

Mr. Lawford contended that a dedicated administrative complaints agency with a regulatory overseer for systemic issues would be a better model than the CTA's quasi-judicial approach to resolving complaints. He gave examples such as the Commission for Complaints for Telecom-television Services and the Ombudsman for Banking Services and Investments.

Furthermore, he said that the APPRs themselves are not red tape, and amending them will not ease airport delays or reduce traveller frustration. The APPRs offer the flying public a form of redress. The same could be said for delayed or lost baggage, about which he made the following comment:

> Due to the Carriage by Air Act, the Montreal Convention stipulates that compensation for delayed or lost baggage must be contained in the domestic tariffs of the aircraft carriers. This means that consumer frustrations with baggage can only be solved with a directive for airlines from either the minister or the CTA to meet a minimum standard in their tariffs.

He nevertheless encouraged the Committee to express its support for the APPRs in the interest of consumers.[24]

MEETING 27 – AIRPORT DELAYS AND CANCELLATIONS

On 19 August 2022, the Minister of Transport appeared before the Committee with representatives of the CBSA, CATSA, Transport Canada and the Public Health Agency of Canada to respond to questions. Members of the Committee requested that this meeting be given its own section in this report.

In his statement, the Honorable Omar Alghabra, Minister of Transport, provided some figures about recent progress made to address airport delays. For example, he said that passenger volumes increased by 252% between January and August 2022 in Canada. Regarding CATSA, he said that 1,700 CATSA officers had been hired since May, and hiring was ongoing. He added that, in the second week of August, 87% of passengers departing from Canada's four largest airports were screened by CATSA within 15 minutes, compared with 63% the first week of May. He also said that only 2% of flights planned at these four airports during the second week of August were cancelled, which is closer to the traditional average, and is an improvement over the 5% that were cancelled during the first week of July.

Minister Alghabra recognized the imbalance between the desire of travellers to travel and the labour available to provide these services. He raised the possibility of implementing a service standard for those areas of air transport that are under federal jurisdiction, although he did point out that baggage handling, for example, is the responsibility of the airlines. Michael Keenan, Deputy Minister at the Department of Transport, talked about CATSA lineups in some airports. He explained that the longest lines were for customs pre-clearance, because CATSA cannot send too many people into the United States Customs and Border Protection waiting room. He assured the

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24 On 26 January 2023, during his appearance before the House of Commons Standing Committee on Transport, Infrastructure and Communities for its study of Air Passenger Protection Regulations (APPRs), Mr. Lawford informed the Committee that the Public Interest Advocacy Centre is in support of amending the APPRs.

Committee that Transport Canada was working with its American counterparts to increase the throughput at airports in Toronto and Montreal.

Some witnesses supported the implementation and use of the ArriveCAN app to provide public health information in order to reduce wait times in advance. Without the app, this information would have to be collected and input manually.[25] According to Jennifer Lutfallah, Vice-President of Health Security and Regional Operations Branch at the Public Health Agency of Canada, there were only 190 tickets for non-compliance since ArriveCAN was made mandatory for both land and air travel. She also emphasized that public health officers play a very facilitative role, and that writing a ticket is not the first option they exercise to ensure travellers comply with the ArriveCAN app.

Minister Alghabra justified the implementation of public health measures for travellers, including vaccine mandates in the federally regulated transport sector, by mentioning their effectiveness at reducing the spread of COVID-19 and protecting public health and safety. In addition to the vaccine mandate, Ms. Lutfallah listed other measures implemented "to reduce the risk to Canadians' health and to increase their health security," including testing, quarantine, isolation and masking. Mr. Keenan said that Transport Canada has used PHAC expertise and information to guide the development of its measures.

Minister Alghabra pointed to the work Transport Canada had accomplished since the winter in supporting CATSA's ability to meet the surge in demand in the aviation sector, while Mr. Vinette listed the measures the CBSA took to increase and maintain its workforce. These measures include planning and aligning its resources based on seasonal fluctuations, hiring student border services officers every year and supporting front-line services through other venues and programs, as well as doubling the CBSA recruitment target for the next two years.

The Minister and Deputy Minister at the Department of Transport addressed the new provisions in the APPRs that outline expectations for how air carriers treat their passengers.[26] Mr. Keenan noted that they are necessary "to strengthen the requirements for refunds in situations where there is major disruption and an airline is incapable of completing a journey."

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25   TRAN, *Evidence:* The Honorable Omar Alghabra (Minister of Transport); Denis Vinette (Vice-President, Travellers Branch, Canada Border Services Agency [CBSA]); and Michael Keenan (Deputy Minister, Department of Transport [Transport Canada]).

26   TRAN, *Evidence:* Alghabra (Minister of Transport); and Keenan (Transport Canada).

Some witnesses commented on the incentive program for screening officers.[27] Mr. Parry expressed his view that the program does not incentivize officers to go to work sick, because it "is supernumerary to that compensation" and officers "are entitled to all of their base compensation, which includes their hourly wage, their health and dental benefits, paid sick leave [and] paid holidays."

Lastly, some witnesses discussed the progress made to improve the flow of passengers in airports using new technologies and digital services, such as inspection kiosks and eGates.[28]

CONCLUSION

The Committee examined recent events and enduring issues that have significantly affected Canadian air transportation activities. During the course of this study, witnesses shared their perspectives on the funding models for Canadian airports and the costs associated with them. They expressed their concerns about the delays experienced in spring and summer 2022. Many witnesses said that the user-pays model was flawed, and that airports were overloaded due to public health measures, delays at foreign airports and a labour shortage, leaving airports unable to respond to the surge in travellers. Witnesses also proposed solutions, some of which are included in the recommendations accompanying this report, to make airport systems more viable and efficient, with a view to providing a better experience for air passengers.

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27   TRAN, *Evidence:* Mike Saunders (President and Chief Executive Officer, Canadian Air Transport Security Authority [CATSA]); and Neil Parry (Vice-President, Operations, (CATSA)).

28   TRAN, *Evidence:* Keenan (Transport Canada); and Vinette (CBSA).

APPENDIX A
LIST OF WITNESSES

The following table lists the witnesses who appeared before the committee at its meetings related to this report. Transcripts of all public meetings related to this report are available on the committee's webpage for this study.

Organizations and Individuals	Date	Meeting
Air North	2022/05/16	19
Joseph Sparling, President		
Canadian Airports Council	2022/05/16	19
Monette Pasher, Interim President		
Canadian Business Aviation Association	2022/05/16	19
Anthony Norejko, President and Chief Executive Officer		
Canadian Chamber of Commerce	2022/05/16	19
Robin Guy, Senior Director, Transportation, Infrastructure and Regulatory Policy		
Northern Air Transport Association	2022/05/16	19
Glenn Priestley, Executive Director		
Pascan Aviation Inc.	2022/05/16	19
Yani Gagnon, Executive Vice-President		
Julian Roberts, President and Chief Executive Officer		
Air Canada	2022/06/02	21
David Rheault, Vice President, Government and Community Relations		
Air Transat	2022/06/02	21
Howard Liebman, Senior Director, Government and Community Affairs		
Coopérative de transport régional du Québec	2022/06/02	21
Serge Larivière, Director General and President of Mont-Tremblant International Airport		

Organizations and Individuals	Date	Meeting
National Airlines Council of Canada	2022/06/02	21
Suzanne Acton-Gervais, Vice-President, Stakeholder Relations and Regulatory Affairs		
Town of Smithers	2022/06/02	21
Gladys Atrill, Mayor		
WestJet Airlines Ltd.	2022/06/02	21
Andrew Gibbons, Vice-President, External Affairs		
Canada Border Services Agency	2022/06/16	25
Denis Vinette, Vice-President, Travellers Branch		
Canadian Air Transport Security Authority	2022/06/16	25
Nancy Fitchett, Vice-President, Corporate Affairs and Chief Financial Officer		
Neil Parry, Vice-President, Operations		
Department of Transport	2022/06/16	25
Stephanie Hébert, Assistant Deputy Minister, Programs		
Craig Hutton, Associate Assistant Deputy Minister, Policy		
Aaron McCrorie, Associate Assistant Deputy Minister, Safety and Security		
Colin Stacey, Director General, Air Policy		
NAV CANADA	2022/06/16	25
Jonathan Bagg, Director, Stakeholder and Industry Relations		
Leigh Ann Kirby, Vice-President, Chief Legal Officer and Corporate Secretary		
Public Health Agency of Canada	2022/06/16	25
Kimby Barton, Acting Vice-President, Health Security and Regional Operations Branch		

Organizations and Individuals	Date	Meeting
Aéroports de Montréal	2022/09/28	30
Martin Massé, Vice-President, Public Affairs and Sustainability		
Air Transport Association of Canada	2022/09/28	30
John McKenna, President and Chief Executive Officer		
Calgary Airport Authority	2022/09/28	30
Carmelle Hunka, Vice-President, People, Risk and General Counsel		
Vancouver Airport Authority	2022/09/28	30
Trevor Boudreau, Manager, Government Relations		
As an individual	2022/10/03	31
John Gradek, Faculty Lecturer and Academic Programs Coordinator Supply Chain, Logistics, Operations and Aviation Management, School of Continuing Studies, McGill University		
Canadian Transportation Agency	2022/10/03	31
Tom Oommen, Director General, Analysis and Outreach Branch		
City of Mirabel	2022/10/03	31
Mario Boily, Director General		
Patrick Charbonneau, Mayor		
Public Interest Advocacy Centre	2022/10/03	31
John Lawford, Executive Director and General Counsel		

APPENDIX B
LIST OF BRIEFS

The following is an alphabetical list of organizations and individuals who submitted briefs to the committee related to this report. For more information, please consult the committee's webpage for this study.

Airport Management Council of Ontario

NAV CANADA

Sunwing Airlines

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 19, 21, 25, 30, 31 50 and 51](#)) is tabled.

Respectfully submitted,

Peter Schiefke
Chair

SUPPLEMENTARY REPORT

ENHANCING THE EFFICIENT, AFFORDABLE OPERATION of CANADA'S AIRPORTS

Tabled by the Conservative Members of the Standing Committee on Transport, Infrastructure and Communities

February 9, 2023

INTRODUCTION

Conservative Members of Parliament on the Standing Committee on Transport, Infrastructure and Communities would like to thank the Committee, its staff, analysts and number of witnesses who shared their valuable insights concerning how to reduce red tape and costs on rural and urban airports in Canada.

While the Conservative Members support general direction of the report, we believe the recommendations of this report do not go far enough in addressing the urgent need to reduce costs for travellers and reduce red tape that is exacerbating delays at Canadian airports and the compounding toll these are having on travellers, airlines and airports.

We would further note that the Government's pandemic travel measures, including vaccine mandates and the ArriveCAN app, are responsible for the loss of staff, a decline in service levels and the impacts on airports, airlines and the tourism sector that that has yet to recover.

As a result, we are tabling this supplementary report with four recommendations.

COMPREHENSIVE REVIEW

While the Report recommends a Costing Review, which Conservative Members support, we also believe there should be a comprehensive review of airport governance, operations, training, accountability and fee structures. This should better inform where the Government of Canada makes investments to improve airports and the federally-regulated aspects of air travel in Canada.

The culmination of witness testimony on governance, operations and fees demands no less.

COMPETITION REVIEW

More competition is essential to reducing the costs to Canadian travellers.

Conservative Members believe Canadians deserve an in-depth review of what the Government of Canada can do to increase competition in the sector.

Conservatives believe the Government of Canada needs to codify the regulatory burdens, red tape and costs that are hindering new potential carriers from entering the Canadian market and remedy them. We believe a competition review is needed throughout the system ---both large international airports and rural airports and markets.

It is vitally important as this Committee has heard from witnesses who commented on the increasing bleed of Canadian travellers crossing the border to take less expensive flights from nearby U.S. airports. These tickets are not contributing revenue, fees or taxes to the Canadian system and are increasingly a missed opportunity.

REMOVAL OF CARBON TAX

The Committee heard that Canadian airports, particularly smaller airports, are struggling with a number of costs. These costs include high property taxes, NAV Canada fees, terminal fees, security fees as well as federal taxes, including the carbon tax.

Up to 40% of the cost of an airline ticket goes to taxes and fees, this is uncompetitive, unsustainable, and detrimental to Canada's tourism industry and manufacturing sectors.

A serious review of costs, which was the mandate of this study, would not be complete without a look at the federal carbon tax.

In witness testimony, Mr. John McKenna, President of the Air Transport Association of Canada, cited the annual increase in the federal carbon tax as a having a significant impact on the cost of travel. In doing so Mr. McKenna corroborated the testimony of others, including airlines who cited federal taxation as a barrier to growth.

ELIMINATION OF THE ARRIVECAN APP

Among the contributors to frustration experienced by Canadian air travellers in the past year, the problems associated with the Government of Canada's insistence on the mandatory use of the ArriveCAN app were an avoidable burden.

While the ArriveCAN app was made optional in late summer 2022, the Conservative Members of the Standing Committee on Transport, Infrastructure and Communities understand that it has fallen into disuse and recommend that this costly and problem-plagued app be permanently eliminated.

RECOMMENDATIONS

Conservative Members recommend the following actions as a supplement to the recommendations of the Standing Committee's Report on Reducing Red Tape and Costs in Canada's Airports:

1. **Comprehensive Review of Operations and Fees**
   That the Government of Canada should conduct a comprehensive review of airport governance operations, training, accountability and fee structures.

2. **Competition Review**
   That the Government of Canada should conduct a thorough review of our competitiveness in attracting potential new carriers to the Canadian market.

3. **Remove the Federal Carbon Tax from Air Travel**
   That the Government of Canada reduce the costs to Canadian passengers, support rural, remote and northern air travel, and enhance the competitiveness of the Canadian carriers compared to international competitors, by removing the federal carbon tax from air travel.

4. **Permanent End to the ArriveCAN app**
   That the Government of Canada permanently remove the use -- optional and mandatory -- of the ArriveCAN app.

# # #

Supplementary opinion

Report on reducing red tape and costs at Canadian airports

By the office of Xavier Barsalou-Duval

Prsented to the Standing Committee on Transport, Infrastructure and Communities

February 9th 2023

Introduction

First, the Bloc Québécois salutes the members of the Committee as well as the committee staff for the professionalism they have shown and the work they have accomplished during this study. We thank all the witnesses and citizens who shared their perspective on the targeted investments that must be made in infrastructure.

However, it is the opinion of the Bloc Québécois that this is still a report that does not address the original sin of costs and red tape in regional air transport: the financing structure of regional airports.

Luxury or essential services?

The financing structure of Canadian airports has changed since their privatization to a user-pay system. That is, a system where the airports and the communities around them are responsible for raising the funds necessary for the operation of the infrastructure. The pandemic and the revenue challenges that have hit airports hard with the drastic reduction in the number of passengers have highlighted the dangers associated with this method of financing. However, the problem is broader for airports in remote and northern regions. This problem is highlighted in the summary of the report:

'' Air travel is critical to connecting remote and Northern communities and should not be considered a luxury. While most witnesses were appreciative of the various federal funding programs to support air travel, they said this funding was insufficient to ensure the viability of Canada's entire air network.''

The committee chose to adopt a recommendation aimed at investing the rents collected by the federal government for the use of airport infrastructure in the airports themselves. It is a step forward that we do support. However, airports in remote and northern regions are often owned directly by communities, and therefore do not pay rent to the federal government. They are, however, required to follow federal regulations and find the funds to upgrade their infrastructure to be able to keep their airport up to date. Their passengers must also pay federal fees and taxes, which add a heavy burden to ticket prices:

'' Julian Roberts, President and Chief Executive Officer of Pascan Inc., said that up to 40% of the ticket value goes to taxes and fees.''

Our proposal

We therefore propose to change the administrative structure of remote and northern airports so that they are considered as public services, and that their funding is treated as such. This means putting an end to the user-pays principle and considering that the return on investment is made indirectly in increasing accessibility to communities rather than in costs to travelers. We are also

proposing that CATSA security costs and NAV Canada navigation costs should be covered by the federal government, in addition to exempting plane tickets to remote and northern airports from GST, like other essential goods and services.

Final thoughts

If a service is considered essential, it must be accessible to the population without establishing a prohibitive financial barrier that exceeds the users' ability to pay. It is also important to consider that airports in remote and northern regions are not only those that are inaccessible by road. Communities in the Bas-Saint-Laurent (01), Abitibi-Témiscamingue (08), Côte-Nord (09), Nord-du-Québec (10) and Gaspésie-Îles-la-Madeleine (11) regions depend on airport infrastructures to ensure a reliable and fast connection with major centers, for the transport of patients in need of more specialized care for example. As the report mentions:

'' Some witnesses encouraged the federal government to view air transport not as a luxury, but as an important way to connect the Canadian population, particularly in Northern and remote areas.7 According to Mr. Sparling, air transport should be viewed as a public service, especially in remote regions''

It is therefore time to listen to the voices raised across Quebec and Canada asking that regional air transport be truly considered a public service. It is therefore time to put an end to the user-pays system, to consider the positive externalities of regional air transport and to start thinking about a new financing model.