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# Standing Committee on Transport, Infrastructure and Communities

EVIDENCE

**NUMBER 113**

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Chair: Mr. Peter Schiefke





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• (1105)

[English]

**The Chair (Mr. Peter Schiefke (Vaudreuil—Soulanges, Lib.)):** I call this meeting to order.

Welcome to meeting number 113 of the House of Commons Standing Committee on Transport, Infrastructure and Communities. Pursuant to Standing Order 108(2) and the motion adopted by the committee on Tuesday, April 16, 2024, the committee is resuming its study on the state of airline competition in Canada.

Before we begin, colleagues, I'd like to remind you and all those in the room of the following important preventative measures to prevent disruptive and potentially harmful audio feedback incidents that can cause injuries.

All in-person participants are reminded to keep their earpieces away from microphones at all times. As indicated in the communiqué from the Speaker to all members on Monday, April 29, the following measures have been taken to help prevent audio feedback incidents.

All earpieces have been replaced by a model that greatly reduces the probability of audio feedback. The new earpieces are black in colour, whereas the former earpieces were grey. Please only use the approved black earpiece. By default, all unused earpieces will be unplugged at the start of the meeting. When you are not using your earpiece, please place it face down on the middle of the sticker that you will find on the table for this purpose, as indicated. Please consult the cards on the table for guidelines to prevent audio feedback incidents.

The room layout has been adjusted to increase the distance between microphones and reduce the chance of feedback from an ambient earpiece.

These measures are in place so that we can conduct our business without interruption and protect the health and safety of all participants, including our interpreters.

Today's meeting is taking place in a hybrid format. In accordance with the committee's routine motions concerning connection tests for witnesses, I'd like to share with all of you that witnesses have completed the required connection tests in advance of the meeting.

I'd now like to welcome our witnesses for the first hour. Appearing before us, we have, from the Department of Transport, Craig Hutton, associate assistant deputy minister of policy, and Jennifer Little, director general of air policy.

With that, I will turn it over to both of you for opening remarks. You have five minutes.

**Mr. Craig Hutton (Associate Assistant Deputy Minister, Policy, Department of Transport):** Thank you, Mr. Chair, for inviting me to speak to this committee today on a topic as important as air travel. I'd like to begin by acknowledging that the land on which we gather is the traditional unceded territory of the Algonquin Anishinabe people.

[Translation]

I welcome this opportunity to highlight key aspects of competition in Canada's air sector.

I am pleased to be joined today by Jennifer Little, the director general of air policy at Transport Canada.

The Canadian air sector is a key enabler of economic activity and is vital to connecting people, businesses and communities across Canada.

[English]

The economic framework for commercial air services was deregulated in the 1980s to permit market forces to drive innovation, supply and the price of air services. Competition is a key driver of efficiency and affordable airfares. Today, Canada's air sector consists of a number of domestic air carriers of various sizes that serve international, national and intraregional markets. In addition to the domestic carriers, the deregulated Canadian air services market is open to numerous players, such as many international carriers that can provide passenger services into and from Canada.

A key characteristic of air services in Canada, and a primary goal of the Canada Transportation Act, is that the market dictates supply and demand and ultimately the prices of airfares that carriers charge. Canadian air carriers, as private companies, are therefore able to make their own business decisions to remain viable and competitive. Within this overall framework, the government has taken further steps since deregulation to encourage competition and connectivity in our air sector.

[*Translation*]

One of the key policy initiatives for the air sector over the past few years was the creation of the Transportation Modernization Act, which received royal assent in 2018. This allowed for both an increase in foreign ownership limits in Canadian carriers and the establishment of a new process for the review and authorization of joint ventures in the industry.

Foreign ownership limits were increased from 25% to 49% with a goal of encouraging additional investments to support new entrants, including ultra-low-cost carriers, increasing competition and providing a greater pool of capital for existing carriers to improve and expand product offerings and services and to innovate.

[*English*]

This new flexibility led to the emergence of several ultra-low-cost carriers, including Flair, Canada Jetlines and Lynx. ULCCs offer positive impacts for Canadians by applying downward pressure on the airfares offered by larger carriers on popular routes and by catering to price-conscious travellers through low base fares.

The COVID-19 pandemic placed significant strain on the air sector in Canada and globally, testing the industry as a whole and creating significant financial challenges for carriers and airports. To address the most acute financial pressures during the pandemic, the government put in place important measures to protect air industry jobs and maintain services to communities throughout Canada. These include the Canada emergency wage subsidy, the waiving of airport rent at larger national airports system airports, and the remote air services program. These programs were integral to maintaining competition in the industry as air travel rebounded following the pandemic.

Nevertheless, as we emerge from the acute impacts of the pandemic and approach near full recovery, some operators continue to encounter operational and financial challenges. The exit of Lynx in February and some industry consolidation, including the merger between WestJet Airlines and Sunwing, indicate that the marketplace is continuing to go through a transformative period to better align supply with demand.

In addition, postpandemic, larger operators such as WestJet and Air Canada have reduced operations on regional routes in favour of longer-haul and international flights. While this shift has enabled smaller regional and niche carriers to pick up some of the routes that have been left behind by the legacy carriers, we know that regional connectivity remains challenging in certain parts of the country. As we get further away from the pandemic, we are seeing modest improvements in routes and airfares available regionally; however, Canadians travelling regionally are sometimes faced with limited choices and higher airfares.

As for Lynx, its loss is regrettable for the industry and those affected. Ultimately, Lynx accumulated heavy debt and could not secure further investments. We recognize that effective competition, including from ultra-low-cost carriers, brings more affordability to air travel. We also continue to study market dynamics and look for ways to encourage competition in the marketplace. To this end, we welcome suggestions from this committee. This committee's study

comes at an opportune time, as Canada's air industry continues to recover, adjust and evolve from the heavy impacts of the pandemic.

That concludes my opening remarks. I'm happy to address questions from members of the committee.

• (1110)

**The Chair:** Thank you very much, Mr. Hutton.

We begin our line of questioning today with Mr. Williams.

Mr. Williams, the floor is yours. You have six minutes, sir.

**Mr. Ryan Williams (Bay of Quinte, CPC):** Thank you, Mr. Chair.

Thank you to the department for being present today.

We've had a couple of great meetings talking about airline competition in Canada. This study was kicked off because we saw the loss of Lynx, which was a competitor in our airline duopoly in Canada. Of course, 80% of it is controlled by Air Canada and WestJet.

Even though we don't have them here today, we had Flair here last time. I have spoken to Porter Airlines, which I believe is one of the greatest competitors in Canada and a Canadian success story. When we looked at barriers to competition, one thing that Porter focused on was real estate, which means slot usage and gate allocation. The problem we're seeing in Canada, specifically because we have only a few large airports, is that gates and real estate at the airports seem to be dominated, just as we have with airlines, by the big players.

I want to talk about capacity. I'll focus on Pearson, which is the largest airport in Canada. Pearson capacity, or what we call movements per hour, which refers to the number of aircraft landing and taking off, was restricted during the pandemic to 75 movements per hour versus prepandemic levels of 90. This was initially due to various resource constraints within the system. However, it is currently being suppressed by Nav Canada limitations. Rectifying this would allow Porter, as one of the competitors, a greater ability to operate at preferred times. It's also possible to have new airlines enter and compete.

What are we doing about increasing this limitation and competition at the gates as a whole?

**Mr. Craig Hutton:** With the slot allocation model, it is airports that are responsible for the allocation of slots. In terms of us speaking with airports, as you might know, one of the things we did coming out of the pandemic was strike an operations committee with the four largest airports in the country, as well as our largest carriers and other ecosystem players such as CATSA and CBSA, to look at the efficiency of the system as the sector continued to recover. Slot allocation has come up over time in those conversations, and we have a couple of airports in Canada that are slot constrained. Pearson is one of them. However, even though airports have a responsibility to allocate slots in negotiations with carriers, where there are official slot constraints, as in Toronto, they are required to make sure that there's sufficient space for new entrants if they're coming into the market.

**Mr. Ryan Williams:** They're required to, but I think you can understand that airlines don't always abide by the rules.

In terms of your department making recommendations for changes, we've had Bill C-52, which looked at customers themselves. However, in terms of making specific recommendations that airports should abide by, even looking at where the Competition Bureau could interfere with this, has your department ever made recommendations that could see more of those gates opened up?

• (1115)

**Mr. Craig Hutton:** One other thing that Bill C-52 makes reference to is an important aspect of some of the changes we are proposing. It would enact the air transportation accountability act, which would guide the relationship between air service providers within the ecosystem. Where carriers wish to negotiate with service providers on certain levels of service, or vice versa, and where an airport may be looking for a certain flexibility from service providers, that would come to a negotiated settlement between the various parties. That's going to bring more transparency to the level of service that each service provider is offering—

**Mr. Ryan Williams:** Mr. Hutton, I think that's fantastic.

The government really has given up, it seems, on Bill C-52. It's sitting at second reading. Why has the government committed to more aggressive APPRs in Bill C-52 but not done anything to see these provisions implemented?

**Mr. Craig Hutton:** The member is referring to the air passenger rights regime, which is an important change in the air sector for ensuring that travellers understand the rights they have when travelling within the air network, but also for ensuring that carriers are clear on their obligations to their passengers. The air protection regime offers that level of visibility and was a significant, as you mentioned—

**Mr. Ryan Williams:** Thank you, Mr. Hutton.

It's unfortunate that the government hasn't put this forward, because perhaps it will look after consumer rights.

I want to go back to gates and slots. What we're hearing from Porter Airlines is that incumbent airlines will often only release slots they won't operate during any given season when it's too late for them to be effectively used by others. For example, slots for July only just became available at Pearson. Porter would be interested in using these, and it could expand their base, their flights and their

customer service, but they can't get access to them. Planned renovations at terminal 3 are only going to disrupt that, meaning that we're going to have fewer gates and that, more and more, we're probably going to see gates dominated by the big carriers.

Again, I'll ask this of your department. Are we doing anything to address this major anti-competitive measure and the ability to have a major airline expand and provide more service to Canadians?

**Mr. Craig Hutton:** Slot allocation, as I mentioned, is the responsibility of the airports. Where there's an official slot constraint, it's incumbent on an airport to ensure that there's sufficient space for new entrants.

More generally, one of the reasons we strike up discussions with the industry on a regular basis, all players in the industry, is to identify issues like these when they come into focus. Then we're able to provide assistance as a department, and we have.

**The Chair:** Thank you very much, Mr. Hutton.

Next we have Ms. Koutrakis.

Ms. Koutrakis, the floor is yours. You have six minutes.

**Ms. Annie Koutrakis (Vimy, Lib.):** Thank you, Mr. Chair.

Welcome to our witnesses from Transport Canada. It's great to see you here again.

I believe we must have a robust, healthy and competitive airline industry in Canada that serves Canadians well, and at reasonable prices, regionally, nationally and internationally. To achieve that requires the right balance between financially strong large Canadian airlines, regional airlines, niche airlines and foreign competitors, plus the right legal and regulatory environment. Of course, there are conflicting and reasonable interests on all sides. This is not an easy balance to achieve, and it cannot be solved by simplistic solutions, which often make things worse, in my view.

Having said that, as the policy people from TC, do you believe we have reached a reasonable balance in Canada, and if not, where do you think Canada is deficient?

**Mr. Craig Hutton:** With respect to the balance you note, it is a very delicate balance to make sure, on the one hand, that factors are in play that ensure a competitive marketplace exists and that travellers are assured a safe and efficient flight. On the other hand, we want affordability and sufficient players within the marketplace to ensure the price point Canadians are looking for in their domestic and international travel.

In terms of finding that balance, it is always in flux to a degree, and I certainly think that since recovery, we haven't yet found a new balance in the marketplace. A number of new entrants entered the marketplace just prior to COVID, including Flair Airlines, and we saw Lynx enter the marketplace over the course of that time. We have also seen expansion by existing players. Porter is currently undergoing an expansion. These are all encouraging signs that the marketplace is welcoming and is still testing some of these models as they come into the Canadian marketplace.

I think it still bears some careful watching, to see how the market will support expansion plans and support ultra-low-cost carriers. At the same time, we're ensuring that passengers are able to understand what their rights are in a very complicated marketplace and that they can have a flight experience and traveller journey that are consistent from one region to another.

● (1120)

**Ms. Annie Koutrakis:** Thank you for your answer. More specifically, what are Transport Canada and the government implementing in terms of policy to make sure we achieve that balance? What is Transport Canada doing to help in that regard?

**Mr. Craig Hutton:** The change in foreign ownership rules just prior to the pandemic, which rose from a 25% threshold to a 49% threshold, was significant and makes sure that airlines have sufficient access to capital to support their operations. It's a very capital-intensive business to be in, and recognizing that, the government made this important change. As a result, we did see some new entrants, and we have since seen some further expansion plans.

The government has also been working very closely with the industry on a regular basis. As I mentioned, our airport recovery operations committee meets monthly, and it was meeting up to twice a week during the pandemic to help with recovery and to troubleshoot issues where we knew different players within the air ecosystem were having challenges in meeting the recovery of demand. That has continued to be a focus for all of us within the industry, to make sure we can support that returning passenger demand.

As your colleague mentioned, challenges around slot allocation at airports and the provision of CATSA services have been the focus of the air operations committee. That collaboration piece has been really important to finding a new balance within the industry.

I would say that Bill C-52 is another significant step towards ensuring that there is a balance within the industry, that there is transparency around service levels between partners within the air sector so there is consistency in how those services are provided, and that there is transparency for passengers so they understand what levels of service they can expect and how the industry is performing.

Finally, we want to make sure there is data sharing between industry players.

**Ms. Annie Koutrakis:** I hate to interrupt you, but on the point about relaxing foreign ownership rules with the hope that it will reduce prices for Canadian travellers, that hasn't happened. What do you say to people who hear your testimony today and say that it's great industry stakeholders and partners are talking, but prices remain high? How can you make the Canadian passenger feel secure

and have confidence that with everything you are trying to do at Transport Canada and with the partners, you will achieve that result? It doesn't seem to be happening right now.

**Mr. Craig Hutton:** Thank you for the question. It's a very important one for travellers.

I think the entrance of ultra-low-cost carriers is a dynamic that has proven to keep prices more affordable in important markets in Canada. We have seen that dynamic play out. As we see the expansion of existing players like Porter, which are entering markets and serving markets they haven't served before, that might serve as a competitive pressure on air carriers that have traditionally served those markets.

I will also point out that I think there is an important role for small carriers to play in intraregional markets in picking up some of the traffic that some of the larger players are perhaps no longer picking up. Again, there is a competitive pressure from smaller players that are present and that may see opportunities where they didn't before, given the crowded field of larger carriers.

**The Chair:** Thank you very much, Mr. Hutton.

[*Translation*]

Mr. Barsalou-Duval, you have the floor for six minutes.

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

Thank you to both witnesses for being with us today.

Mr. Hutton, you just talked about the opportunities for smaller carriers to take over routes left behind by the larger carriers.

I'm thinking in particular of the Quebec market and how it's evolved over the past year. You say that the small carriers could take over the market freed up by the large carriers, but quite the opposite is true at the moment. Large carriers are not returning to areas they have stopped serving, and smaller carriers have dropped routes and cut services due to financial hardship. As a result, large and small carriers are cutting services, and ultimately we're seeing a decline in services.

What are your thoughts on this? Do you intend to help the regions provide adequate air transportation at some point?

● (1125)

[*English*]

**Mr. Craig Hutton:** That regional market issue has preoccupied us at Transport Canada and has also guided us in some of the discussions that we're having at regional levels.

As you've pointed out, the regional markets in particular areas of Canada, such as northern Quebec and Atlantic Canada, have continued to be challenging for a number of reasons. The first is that the return of demand has been slower. Overall, the domestic market in Canada has not yet returned to prepandemic levels even though we see international traffic, for example, exceeding prepandemic levels. In the intraregional markets, it has been even more challenging than that overall domestic demand; the demand hasn't been there like it was before.

There has also been a challenge on the labour side with a shortage of pilots and other highly skilled positions within the ecosystem, such as mechanics, that are important for supporting small air operations. These are things that we've heard from carriers, and particularly from small carriers, in servicing these markets. The ability to pick up the skilled labour they need has been one of the top challenges they're facing.

In terms of the intraregional dynamic, we are watching things closely, such as the Government of Quebec's program that offsets a portion of the ticket for passengers. The provincial government has stepped up and is offering a potential measure, and we are watching the results of that closely.

[Translation]

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

That's precisely the next point I wanted to raise. The Quebec government has tried things. It even set up a committee on regional air transportation in an attempt to find solutions. It has taken some initiative, including putting programs in place. They have had mixed results, but at least the Quebec government has tried them.

We get the impression that, in this area, the federal government is not participating in the discussion. However, air transportation is first and foremost a federal jurisdiction.

Can we expect the federal government to take action to help the regions that need support to ensure viable and adequate air transportation?

I don't know about you, but I consider it an essential service.

[English]

**Mr. Craig Hutton:** The issue being pointed to is a very complex one. It is difficult to find a balance between, on the one hand, ensuring the overall marketplace for air carriers works to a degree where the prices, innovation and actions of carriers are driven by the marketplace so we can be assured of affordable prices, and, on the other, ensuring that we see services and connectivity in the region the member is referring to. In terms of measures that may assist, I think with the Quebec program, we're looking at the results, and certainly it's a local solution to a regional issue that may have lessons for us elsewhere.

We've spoken with the smaller players about the challenges they have been facing over the last number of weeks, which include working with the larger carriers and how they may serve as feeders to them. There are sometimes challenges with that from an IT perspective. There's a challenge just from a capacity point of view in understanding and meshing the businesses so that they're able to synchronize their services with larger carriers.

These are all questions that have been raised with us recently—

• (1130)

[Translation]

**Mr. Xavier Barsalou-Duval:** I'm sorry to interrupt you, but I'd like to ask you another question.

I assume the minister received an invitation to appear before the committee today. Do you know why he hasn't agreed to join us?

Is it because of the federal government's inaction on the problems experienced in the regions?

He didn't want to face the music, and that's why he asked you to appear in his place.

Am I right?

[English]

**Mr. Craig Hutton:** The minister is quite committed. I think he has proven his commitment to the success of our air sector in Canada by introducing and supporting legislation and other measures that have helped support the competitiveness of the sector. In terms of Canada's air sector and the traveller within the air sector being supported, that is top of mind for him. In fact, later this week, he's hosting an air accessibility summit in Ottawa to talk about important accessibility needs within the air sector for travellers who require assistance in using the system.

**The Chair:** Thank you very much, Mr. Hutton.

[Translation]

Thank you, Mr. Barsalou-Duval.

[English]

Next we have Mr. Bachrach.

Mr. Bachrach, the floor is yours. You have six minutes, sir.

**Mr. Taylor Bachrach (Skeena—Bulkley Valley, NDP):** Thank you, Mr. Chair, and thank you to our witnesses.

I'll follow the same line of questioning that Mr. Barsalou-Duval did.

The region I represent in northwest B.C. includes more than three airports with daily scheduled service, but these are small airports flying to Vancouver mostly. The region has seen a real lack of competition, and as a result, the cost of flying from northern B.C. to Vancouver can be as much as flying from Toronto to Europe. This is an issue that affects a lot of families. We lost the Greyhound service, and the passenger train isn't reliable enough to serve as regular transportation for a lot of people.

Many people approach me and ask me why the air service to the region is so expensive. Since the deregulation in the 1980s, competition was supposed to be a panacea for driving down prices, yet many of these markets are simply not large enough to support multiple carriers. We see what looks like price gouging to a lot of people, but essentially the airlines can charge whatever they think the market will bear. People have to travel. There are many non-optional reasons for travel.

Maybe I'll start with the question on the 1980s. They were a long time ago; we're talking 40 years. What did the regulations at that time look like, and how did they affect these more remote regional markets?

**Mr. Craig Hutton:** The question of regional connectivity is an important one, as I mentioned earlier, that we've been studying carefully to see the dynamics at play. There's no doubt that it's expensive to be travelling intraregionally, or trying to fly to your nearest hub airport, where maybe you're able to fly onward to another destination. That is a concern for travellers, there's no question about it, and the price differential has been a feature in Canada for quite some time.

There are a number of things behind that, including the cost of operating small air services. Of course, you're not spreading the cost of providing those services over a wide base based on the number of passengers you might be carrying. You have the price of operating the aircraft. Fuel charges today are very high, and that's a very difficult cost to manage for airlines. At the same time, you're spreading the costs of a pilot, staffing the plane and maintenance over a much smaller base of passengers, so there are a number of factors at play in the ticket price.

Certainly, competition does help where we see competition—

**Mr. Taylor Bachrach:** What I'm getting at is, what regulations were in place up until the 1980s that ensured affordable prices and adequate service delivery in rural regions? You mentioned deregulation and the emphasis on competition, but this was 40 years ago, before my time. What did those regulations look like at the time and how did they protect regional markets?

**Mr. Craig Hutton:** As you're alluding to, there was a regulated market in the past, and we ended up seeing that certain routes had to be provided, given that it was a regulated market. At the same time, in that regulated market, we saw there was a lack of innovation. Also, in terms of providing a guarantee of service, there wasn't necessarily competition either, because it was a regulated market where one service provider was able to use a route as a result of it being regulated.

Certainly we can provide the committee with a bit more information on what that regulated market looked like specifically, and to your point, we can also provide information with respect to the dynamics of regional markets, to the extent that we know that today.

• (1135)

**Mr. Taylor Bachrach:** Is the only option that the government step in and essentially subsidize these carriers to provide service, as in the example of Quebec? It seems that in the case of both Greyhound and the regulated air sector prior to the 1980s, there was a bit of a social contract whereby companies got access to the very profitable larger volume routes in exchange for providing basic service to communities with very small markets. Certainly, that was the case with bus service in this country, but the government has moved away from that interventionist approach towards this idea that competition is going to save us all.

It seems like the big loser here in both cases is rural Canada, because rural Canada's small markets aren't as profitable, and when there are decisions to be made—and we saw this during the pandemic—their are the first routes to get cut. How does the govern-

ment intervene on behalf of rural Canada to say, no, this is an important part of the fabric of our country and we're going to stand up for rural people and ensure they have affordable basic transportation? I would say that right now, people have worse passenger transportation in northern B.C. than they have had in 70 years.

**Mr. Craig Hutton:** The dynamics you're pointing to in the small markets are difficult for small players. As I mentioned earlier, that cost base is much smaller. Demand has not returned to the levels that we saw pre-pandemic. Labour has become more of a challenge, I think, not only for the air industry but for many sectors of the economy. All these dynamics are playing out and are featured in the way that the member is referring to.

The model I referred to of what Quebec is doing is instructive for us. That's one way that perhaps has results, and we'll have to see what the ultimate conclusion of their actions is in subsidizing the price of a ticket. Others around the world may subsidize a route to get a route guarantee. I was recently in Lithuania, for example, where certain routes into other areas of Europe are paid for by the government to inject—

**The Chair:** I'm sorry, Mr. Hutton. I'm going to have to cut you off there. Mr. Bachrach does have another round, so perhaps he'll want to follow up on that and allow you to explain a little further, but I do have to go on to our second round.

For that, I will begin with Mr. Muys.

Mr. Muys, the floor is yours. You have five minutes, sir.

**Mr. Dan Muys (Flamborough—Glanbrook, CPC):** Thank you, Mr. Chair.

Thank you to the witnesses as well.

The government's plan is to show all fees and taxes on airline tickets, for transparency to Canadians. Will that include notation of the carbon tax as well?

**Mr. Craig Hutton:** In terms of what would be featured on a particular ticket, the carrier would provide a notation of whatever fees they want to demonstrate are making up the ticket, so that question would be better directed at carriers.

What the budget recently mentioned was to ensure that whatever charges are being charged by a carrier separately, for things like seat selection, meals or extra baggage, there's visibility for each of them.

**Mr. Dan Muys:** The department obviously implements the policy, and your branch in particular, so I imagine that you should have an answer to that question.

We heard from airport witnesses at the last meeting about the high fees and high costs here overall, which are up to seven times the fees and taxes they're seeing in the U.S. Let me read a quote from one of the witnesses: "Canada has a high and uncompetitive tax and regulatory environment, with high mandatory third party fees."

I just want to understand that. Is this justifiable? Is there a plan to reduce them and therefore reduce the cost to Canadians?



• (1140)

**Mr. Craig Hutton:** Certainly, affordability is something we are quite concerned about and seized with. At the same time, the system in Canada is a user-based pay system, and those who are using the system cover the costs for the running of the system. That particular policy change was made by the government of the day and continues to today. Some of the fees you see, whether they're for infrastructure and terminal development or the provision of security services, are borne by the user of the system.

**Mr. Dan Muys:** Are all of the fees and taxes going back into the air ecosystem and none to general revenue?

**Mr. Craig Hutton:** It would depend on the specific fee you're referring to. On the security side, security charges go towards offsetting the fees associated with, for example, providing the services of CATSA, but other fees would be mirrored to.... For example, terminal development would be mirrored to the development of terminals, wherever an airport—

**Mr. Dan Muys:** Would you agree with the witnesses that this environment is making Canadian air travel uncompetitive compared to other jurisdictions? In fact, a witness went on to say that a lot of U.S. carriers will situate themselves at border airports so they can service the Canadian market, because we're a “low-margin, high-tax” environment with a high regulatory burden.

Regulatory burden is a federal responsibility. They're federally regulated airports, and we're hearing from airlines—the reason we're having this study is that we've seen airlines fail—that this burden is an impediment to the choices Canadians are receiving.

**Mr. Craig Hutton:** That's an important question around affordability.

First, being a user-pay system, it relies on those using the system to cover the cost of the system, and second, I would say Canada is not alone in having a fee system to offset costs. Indeed, this is also part of and a feature of the U.S. system, where fees and charges do apply.

**Mr. Dan Muys:** I have a minute left. Let me ask one more question.

In the greater Toronto-Hamilton area, two airports are shutting down: Buttonville and Downsview. We have an underutilized airport in Hamilton, which is in my constituency, and the greater Golden Horseshoe is going to increase in population to 15 million people. We have a market there, but what action, if any, has been taken by Transport Canada to ensure the viability of these airports, these secondary airports, so that there are actually more choices for Canadians and therefore lower fees and options?

**Mr. Craig Hutton:** I'm very familiar with the member's region, as I'm from Hamilton myself and have been a user of the Hamilton airport. There's a very successful cargo operation there, for example. It fits into a nice niche with Pearson in that it allows around-the-clock flight services. Cargo operations benefit from that, but indeed, as the member is indicating, there is capacity in Hamilton. Anything that helps with regional capacity for the future as the population increases will be important.

I'd also note that in Kitchener-Waterloo, there's expansion, with Flair Airlines, for example, making some significant moves and continuing to see that as an important hub as well.

**The Chair:** Thank you very much, Mr. Hutton. Unfortunately, I'll have to cut you off there. We have no time left.

Next we have Mr. Iacono.

The floor is yours for five minutes, sir.

[*Translation*]

**Mr. Angelo Iacono (Alfred-Pellan, Lib.):** Thank you, Mr. Chair.

I'd like to thank the witnesses from Transport Canada for being with us this morning.

Mr. Hutton, we've heard witnesses say that Transport Canada favours the large airlines over their smaller competitors.

Can you elaborate on that?

[*English*]

**Mr. Craig Hutton:** My apologies. I'm not sure I understand the full context of that question, but if I were to take it at face value, there's not—

[*Translation*]

**Mr. Angelo Iacono:** The large airlines are apparently favoured at the expense of the smaller ones.

Can you elaborate on that?

[*English*]

**Mr. Craig Hutton:** On the question of whether we favour larger carriers, the answer would be no. In fact, one of the features that we have to consider broadly in supporting a healthy ecosystem in Canada is that small and large carriers have to be successful to serve these intraregional markets and the larger national markets. You also need airport infrastructure within each of these regions. That's why we look to ensure that the categories of small and large are officially recognized for things like the air protection regime. We also look at large and small airports and their needs. For example, for small airports, we ensure they have funding available to them for safety improvements through our airports capital assistance program.

• (1145)

[*Translation*]

**Mr. Angelo Iacono:** Is there favouritism, yes or no?

[*English*]

**Mr. Craig Hutton:** No.

[*Translation*]

**Mr. Angelo Iacono:** That's perfect.

A number of witnesses have also told us that Transport Canada collects taxes from airports and airlines.

Can you provide the committee with more details on these taxes?

What are these taxes and when do you collect them?

[English]

**Mr. Craig Hutton:** In terms of some of the fees that a carrier may face, they can include Nav Canada fees, an airport improvement fee and an air travellers security charge. All these fees are charged either at the airport level, such as an airport improvement fee, or through an entity like Nav Canada to make sure the provision of navigation services is supported. There's also an air travellers security charge, which supports the security screening of passengers.

Depending on the type of service, there are a number of different fees that could come into play. What those fees might be could also change based on the route that an air carrier may be flying—international, domestic or even local.

[Translation]

**Mr. Angelo Iacono:** I just want a clarification. People pay fees for certain services, or they pay taxes, to the City of Montreal or when they buy something at a store, for example.

When you talk about fees, are you talking about taxes, or is there a difference between the two?

How were the costs determined?

How often are these taxes or fees collected?

[English]

**Mr. Craig Hutton:** As I mentioned, the landscape for some of the fees, whether they're charged at the local level or at the federal level, can be quite complex.

Let me just run through an example of some of the fees that are charged. There are government fees and taxes, rent and the air transport security cost. Rent is in recognition of the fact that an airport is operating on federal lands and is a federal asset, so there's a return to the government as a result of the use of that asset.

In terms of airport improvement fees, those would be charged more at the local level. The formula for an airport improvement fee is set at the federal level. It's there to help address where that fee could be charged.

[Translation]

**Mr. Angelo Iacono:** My time is up.

Can you give us a bit more of a detailed list?

I want to ask you one last question that I'd like you to answer in writing. We've been told that the U.S. airlines are not coming to Canada because of taxes or fees. Could you tell us if that is the case and, if not, explain to us why the U.S. airlines haven't set up shop in Canada?

Thank you.

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

Mr. Barsalou-Duval, you have the floor for two and a half minutes.

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

Mr. Hutton, I told you earlier that, in my opinion, regional air transportation should be considered an essential service, particularly in regions far from major urban centres. Those regions need these services for travel. However, I didn't hear you talk about that.

So I'd like to know if, in your opinion, or at least in the government's opinion, regional air transportation is essential.

[English]

**Mr. Craig Hutton:** In terms of the service to remote communities, I have spent a fair amount of time both in northern Quebec and in Nunavut flying to various destinations. I know how important air services are to those remote communities in providing not only cargo and medical services, but also connectedness between communities.

It's a very important service that is provided. It's one of the reasons why, when Canadian North and First Air proposed a merger, the government took steps to ensure that as the merger proceeded, it was subject to a number of conditions, with a view to ensuring service to various communities at a price point that was not onerous and wouldn't outstrip the cost to provide those services. At the same time, that ensured a viable merger.

• (1150)

[Translation]

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

From what I understand, in your opinion, this is a very important service. However, I didn't hear the word "essential". You probably know that when people say a service is essential, they imply that the government must commit to ensuring that it's provided.

I must admit that I'm very disappointed in your testimony. I'm not angry at you; I'm angry at the government that sent you. I get the feeling that we haven't learned much from you today.

I think the reason we haven't learned much is that Mr. Minister didn't want to appear because there was nothing to say and nothing to announce. You were sent in to skate around the issues, and you're stuck answering parliamentarians' questions but you don't have much to say.

I find that sad, because there are real problems in the regions. You tell us that the minister is interested in air transportation challenges, and then you say that he's working on accessible transportation for people with disabilities. That's an important issue, but I think the regional air transportation problem is a major one. We're going to be doing a study on that shortly.

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

[English]

Next we have Mr. Bachrach.

Mr. Bachrach, the floor is yours for two and a half minutes.

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

I have two quick questions, and I'm hoping I can fit both of them in.

First, in the next panel, we're going to hear from Dr. Lukács about ways of measuring competition in the sector, and I'm wondering if Transport Canada quantifies the level of competition present in the air sector in Canada.

**Mr. Craig Hutton:** As we look at competition in the sector, having KPIs or measurement tools is very important. Over the period of the recovery, one of the things we were closely watching was efficiency, particularly with the traveller, who was feeling the impacts of a difficult recovery period, with a 280% increase in passenger volumes—

**Mr. Taylor Bachrach:** I have only two and a half minutes. I'm wondering if you could share with us which KPIs or measurement tools Transport Canada uses to measure competition.

**Mr. Craig Hutton:** One of the measures we look at closely is on-time performance. That is a measurement of the efficiency of the system.

In our work, we've seen remarkable recovery on delays and cancellations—

**Mr. Taylor Bachrach:** That's not a measurement of competition, is it?

**Mr. Craig Hutton:** It is in terms of the efficiency of the operations within the sector. If you didn't have a competitive system, you would see perhaps one carrier or two with performance issues that were difficult to improve. With the competitive pressure of others within the system, you see that both from an OTP perspective... We're still seeing some delays within the sector, but we have seen a recovery on measures like cancellation.

We also look at the competitiveness impact index developed by ICAO, which has a number of pillars in it. We measure our sector compared to the pillars ICAO has set out. There are five pillars in total.

**Mr. Taylor Bachrach:** Could you table with the committee your quantification, using that methodology, of Canada's competitiveness in the air sector over time?

**Mr. Craig Hutton:** I'd be happy to provide the committee with the ICAO competitiveness index and provide the information we look at when we're making determinations about the health of the sector.

**The Chair:** Thank you very much, Mr. Hutton and Mr. Bachrach.

Next we have Mr. Strahl.

Mr. Strahl, the floor is yours. You have four minutes, sir.

• (1155)

**Mr. Mark Strahl (Chilliwack—Hope, CPC):** Thank you, Mr. Chair.

My questions will go to the officials, because they are the only ones here. Minister Rodriguez has decided not to attend despite his invitation. I wish I were asking these questions of the minister, but he didn't believe this was a priority for his schedule.

Does the Government of Canada believe that airline competition is too high, too low or just right?

**Mr. Craig Hutton:** That's an important question about our perception of the industry.

I think we're still not at a stage where we see a stabilization of the marketplace. We've been encouraged by the number of entrants in the marketplace. We're encouraged by expansion plans, like the ones we've seen from Porter Airlines, for example, and by ongoing operations from ultra-low-cost carriers. In terms of the equilibrium and where we are, we're encouraged by announcements like the one by Flair Airlines today about its two new routes—St. John's to Toronto and St. John's to Kitchener-Waterloo.

**Mr. Mark Strahl:** I take it you believe that things are just fine.

We're discouraged that Lynx Air is leaving and that eight low-cost carriers have left the marketplace in the last 20 years. It's why we're having this discussion.

We have heard from carriers that federally regulated entities charge Canadian consumers about \$160 per ticket, which is before any airline profits or costs are factored in. Does the Government of Canada believe that \$160 per round-trip ticket is too high, too low or just right?

**Mr. Craig Hutton:** That is an important question on affordability.

As I mentioned in my earlier response, the user-pay system is a feature of the Canadian air system and an important feature so that taxpayers more broadly aren't saddled with the costs of running our air system.

I would say, to the member's question specifically on the cost of fees, that it depends on the route we're speaking about in Canada. It's hard to provide a generalization of the fees, but I would still say the majority of the ticket price represents the actual cost of the service for the airline.

**Mr. Mark Strahl:** The government seems to be okay with \$160 per ticket, having allowed Nav Canada to raise their fees 30%, having increased CATSA fees by 30% and having increased airport rents by 42% over the last decade. My question is this: Does the Government of Canada measure the number of Canadians who are seeking lower prices in the United States? If so, does the government care that we're losing millions of passengers every year to cross-border travel as people cross the border to use airlines and airports based in the United States as opposed to Canada due to our high-fee system?

**Mr. Craig Hutton:** I would say a couple of things on cross-border travel. One is that passengers may be choosing that for a number of reasons. There could be proximity reasons. There could be destination choices.

**Mr. Mark Strahl:** There could be pricing.

**Mr. Craig Hutton:** There could be pricing—you're right. There are a number of features that go into the mix when somebody is deciding how and when to travel.

I would also say that for privacy reasons, we don't track those who are going over the border. Who is there and the actual numbers are not something we are tracking closely.

**Mr. Mark Strahl:** You don't know how many people are flying from U.S. airports as opposed to from Canadian airports.

**The Chair:** Thank you. I'm sorry, Mr. Strahl, but we're out of time for that answer.

I'm now going to turn the floor over to Mr. Badawey for the conclusion of the first half of our meeting.

Mr. Badawey, the floor is yours. You have four minutes, sir.

**Mr. Vance Badawey (Niagara Centre, Lib.):** Thank you, Mr. Chair.

I'm going to take a different direction. A lot of the questions have been somewhat from the political side and have concentrated strictly on the issues we're dealing with when it comes to competitiveness within the industry. I want to concentrate more on the reason we are doing this study, which is ultimately to create more revenue for airlines to offset costs that are being identified, to see what opportunities may present themselves to do just that and, therefore, to pass on a lot of the savings to the customer based on the higher revenue options and opportunities that airlines have.

In Niagara, for example, we have the ports of Niagara trade corridor. That covers parts of southwestern Ontario, including Hamilton and the Niagara area. To go back to Mr. Muys' comments earlier, we work with the Hamilton airport, the two airports in Niagara, the St. Lawrence Seaway, the Welland Canal, the short line and mainline railways—CN and CP—and our road networks within the region, especially the suppliers and transport companies that are frequenting our highways.

That said, having seen our supply chains strengthened, especially over the past year, because of the investment opportunities and attractiveness we have in certain areas, especially in the area I represent, do you see opportunities from strengthening multimodal networks, whether through investment in infrastructure, through policy or otherwise, for airlines, in partnership with, for example, rail and others, for revenue generation?

Second to that, there is not only value in the revenue for individual companies, but also value for supply chains with respect to integrating those networks, creating more fluidity and, of course with that, creating more investment opportunities for others to come into these areas to do business, as we are starting to see in southwestern Ontario, specifically in Niagara.

• (1200)

**Mr. Craig Hutton:** That multimodal network is important for giving people mobility options and connecting them particularly to air services, which may not be immediately locally available, so that they can easily get to their nearest airport. As you mentioned, in the Niagara region, which I'm quite familiar with, and Hamilton, which I am from, I know how congested the roadways are and how important it is that people are able to get to their destinations and access the air services they need.

Certainly, these investment opportunities are important. I know that Air Canada, for example, now offers a bus service in the region

that connects to Pearson Airport for those who purchase an Air Canada ticket. That's an example of a revenue-generating opportunity, which is great for travellers. At the same time, it's sort of a new thing for Air Canada to be piloting, so I'll be watching very closely how that continues. Metrolinx is obviously very important in the Niagara region for connecting to Toronto, including, of course, with their UP service to Pearson airport. I've used that whole network many times, and I think the ability for that to be fluid and to operate appropriately is very important.

It is important for us to look at infrastructure improvements around those issues where they come into play. I would—

**Mr. Vance Badawey:** Mr. Hutton, I need an answer for this one quickly for the analysts, because I don't have much time left.

What we have to be cognizant of and looking at within this study is not only competition and therefore new revenue opportunities to pass on savings to the customer, but also the value for the customer with respect to their experience, their journey. Not all the time does their journey only include air. It may include bus. It may include train. It may include other things. We have to be cognizant of the efficiencies that can be found there, from end to end, because if efficiencies are found, the savings will be passed on to the customer.

**Mr. Craig Hutton:** The member raises an important point about that traveller perspective and making sure each of those steps is seamless and that there's an opportunity for one ticket to cover a complete journey. We're seeing that in places in Europe. I think that's what Air Canada is testing out in the Kitchener-Waterloo area with their bus service. It will be interesting to see how travellers respond to these things, but I think that is the future of how we think about travel and the seamless traveller journey.

**The Chair:** Thank you, Mr. Badawey, Mr. Hutton and Ms. Little.

I'd like to thank our witnesses for appearing before us for the first half of today's meeting.

I'm going to suspend for five minutes to allow the witnesses for the second half to take their place and for audiovisual to be set up accordingly.

• (1200)

(Pause)

• (1210)

**The Chair:** I call this meeting back to order.

Colleagues, we are pleased to welcome for the second half of our meeting today, from Abbotsford International Airport, Mr. Parm Sidhu, general manager, by video conference. Welcome back, sir.

From Air Passenger Rights, we have Dr. Gábor Lukács, president, by video conference. Welcome back.

Finally, from the National Airlines Council of Canada, we have Mr. Jeff Morrison, president and chief executive officer, who is joining us in person.

We'll turn the floor over to you, Mr. Sidhu, for your opening remarks of five minutes.

**Mr. Parm Sidhu (General Manager, Abbotsford International Airport):** Good morning, Mr. Chair and committee members. Thank you for having me here today to showcase our unique business model at Abbotsford airport and how we've been playing a role in the movement of goods and people.

In 1996, we had 3,000 passengers, and our biggest revenue source as a line item as an airport was raspberries grown on the airfield. In 1997, we assumed ownership and operations of the airport of the city of Abbotsford, and we were given a mandate: You have to grow the airport, you have very little borrowing power, you basically have to live within your own revenue stream and you can't cost the taxpayers of Abbotsford any money.

Shortly after the transfer, a company called WestJet said they wanted to service Abbotsford, and we brought a maintenance building to the marketplace. We didn't have a terminal building. WestJet then basically came to the marketplace. We had free parking and very low aeronautical fees, and WestJet helped us move the needle from 1997 to 2003 in a fast way. We stimulated the marketplace and shifted people from cars over to planes. Stimulation was happening. There was a win for the consumer: free parking and low fares.

From 2004 to 2015, the needle wasn't moving for us for various reasons, and we started studying the international marketplace. Ultra-low-cost carriers were making a move globally. We saw an opportunity that someone was going to get to the marketplace. We worked with our airline partners. We worked with Enerjet, which today is Lynx. We worked with NewLeaf Travel, which today is Flair. We worked with our partner WestJet. We went to them and asked, "What can we do to move the needle?"

In 2013, there were about 700,000 Canadians crossing the border to Bellingham. What could we do to bring back and repatriate these folks and give Canadians more options from their own country to see our fascinating, beautiful country? We came to the agreement that we would become an ultra-low-cost airport that simply took the fundamentals of ultra-low-cost carriers and plunked them into an airport.

Our core business is running runways, taxiways, leasing land for direct investments to aerospace companies, and running a Costco warehouse type of building. Gregg Saretsky, the former CEO of WestJet, used to call us the Costco of airports—high-value, volume priced. From there, we aligned our business model, and we enabled and empowered our airlines to go out to the marketplace, offer a product that wasn't available, stimulate the business, grow the market share for Canadians and give them the opportunity to have accessible air travel.

The numbers, I have shared with you. We had 490,000 passengers in 2015, 530,000 in 2016, 677,000 in 2017 and 842,000 in 2018. We broke the million mark in 2019. COVID hit us and all airports and airlines hard. We did have 315,000 in 2020 and 515,000 in 2021, but 2022 was the big breakout year—back to 2019 levels. We were one of the first to recover daily, weekly, monthly and annually, and last year we had a banner year.

With that in mind, last year was a record-breaking year. Most of our fares were in the double digits domestically—\$49 to \$79. We stimulated the marketplace. There was a significant demand for stimulation. We were turning into the Vegas of Canada in many ways. Our parking lot would fill up Thursdays and start emptying out Mondays. People were flying to Edmonton, Calgary and Winnipeg, and even transcontinentally all the way to Toronto. Something the airlines, our airline partners, had not seen before is the stimulation of four- or five-day travel for leisure within domestic Canada.

I believe we can make domestic Canada more resilient, which we showcased during COVID. Domestic travel was the first to come back. I believe that we can make it more year-round, but it's about the ecosystem on the airport and off the airport. Low fares can only do so much. They need a matching ecosystem on and off the airport. You can't have high hotel accommodation, high-cost ground transportation and low fares. They need a matching ecosystem. We believe we offer that to our airline partners in Flair and WestJet, and the numbers showcase that the demand for stimulation is there.

The ultra-low-cost carrier model is global and it is showing growth. It is like a dollar store. If you don't have a dollar store, not everyone can go upmarket. Ultra-low-cost carriers bring a product that is repetitive. You take multiple trips. You see loved ones multiple times a year. They stimulate the greater economy and the movement of goods and people.

We've already had one dollar store close. We need to sustain the current airlines. I believe the volumes are there between Porter, Air Transat, Flair, WestJet and Air Canada. If they can stay in the marketplace and deliver the aircraft orders they have into the marketplace, we will continue to make travel accessible and affordable for all Canadians so they can see our wonderful nation year-round.

● (1215)

The other important item is skills development. There was a shortage of pilots, but on top of the shortage of pilots, the shortness of maintenance, repair and overhaul technicians is immense as well. We need the whole ecosystem to be aligned on airfield, off airport and within aerospace aviation.

Aerospace jobs bring a multiplier to the economy. These are companies in Canada doing work that's global. They're bringing opportunities here. I believe we can continuously use our airport's aviation and aerospace to keep us competitive globally—

**The Chair:** Thank you very much, Mr. Sidhu.

Next we have Dr. Lukács.

The floor is yours. You have five minutes for your opening remarks, sir.

**Dr. Gábor Lukács (President, Air Passenger Rights):** Mr. Chair and honourable members, Air Passenger Rights is Canada's independent, non-profit organization of volunteers devoted to empowering travellers. We speak for passengers, whom we help daily in their struggle to enforce their rights. We take no government or business funding, and we have no business interest in the travel industry.

I hold a Ph.D. in mathematics, and I taught financial mathematics at Dalhousie University for several years. Competition and oligopolies are some of the most complex problems in economics that have been studied for two centuries. The 1994 Nobel Memorial Prize in economics was awarded for research with applications in this very field.

Questions about competition must be addressed using real-life data and calculations, not using opinions or guesses. To answer Mr. Barsalou-Duval's question to witnesses last week, competition and the lack thereof can be quantified using, for example, the Herfindahl-Hirschman Index, or HHI. The HHI is used by the Competition Bureau of Canada, the U.S. Department of Justice, and the Federal Trade Commission. For example, the HHI can quantify Mr. Rogers' comment about the challenges of travelling to Gander. Calculating the HHI also validates Mr. Williams' views that Canada's domestic air travel market has been a near duopoly of Air Canada and WestJet.

Between 2014 and 2019, the HHI for air travel within Canada was over 4,200, which indicates high market concentration. The HHI in the U.S. domestic air travel market in the same period was only around 1,200. This quantifies that there is significantly more competition in the U.S. domestic market than in the Canadian one. To remedy Canada's domestic air travel market's competition deficit, I recommend granting to selected trustworthy foreign airlines the right to operate flights within Canada.

A lack of data on airlines' operations poses an additional challenge in Canada. The little information that is reported to Statistics Canada under the monthly civil aviation survey must be kept confidential. In sharp contrast, the U.S. requires airlines operating within, to and from its territory to file monthly route-based data on passenger and cargo numbers, as well as a 10% sample of all tickets sold. The data collected is publicly available on the U.S. Bureau of Transportation Statistics website. It has generated a substantial amount of valuable research on competition in the U.S. airline industry and enables data-driven policy-making. I recommend that Canada adopt airline data reporting and dissemination rules similar to those in the U.S. 14 CFR part 241.

I share Mr. Schiefke's and Mr. Bachrach's concern from last week that indiscriminate subsidies to air travel without substantial

increase in competition will only enrich airlines at the public's expense and will unfairly favour wealthy travellers. I urge data- and calculation-driven policy-making on this issue.

First, subsidies must be targeted to specific airports or routes and to the lowest fare classes so as to incentivize low fares. Indeed, passengers who can afford a business class ticket can also afford to pay the full cost of their security screening.

Second, subsidized airports and routes should be selected on the basis of real-life data and economic analysis to ensure that the subsidy has a net-positive effect on tax revenues and that taxpayers get the maximum economic benefit for their dollars.

Lastly, subsidizing air travel without opening up our domestic market would be throwing good money after bad. Targeted subsidies must go hand in hand with remedying Canada's competition deficit by permitting selected, trustworthy foreign airlines to transport passengers within Canada.

Thank you.

• (1220)

**The Chair:** Thank you very much, Dr. Lukács.

Finally for today, we have Mr. Morrison.

Mr. Morrison, the floor is yours for five minutes. Go ahead, sir.

**Mr. Jeff Morrison (President and Chief Executive Officer, National Airlines Council of Canada):** Thank you, Mr. Chair, for the invitation to appear once again.

First, I want to acknowledge that we are on the traditional territory of the Algonquin Anishinabe peoples.

NACC, as you know, represents Canada's largest passenger airlines: Air Canada, Air Transat, Jazz Aviation and WestJet.

When it comes to air travel, let's acknowledge the obvious: Canada is a challenging market in which to operate an airline. We have a massive land mass, one of the lowest population densities on the planet, many scattered regional and remote communities and challenging climates. These are mostly, of course, natural conditions that are part of the reality of flying in Canada.

Then there are the challenges inherent in the system, which hinder competitiveness for all airlines. Let me give you five quick examples.

First, as you've heard from many others, is Canada's user-pay system. The list of fees, charges and taxes that passengers and airlines must pay are among the highest sets of fees in the world. Passengers must pay airport improvement fees, air navigation charges, the air traveller security charge and applicable taxes. Airlines must pay fees to NavCan, landing fees at airports and fuel taxes on aviation fuel. Many of these fees are set without consultation and without transparency in how or why they are set as they are. We don't oppose user-pay, but we are seeking a more competitive balance.

Second, it's estimated that airports pay over \$400 million more in rent to the federal government per year than is received back in support. This is essentially a \$400-million subsidy that passengers are paying to the federal government, which offers no return on investment since none of these funds are returned to the system.

Third, Canada's air travel regulatory framework is significantly burdensome and in need of modernization, and it puts Canada at a competitive disadvantage. As one quick example, Canada's security regulations currently require manual document checks when passengers board and check in, limiting the ability of air travel to make use of biometrics and facial recognition, which could speed up the overall boarding process.

[Translation]

Fourth, since the majority of Canadians live a short drive from U.S. airports and the U.S. system is much more competitive and cost-effective, it's estimated that over seven million Canadians choose to depart from U.S. airports on U.S. airlines.

[English]

Fifth, airlines from around the world, including Canadian ones, have committed to being net zero by 2050. According to Canada's aviation climate change plan, 60% of the path to decarbonization involves switching conventional jet fuels to sustainable aviation fuels, or SAF. However, to date, there is no notable production capacity in Canada because Canada is one of the few western nations that do not have an SAF incentive policy in place. Airlines will increasingly be making choices on where to fly based on where SAF is available.

The question becomes what we can do to address these elements of the overall system. Well, for starters, we suggest that the government stop seeing aviation as a cash cow and instead recognize it for what it is: an indispensable link that connects Canadians to each other and to the world, a critical component of the domestic and global supply chain and an economic enabler for a wide range of sectors.

• (1225)

[Translation]

Canada's airlines welcome competition, and as a result, to ensure that all airlines, large and small, have an equal opportunity to succeed, we request the following changes to create a more competitive business environment.

[English]

Airport rents should be reinvested into airport infrastructure. There's no reason why passengers should be subsidizing federal

coffers at a time when airports need infrastructure to be more efficient, sustainable and accessible and to meet growing demand.

Let's conduct a review of all third party fees and charges with an eye to lowering overall costs and making them more transparent. One immediate example of how this principle could be implemented is to not adopt onerous APP regulations that will further drive up costs and threaten regional connectivity while doing nothing to improve air travel.

We need a full-scale regulatory modernization review. Although Transport Canada reviews certain regulations from time to time, we need a comprehensive approach to reviewing the regulatory environment in which airlines operate.

Although the 2024 federal budget did acknowledge the role of SAF and put some monies towards incentivizing the production of all biofuels, we call for a more ambitious plan and framework to incentivize SAF production in Canada, especially given our resource and skills advantages.

To conclude, this is clearly a comprehensive topic, and I want to thank this committee for devoting a number of meetings to this worthwhile examination.

With that, I look forward to the conversation.

[Translation]

Thank you.

[English]

**The Chair:** Thank you very much, Mr. Morrison.

To begin our line of questioning for this round, we will go to Mr. Strahl.

Mr. Strahl, the floor is yours. You have five minutes, sir.

**Mr. Mark Strahl:** Thank you, Mr. Chair. I appreciate the opportunity to question Mr. Sidhu and Mr. Morrison, who have come back for round two.

I appreciate your persistence in providing testimony to Canadians.

Mr. Sidhu, the Abbotsford International Airport is the example the airlines that use your facilities and others give of what an airport should do, which is move passengers efficiently and cost-effectively through to their destination. You can correct me if I'm wrong, but the Abbotsford airport itself isn't a destination. It is a means to get people to where they want to go, and certainly, if there's a low-cost airline operating in western Canada, it is operating at the Abbotsford International Airport.

You mentioned the 700,000 Canadian passengers using Bellingham. The government claimed they couldn't quantify the number, but you said it was 700,000, and then you went to your airline partners and made some changes. What is the latest data? Have you been able to have an impact on that number because of your low-cost airport model? What are the latest numbers from Bellingham and what do you see? What lessons can other airports learn from Abbotsford to bring down the cost to Canadian consumers?

**Mr. Parm Sidhu:** We are a platform for business. We are a public asset. We enable our airlines. Our airlines are doing whatever they can to continue to make travel more affordable and accessible for Canadians. Nothing comes easy for secondary and tertiary airports like ours, Kitchener and Hamilton. We always have to be innovative and creative.

If you look at 1997 to 2003, it was really free parking and WestJet's low fare stimulating things. It's been the same thing from 2016 onwards with the ULCC movement that was built around Abbotsford, Hamilton and Edmonton. That movement showcased that there is demand.

Bellingham was doing 700,000 Canadians in 2013 of 1.3 million approximately. As to the numbers today, obviously the dollar has changed and the airline activity has changed. I believe we're still below 2019 numbers. I believe there are a fair number of Canadians—approximately 50% or more of Allegiant travellers—crossing the border. Our airlines did offer four flights a week to Seattle. The movement was building, but then COVID hit our airports and our airlines significantly.

• (1230)

**Mr. Mark Strahl:** Based on your low-cost model, when the federal government increases CATSA fees by 33%, for instance, or proposes to increase the airport firefighting model, what is the impact? How would you describe the impact when you're trying to keep fees low and the federal government imposes those fees? Would that not have a higher percentage impact on an airport like yours, which is trying to keep those fees low for the airlines that operate there and for Canadian consumers?

**Mr. Parm Sidhu:** That's a good question.

The brand is always Canada. Obviously, the regulatory framework at airlines and airports always needs to remain competitive nationally, globally and internationally.

When we designed the business model at Abbotsford, in parallel with the feedback from our airline partners, it was designed to be more competitive than those of most U.S. airports, and that was our ability to bring back.... If it weren't for COVID, we probably would have daily regular flights to the 10 destinations internationally where Canadians own either homes or assets. The reset with

COVID has not brought back transborder flights. We're working with our airline partners to bring some of that back, but costs do matter. The stimulation is \$49 to \$79.

**Mr. Mark Strahl:** Mr. Morrison, I have just a bit of time left.

You mentioned the APPR, as did Andy Gibbons in the last panel. Obviously, protecting passengers is something that the government and everyone wants to see happen. Is there a danger that if it's too aggressive, it will have a negative impact on competition, as airlines will perhaps choose routes that they're afraid new APP regulations will come into effect on?

**Mr. Jeff Morrison:** The answer is yes. Frankly, it's not airlines saying that. It's small airports from around the country. The four Atlantic premiers recently sent a letter to the minister outlining their concerns with what has been proposed on that. It's a number of stakeholders.

**The Chair:** I appreciate the short answer. You got it in right on time.

Mr. Rogers, the floor is yours. You have five minutes, sir.

**Mr. Churence Rogers (Bonavista—Burin—Trinity, Lib.):** Thank you, Mr. Chair.

Welcome to all our witnesses today—those from the first panel, of course, and now our second panel.

Mr. Sidhu, first of all, I listened with great interest to your success story in Abbotsford. I just wondered what, if anything, the City of Abbotsford, for example, contributes in direct or indirect dollars through services, tax breaks or anything of that nature to assist you guys in Abbotsford to be a success story.

**Mr. Parm Sidhu:** We have to be sustainable within our own revenue streams. We cannot cost the taxpayers of Abbotsford any money. We've reinvested \$100 million since 1997 into infrastructure at the airport, which supports our aerospace companies and airlines. We have no debt today. We did get provincial and federal strategic investments within that portfolio, but we are a business unit that does not cost the taxpayers of Abbotsford any money.

**Mr. Churence Rogers:** Thank you very much for that answer.



Mr. Morrison, we've talked about a lot of things that might lead to better competition. I'm more interested in recommendations from you and from the other witnesses who come to the committee. How do we do things that are realistic and pragmatic to increase competition across the country? We know that for rural and regional areas like the one I live in, in eastern Canada, competition is a challenge. Access is a challenge. The cost of airfares is a challenge because of the small populations and so on. This is despite the fact that government has invested significant dollars in the airport industry and the airline industry over the years through NTC funds.

What do you recommend we do to try to grow competition within the airline industry in Canada?

**Mr. Jeff Morrison:** I would refer to some of the recommendations I made in my notes, but to your particular question regarding regional and remote communities, which I know your riding is very emblematic of, I would say two things.

One, I would go back to the point that Mr. Strahl and I were just discussing. I used to work in the health care sector. In health care, the first principle is always "first, do no harm to the patient". At a time when we're discussing competition for rural and smaller communities, the one thing I would say is let's not make the problem worse by introducing onerous APP regulations, which your premier, other premiers, unions and small airports have all suggested would harm regional connectivity. That would be the first thing.

Second, I believe it was Madam Koutrakis who mentioned that there's also a role for foreign carriers in this. Unfortunately, we've heard from our American counterparts at Airlines for America that due to the high cost of the fee system within Canada, since the pandemic there's been a roughly 50% reduction in the number of American carriers that are flying to non-hub or smaller Canadian airports. That's a reduction in access that we don't want to see.

Overall, I would suggest that we create a more competitive system in which all airlines have the potential to succeed. That's our vision for air travel in Canada. I think that would benefit smaller and regional communities, and to your point, it's also something that would benefit us all.

• (1235)

**Mr. Churence Rogers:** I think it was Mr. Bachrach who made a comment earlier in the meeting about subsidies. Is that something we should consider? I read about WestJet flying from St. John's to London with a guarantee from the provincial government that a certain amount of revenue would accrue to the company for direct flights to Europe, which are critically important to the province and its tourism industry as well as the business community. Is that something we should be considering for other rural parts of the country?

**Mr. Jeff Morrison:** You bring up the term "subsidies", but just to be clear, some of our recommendations are not subsidies, per se, in order to rebalance the user-pay system. Our first recommendation, for instance, to reinvest the \$400 million more that the federal government takes in airport rents than it reinvests in the system is not a subsidy; it's simply keeping the money in the system where it was paid. That would benefit all airports. In fact, recent studies suggest that approximately 12% of airport budgets are spent on rent to

the federal government, which essentially does nothing for the system.

On the other point about subsidies, again, we're not necessarily calling for subsidies. What we are calling for is a rebalancing of the user-pay system. We don't oppose user-pay.

We look forward to more discussions on this.

**The Chair:** Thank you, Mr. Morrison and Mr. Rogers.

[Translation]

Mr. Barsalou-Duval, you have the floor for five minutes.

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

My thanks to the witnesses for joining us today.

Over the past few meetings, and even during today's meeting, many witnesses have shared their concerns about the financial burden that could come with enhancing passenger rights. That also concerns me, of course, but if we remember the years before the pandemic, in my opinion, we had a problematic system because passengers' rights were not being respected in a clear and consistent manner.

According to a number of witnesses, enhancing passenger rights could reduce competition and lead to higher prices. In addition, we're often told that the European passenger rights model should not be replicated. That makes me wonder, since European air travel seems to be one of the markets held up as an example when it comes to competitiveness and competition.

Mr. Lukács, could you elaborate on that?

Do you think that providing more protection to travellers is an obstacle, or an issue, for competition?

**Mr. Jeff Morrison:** I will answer your question in English.

**Mr. Xavier Barsalou-Duval:** The question was for Mr. Lukács, but you can answer it as well.

**Mr. Jeff Morrison:** Okay. Thank you.

[English]

**Dr. Gábor Lukács:** In Europe, we have the gold standard of passenger protection, and we also have substantially lower fares and more competition than is happening in Canada. They don't have to choose one or the other.

In my view, passenger protection actually stimulates competition because it creates a level playing field, if it's properly enforced, that all carriers have to meet, and it fosters innovation to meet a common level playing field.

• (1240)

[Translation]

**Mr. Xavier Barsalou-Duval:** Mr. Morrison, I understand you want to answer the question as well. I'll turn it over to you.

**Mr. Jeff Morrison:** Thank you for the question.

[English]

I think one of the challenges we have when dealing either with user-pay or with this question of passenger rights is that oftentimes the discussion becomes very binary—either you support it or you don't. The reality is that with both passenger rights and user-pay, the answers lie somewhere in between.

With respect to passenger rights and the APPR, we don't oppose the APPR regime. What we have very deep concerns about are the proposals that were submitted by the CTA in July 2023, which we believe are not as balanced as they need to be. They do not put safety within the framework, and as a result, the estimates we have seen suggest that the cost to administer under that proposed regime would be so exorbitant that they would have an impact on competitiveness and, as Atlantic premiers and other unions have suggested, would have an impact on prices.

[Translation]

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

Mr. Lukács, you mentioned that one element could help increase competition in the air sector, namely, promoting an approach that I might call surgical in terms of how certain routes would be subsidized to promote competition, among other things.

I didn't hear you talk about “small player” versus “large player” or “new player” versus “old player”. I'd like you to clarify that.

I wonder if we shouldn't decide to subsidize players like Air Canada to get them to serve certain regions. It's precisely Air Canada that's been widely described as a company that advocates exorbitant fares and abusive business practices in the regions.

What do you think?

[English]

**Dr. Gábor Lukács:** Certainly one would hope that those subsidies, if they were implemented, would go to creating new routes, not existing routes, and to airports. However, if we would like to genuinely implement competition and a competition-based airline sector, we have to be blind to which airline is going to take a particular route. If there's a given amount of subsidy, whichever airline can operate a given route in the most profitable manner should be able to operate that route. Hopefully this would generate competition for routes that are currently not profitable.

[Translation]

**Mr. Xavier Barsalou-Duval:** If I give you a concrete example, it might help you.

Let's take the case where a regional destination is served by a small player and a large player.

There used to be a program that subsidized all carriers for the price of a ticket for a regional flight by paying the difference between \$500 and the total cost of the ticket.

A microbusiness or a very large business could provide flights, because we thought that would help regional air transportation.

In the end, it wasn't the small players who saw an increase in volume, but rather the large players.

In your opinion, should the federal government adopt this type of policy?

[English]

**Dr. Gábor Lukács:** Whether it's going to help more large carriers than small is an economic question that requires research and verification by numbers, not just my guesses or anybody's guesses. However, as a matter of general economic policy, I would strongly favour a neutrality toward which carrier is operating the line, as long as no one carrier engages in unfair competition or anti-competitive practices and is selling below cost or using other types of measures.

**The Chair:** Thank you, Dr. Lukács.

Next we have Mr. Bachrach.

The floor is yours. You have five minutes, sir.

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

Thank you to this panel of witnesses for being here for our questions.

I'll start with Dr. Lukács. You mentioned in your opening remarks that in other jurisdictions, there's a greater amount of data produced on competition. The airlines have to share that data with the government, which then provides it publicly. It reminded me of the testimony the committee heard on people with disabilities and the accessibility of the air transportation sector, and the fact that in the United States, there's more data about complaints that the airlines have to make available to the federal regulator.

Is this a more general trend that we see when we're comparing Canada's air sector to those of our peer countries around the world? Is there less data made available by the airlines on which we can base policy?

● (1245)

**Dr. Gábor Lukács:** Unfortunately, that's very true. This secretiveness around airline data seems to be a Canadian problem, both in the area of disabilities and in other economic activities. What I would add is that it would be in the public interest to have a greater level of transparency, because if all that information was public, it would enable businesses to make calculations and do economic planning, not just at the government level, but also at provincial, municipal and local levels.

To give you an idea of how bad the situation is right now, if I want to know how many passengers or cargo were moved between Toronto and Newark, I have to go to the U.S. websites—the U.S. Department of Transportation or the transportation statistics website—and get the data from there. From Stats Canada, I have no way of getting it.

**Mr. Taylor Bachrach:** I believe you listened in on the last panel. We heard from Transport Canada that there are certain statistics they look at when measuring competition in the Canadian air sector, particularly those established by ICAO.

Are you familiar with that methodology? How does it compare to the one you've recommended?

**Dr. Gábor Lukács:** I'm not sure which exact methodology they are referring to. It would be helpful to see it. I'm hesitant to comment on it without seeing it.

What I can tell you is that on-time performance, in my view, is not a methodology for measuring competitiveness or market concentration. What you need to look at is how many firms are serving a given market. You need to look at the global market and you need to look at per-route fragmentation in this sense. There are models and complicated statistical methods to calculate quantities of how strong or weak competition is, which you don't do based just on on-time performance. I can assure you of that.

**Mr. Taylor Bachrach:** Thank you for that.

Turning now to Mr. Morrison, I find the issue of airport rent an interesting one. You've said you support the user-pay philosophy. Other witnesses we've had have been less supportive.

If you support the user-pay philosophy, isn't paying for rent part of that? The airports are set up as stand-alone financial entities. The land doesn't belong to the airport authority, so if the land was to be provided for free or if the money was going to be given back, to me, that looks like a public subsidy.

**Mr. Jeff Morrison:** There are two points. On airport rents, we believe that a \$400-million subsidization of airports and passengers by the federal government for land that was transferred is unacceptable. In the last panel, you discussed slots and the concerns about airport capacity and how it's unable to grow. We feel the time is right for those monies to be returned.

Going back to my point about user-pay, interestingly, a couple of weeks ago, one of my neighbours said, "I don't have kids. Why should I pay education taxes?" I don't have kids either, but my answer was that an educated population benefits us all. I would say the same thing about subsidies. Although we're not calling directly for subsidies per se, what we are saying is we need a rebalancing of the user-pay system because of the impact that air travel has on all of us, not just people who fly.

**Mr. Taylor Bachrach:** My question was less about whether we should subsidize airports. I think that's a separate policy consideration. The question was whether free rent or reinvesting the rent amount back in airports constitutes a subsidy. In my view, it does because the land is owned by the federal government and the airports are tenants. I believe this committee has voted, if I recall correctly, on a recommendation to support reinvesting those rents back

into airports, so really it's more about the philosophy of the user pays.

I take this with a grain of salt because at the same time, we're trying to invest in a larger passenger transportation infrastructure in this country. We heard from WestJet, and they said that the days of the bus and the train are behind us. It's all about airplanes now. That's where the subsidy should be going. A lot of Canadians don't see it that way, so I guess the question before the committee is how we balance out public investment in transportation.

There's no denying that airports and air travel are an important part of our country and our economy, but you're asking for regulatory modernization, which in my view is usually a euphemism for fewer regulations, lower fees, the rent to be invested back and no protections for air passengers or weaker protections for air passengers.

It seems like a lot. Is there anything else on the list?

• (1250)

**The Chair:** I wanted to let Mr. Bachrach conclude his thoughts. We don't have time for a response.

Colleagues, in order to meet our one o'clock hard stop, I'm going to be providing two and a half minutes to all members for the second round.

We'll begin with Mr. Williams.

The floor is yours, sir.

**Mr. Ryan Williams:** Thank you. I'll be very quick, then.

Mr. Sidhu, I note your success story with your small airport. When we look at competition, we need to be helping our small airports and our smaller or emerging airlines.

This government has a one-size-fits-all approach to aviation policy and looks at large airports in one hat and smaller airports in another. You mentioned that you're successful and you have no debt. However, if we look at airports like Kelowna, Charlottetown, yours and Billy Bishop, which right now hasn't allowed jets to come in, what can we do as a government to ensure that we're looking after small airports? Dublin has a policy, for instance, that gives incentives for new routes to ensure it gets emerging airlines there. How do we ensure that small airports are being looked after to create more competition in Canada with the emerging airlines?

**Mr. Parm Sidhu:** Mr. Williams, that's a great question.

Airports are economic enablers. If you can't move it, you can't sell it. We're no different than a highway.

A retention of our current airlines is critical. They will provide the lift that the marketplace needs, but if we lose another carrier or two, we're heading to smaller volumes, and airfare may become something that you plan a budget for. It may not be as stimulatory.

Let's continue to use our airports and aviation as an enabler to the larger economy, as the rest of the world does—like the Middle East.

**Mr. Ryan Williams:** The government right now has a one-size-fits-all policy, so it doesn't really look at small airports or it clumps them in with the larger ones. Do we need to have a policy that looks at the smaller airports to see how we can help increase air traffic and passengers at those airports?

**Mr. Parm Sidhu:** I think anything we can do, Mr. Williams, to make our airlines more viable and make the viability of our airlines and airports simpler and easier for the domestic passenger helps all Canadians.

**Mr. Ryan Williams:** Porter Airlines was one airline we looked at. It's trying to get into Saint-Hubert, but it's finding a lot of limitations. Are you finding the same, that there are limitations from the government? Their aspect was that the government drew up a list years ago of what was big and what was small and refused to revise it. Do we need the government to look at small airports more routinely?

**Mr. Parm Sidhu:** Yes. These are assets that are like economic enablers.

We work with our airline partners, WestJet and Flair, and then we work within the parameters they need. We lobby for the things they need.

As a whole, if you move it, you will sell it. I think we can grow the volumes in Canada to make—

**The Chair:** Thank you very much, Mr. Sidhu.

Next we'll go to Mr. Badawey.

Mr. Badawey, the floor is yours for two and a half minutes.

**Mr. Vance Badawey:** Thank you, Mr. Chair.

Mr. Morrison, you were here in the gallery while we were speaking earlier and heard the question that I asked. I have two and a half minutes. I'm not going to go into the question because you heard it already. It concentrates on integrating the transportation network to create more fluidity within supply chains, including people—not just trade, but also individuals.

Can you speak a bit about that?

**Mr. Jeff Morrison:** First, let me thank you for raising the notion of airlines as a key component of the supply chain. That's one of their key roles and is often forgotten. We're all sitting here in person because airlines transported vaccines a couple of years ago. Otherwise, we'd all still be at home.

How we integrate the various modes is an absolutely fundamental question. In fact, just a few weeks ago, all of the transportation modes met with the Governor of the Bank of Canada to discuss issues we had in common and where we could work together as a collective body—as shippers, as rail, as airlines, etc.—to better serve the market and to strengthen the entire sector. Some of those

common issues included, as I mentioned earlier, not just airlines but also other sectors talking about the regulatory burdens they face. Some of the other panellists talked about the labour constraints. There are a number of things we need to do in common to better integrate the modes.

One thing I will say—and my take on this is slightly different from Mr. Bachrach's interpretation—is that we, of course, don't oppose other modes. We believe there is a fairly significant subsidization of those other modes. That's where we're talking about rebalancing the user-pay system within air travel.

**Mr. Vance Badawey:** Do you find that the customer will benefit from that? When I say the “customer”, I mean not just the person who's going end to end as an individual, but also the business that's a part of that supply chain.

**Mr. Jeff Morrison:** Absolutely. Again, it's about anything we can do to better integrate the modes. We're seeing, even here in Ottawa, for example, the need for rail and bus modes in order to access other airports. That better integration, I think, will serve not only businesses but passengers as well. That's absolutely the next step we need to consider.

• (1255)

**Mr. Vance Badawey:** Do you find, not only with integrating the transportation system and creating more fluidity, but also with respect to the supply chains themselves, especially on the economic side, that when regional hubs are integrated, they change? Those do change depending on where production and sales are. It's the same for people, depending on where they're flying from and to. Do you find that we can pivot more quickly by having that integration and communication between the different methods of transportation?

**Mr. Jeff Morrison:** I absolutely do, and I would say, as you well know, that the supply chain in Canada is very fragile. We may be facing, within a couple of days or weeks, a strike in one of the major transportation modes. We all hope that does not happen, but if it does, it will underscore the fragility of the system. The more options we have to better differentiate our supply chain, the better it is for consumers.

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

[Translation]

Mr. Barsalou-Duval, you have the floor for two and a half minutes.

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

Mr. Morrison, you mentioned a concern about the fairly high user fees associated with the user-pay model. You say that it works differently elsewhere in the world and that, for those reasons, there are people who use U.S. airports rather than Canadian ones. You said that you didn't want to come out against the user-pay model. I assume, then, that you'd like to see lower fees under the current model.

Do you have any suggestions for better controlling the costs associated with the user-pay model, other than changing passenger rights, which has already been raised?

**Mr. Jeff Morrison:** Thank you for the question.

[*English*]

Absolutely. Again, airlines don't oppose user-pay. What I have said, and I think what you heard from the academics last week, is that the Canadian model, compared to other jurisdictions, is heavily skewed on the user-pay side of the equation. In the United States, during the pandemic, the federal government invested \$40 billion of public monies in airports, whereas in Canada we had \$400 million come out of the system.

Again, we are calling for a rebalancing. What we have called for and what you have heard from others is for us to take a step back and look at the system holistically so we can identify where efficiencies can be found in it and create a more balanced system. That is where we stand.

[*Translation*]

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

Mr. Lukács, you said that it was important for airlines and airports to provide information and data.

Do you know exactly what data is being collected and shared?

[*English*]

**Dr. Gábor Lukács:** Right now, there is a monthly survey that shows only the total number of passengers moved and a very small amount of information, and even that has to be kept confidential. If you go to Statistics Canada's website, you, as an average Canadian, cannot even access what is being reported.

If you go to the U.S., in comparison, you are able to see information on a route-by-route basis. You can see the number of passenger seats available, the number of passengers transported and the type of aircraft that is being used. Essentially, if tomorrow you decided to be a minister of transport, you would know exactly what transportation network you are getting. It is available for any citizen.

**The Chair:** Thank you very much, Dr. Lukács.

Mr. Bachrach, the floor is yours. You have two and a half minutes, sir.

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

Dr. Lukács, you've been an outspoken and fierce advocate for air passengers. Today we heard some proposals to weaken the air passenger regulations that are about to come into effect. I'm curious to hear your thoughts on that proposal, particularly with an emphasis on the premiers' letter and this issue around safety and how it relates to the European model.

**Dr. Gábor Lukács:** I'm familiar with the premiers' letter. I actually have it right on my screen. The premiers were objecting to certain aspects of the APPR that have been in place since 2019. When I was reading the letter, I was wondering if they actually read the APPR and understood what letter they were signing. It made no sense in any way.

In terms of the safety concerns, in Europe, passengers have compensation and safety—both. They don't have to choose between one or the other. We just simply have to adopt the European model.

• (1300)

**Mr. Taylor Bachrach:** I spoke earlier about the social contract that used to exist in government regulations, where large companies, whether bus companies or airlines, were given access to very profitable markets in exchange for providing basic service in rural regions like the one I represent. Air Canada last year made \$2 billion. It seems they're doing pretty well under the current system.

Could you speak to this social contract and whether it still exists in Canada?

**Dr. Gábor Lukács:** In my view, social contracts no longer work. Social contracts are still a form of taxpayer subsidy, because taxpayers pay higher fares on profitable routes, which are being protected by limiting competition. Social contracts cannot be economically quantified. They're not legally enforceable obligations. They leave the government and taxpayers vulnerable to pressure from airlines if they threaten to cut rural routes.

In my view, clear and transparent subsidies for certain routes that are deemed to be essential or important, and for small airports that are deemed to be economic enablers, are far more efficient and transparent, and they leverage competitive forces to deliver service.

**The Chair:** Thank you very much, Dr. Lukács and Mr. Bachrach.

That concludes our meeting for today. I want to thank our witnesses for sharing their expertise and their time with us.

This meeting is adjourned.





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