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CANADA

STATE OF AIRLINE COMPETITION IN CANADA

Report of the Standing Committee on Transport, Infrastructure and Communities

Peter Schiefke, Chair

OCTOBER 2025
45th PARLIAMENT, 1st SESSION

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Reports from committees presented to the House of Commons

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

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THE STANDING COMMITTEE ON TRANSPORT, INFRASTRUCTURE AND COMMUNITIES

has the honour to present its

SIXTH REPORT

Pursuant to its mandate under Standing Order 108(2), the committee has studied the state of airline competition in Canada and has agreed to report the following:

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SUMMARY

Following the announcement, in February 2024, that Lynx Airlines was ending its operations, the House of Commons Standing Committee on Transport, Infrastructure and Communities (the Committee) held four meetings to study the state of airline competition in Canada. Witnesses included academics and passenger rights groups, as well as representatives from airlines, airports, the Department of Transport, and the Competition Bureau of Canada.

Witnesses outlined their views on the current state of competition between airlines in Canada, with a focus on domestic routes. They also provided their opinions on a variety of potential solutions to increase competition and improve the ability of new and smaller airlines to not only enter the market but also remain economically viable beyond the short-term.

In particular, the Committee heard several discussions on the comparatively high fees and taxes that affect air travellers' ticket costs in Canada, as well as debates on the merits and limitations of the user-pay model that has defined the Canadian system since deregulation in the 1990s.

LIST OF RECOMMENDATIONS

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

Recommendation 1

That the Government of Canada plan to reinvest all rent amounts collected from airports into airport infrastructure projects, as recommended by the Standing Committee on Transport, Infrastructure and Communities in its report, *Enhancing the Efficient, Affordable Operation of Canada's Airports*, published in February 2023.

Recommendation 2

That the Government of Canada remove barriers that limit smaller airports from competing with major hubs.

Recommendation 3

That the Government of Canada monitor the efficacy of recent changes to the *Competition Act* and ensure that they have adequately addressed the needs of the Competition Bureau to respond quickly in cases of anti-competitive and predatory behaviour in the airline sector.

Recommendation 4

That the Government of Canada conduct a comprehensive review of the regulatory and administrative burden on airlines in Canada, with a view to streamlining and modernizing the regulatory regime governing airlines.

Recommendation 5

That, in its comprehensive review of the regulatory and administrative burden on the aviation sector, the Government of Canada consider ways to reduce the burdens and costs on northern airports in particular.

Recommendation 6

That the Government of Canada review all taxes and fees that impact the aviation sector and the costs passed on to passengers and compare to other jurisdictions.

Recommendation 7

That the Government of Canada develop a whole-of-system strategy to improve competition among Canada's airlines, particularly at the domestic level.

Recommendation 8

That Transport Canada improve the publication of airport industry and performance data so that consumers and businesses can make informed decisions.

STATE OF AIRLINE COMPETITION IN CANADA

INTRODUCTION

The launch of Lynx Air was announced in a news release on 16 November 2021. The airline's inaugural flight, from Calgary to Vancouver, took place on 7 April 2022. Its initial fleet consisted of three Boeing 737s with commitments to grow to 46 over five to seven years. It employed 165 people, with the stated intention to expand to more than 400 by the end of 2022.[1]

Lynx announced that it was ceasing operations in February 2024, citing "a number of significant headwinds including rising operating costs, high fuel prices, exchange rates, increasing airport charges and a difficult economic and regulatory environment."[2]

On 16 April 2024, the Standing Committee on Transport, Infrastructure and Communities (the Committee) agreed to the following motion:[3]

> That, pursuant to Standing Order 108(2), given that Lynx Air has filed for court protection from creditors stating that "the compounding financial pressures associated with inflation, fuel costs, exchange rates, cost of capital, regulatory costs and competitive tension in the Canadian market have ultimately proven too steep a mountain for our organization to overcome" the committee invite the Minister of Transport, the Commissioner of Competition, the National Airlines Council of Canada and other witnesses the committee deems relevant, to discuss the state of airline competition in Canada and that the committee report its findings to the House.

Between 30 April 2024 and 9 May 2024, the Committee held four meetings on this issue. It heard from 18 witnesses and received five briefs.

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1 Lynx Air, *Ultra-Affordable Lynx Air Takes Off*, 7 April 2022.

2 Lynx Air, *Lynx Air Files for and Obtains CCAA Creditor Protection*, 22 February 2024.

3 As this report was not completed at the time the 44th Parliament was dissolved on 23 March 2025, the Standing Committee on Transport, Infrastructure and Communities (the Committee) adopted a motion, on 18 September 2025, to undertake a study of airline competition in Canada and to consider the evidence and documentation received during the previous Parliament. No additional evidence was gathered following the Committee's study during the 44th Parliament.

MEASURING AIRLINE COMPETITION IN CANADA

Craig Hutton, Associate Assistant Deputy Minister, Policy, with the Department of Transport, explained that his department considers many factors when measuring competition, including efficiency (which he indicated is measured in terms of on-time performance), delays, and cancellations. He added, however, that the department is monitoring the ongoing development of a new global aviation competitiveness impact index by the International Civil Aviation Organization (ICAO), which might be used in the future as the basis for a Canada-specific air sector competitiveness framework. As described in a written response provided to the Committee by Transport Canada, the new ICAO index is expected to be based around five pillars:

1) economic;
2) aero-political;
3) financial;
4) regulatory; and
5) infrastructure.

Dr. Gábor Lukács, President of Air Passenger Rights, although unfamiliar with the ICAO index, stressed the importance of calculating competition through complex statistical methods based on live data. He specifically referred to the Herfindahl-Hirschman Index (HHI) as a way of measuring market concentration. In fact, according to an ICAO Global Aviation Competitiveness Working Group document, the HHI will be used to measure market efficiency as one of the indicators for the economic pillar of the new index.[4]

Melissa Fisher, Deputy Commissioner, Mergers Directorate, with the Competition Bureau Canada (the Bureau), also pointed to upcoming developments when she confirmed that the Bureau would be undertaking a new market study on competition in the air sector, its first market study since receiving new information gathering powers through amendments to the *Competition Act*.[5] The Bureau's final report, *Cleared for take-off: Elevating airline competition*, was published on 19 June 2025.

4 International Civil Aviation Organization, *Global Aviation Competitiveness Working Group*, presented in Bangkok, Thailand, 13–15 December 2023.

5 See the *Fall Economic Statement Implementation Act, 2023*, S.C. 2024, c. 15, Part 5, Division 6.

Other witnesses discussed various ways that competition might be measured. According to Mehran Ebrahimi, Director and Professor at the Université du Québec à Montréal, International Aeronautics and Civil Aviation Observatory, the level of competition within the airline industry is not measured through the percentage of the market that is controlled by a single airline, but rather by the effect that larger, established companies have on smaller airlines and their ability to develop. During this study, the Committee heard from certain witnesses on the importance of using proper criteria to evaluate the level of competition among airlines in Canada. Dr. Barry Prentice, Professor at the Transport Institute, University of Manitoba (appearing as an individual), for example, proposed a "structure-conduct-performance framework," with structure referring to the number of players in the industry, the similarity between what they offer, and the cost of entry. Conduct refers to the way in which airlines interact with each other, while performance is measured through the profitability and efficiency of a given airline.

In Dr. Prentice's estimation, the "status quo is providing reasonable outcomes for most consumers, notwithstanding service cuts in some smaller centres" as new entrants to the airline sector can challenge the dominant players. This, in his view, allows for relatively relaxed levels of economic regulation as smaller carriers increase competition for the larger airlines as they enter new markets, regardless of whether they can remain economically viable in the long-term. In his estimation, therefore, competition in the sector is ensured by the arrival of new challengers, not necessarily their longevity.

Mr. Hutton, meanwhile, indicated that the balance between larger, established carriers and newer, smaller entrants, "is always in flux to a degree" and has not yet stabilised since the COVID-19 pandemic as some carriers have expanded and other have left the market.

Some other witnesses, however, expressed more concern with the level of market concentration, particularly with regard to Canada's two main airlines, Air Canada and WestJet. Stephen Jones, President and Chief Executive Officer of Flair Airlines Ltd., referred to these two carriers as a "cozy duopoly."

The International Market

Howard Liebman, Vice-President of Government Relations with Air Transat, estimated that Air Canada, which he described as a dominant player, offers 39% of Canada's international airline seats, while WestJet and Sunwing together held 50% of the market towards sun destinations, or 70% if considering only western Canada. He added that a new joint venture between Porter and Air Transat, in connecting the former's domestic and North American network with the latter's international network, increases competition in Canada.

However, the Committee heard from some witnesses that there is no cause for concern, broadly, with competition for international flights, due to the large number of foreign carriers operating in Canada.[6] As Mr. Hutton pointed out, the concern lies more with intraregional travel, which has yet to recover from the effects of the COVID-19 pandemic, whereas international travel has exceeded pre-pandemic levels.

The Domestic Market

Some academics appearing before the Committee agreed with the following broad assessment of the Canadian domestic market for air travel: while barriers to entry remain low, allowing many smaller air carriers to start up, the small number of domestic markets available means that these new carriers are necessarily in direct competition with the established "duopoly" of Air Canada and WestJet. As very few Canadian population centres have multiple airports, there is a limited ability for carriers to increase the frequency of their flights, resulting in a race to the bottom in terms of prices. In this contest, the established carriers have the advantage, as they can reduce prices beyond the capacities of the new entrants, who eventually are no longer able to compete. While lower fares can temporarily provide a benefit to consumers, the lack of competition following the withdrawal of the new entrant typically makes this situation short-lived.[7]

In comparing Canada's market with international examples, several witnesses spoke of Canada's distinctive situation: a harsh climate and large territory with low population density.[8] Karl Moore, Associate Professor at McGill University (appearing as an individual), referred to Chile and Australia as examples of countries that do have similar challenges but added that these do not face the same levels of government taxes and regulations as Canada.

Mr. Ebrahimi added that Canada suffers from a lack of availability of "niche markets." Essentially, he explained, it is difficult for a new entrant to offer flights on a route that is

6 Standing Committee on Transport, Infrastructure and Communities (TRAN), *Evidence*, 44th Parliament, 1st Session: David Rheault, Vice-President, Government and Community Relations, Air Canada; Dr. Barry Prentice, Professor, Transport Institute, University of Manitoba (as an individual); and Dr. Jacques Roy, Full Professor, HEC Montréal (as an individual).

7 TRAN, *Evidence*: John Gradek, Faculty Lecturer and Program Coordinator, Aviation Leadership, School of Continuing Studies, McGill University (as an individual); Roy; and Mehran Ebrahimi, Director and Professor, Université du Québec à Montréal, International Aeronautics and Civil Aviation Observatory.

8 TRAN, *Evidence*: Ebrahimi; Karl Moore, Associate Professor, McGill University (as an individual); Rheault; Andrew Gibbons, Vice-President, External Affairs, WestJet Airlines Ltd.; and Jeff Morrison, President and Chief Executive Officer of the National Airlines Council of Canada.

not already serviced by an established airline, making it more difficult for them to compete and succeed beyond the short-term.

Andrew Gibbons, Vice-President of External Affairs with WestJet Airlines Ltd., echoed this view, stating that there are no barriers to entry for new air carriers in Canada, but that growing and succeeding is a challenge. To illustrate, he pointed to Europe which, despite having a similar geographical size to Canada, has over 100 travel markets with a population of over 500,000. Canada, on the other hand, has only ten such travel markets, making it much more difficult to support new airlines, particularly low-cost carriers. He described Canada's air market as "competitive" but argued that it could be improved with government partnership with airlines.

In broadly evaluating the state of Canada's airline sector, Dr. Lukács referred to the previously-mentioned HHI. Using this method, he stated that Canada's domestic market shows "significantly" less competition than the domestic market in the United States and has a high degree of market concentration as "a near duopoly of Air Canada and WestJet."

According Dr. Prentice, these two airlines control 80% of the market, operating hubs to serve domestic, transborder, and international passenger services in addition to cargo services. He added that, excluding routes that serve Arctic and remote communities, Flair and Porter are the only remaining scheduled passenger airlines competing with Air Canada and WestJet on the domestic market. Despite some niche strategies (Flair as a discount carrier and Porter catering to a more business-oriented market through non-price benefits), he indicated there is minimal difference between the routes and services offered by these four domestic carriers, largely due to the "narrow, linear shape of the Canadian market."

According to John Lawford, Executive Director and General Counsel of the Public Interest Advocacy Centre, the success of Air Canada and WestJet is merely the result of "lack of choice," with the "duopoly" being reinforced through an east-west separation of routes between the two carriers.

David Rheault, Vice-President of Government and Community Relations with Air Canada, on the other hand, argued that competition has significantly increased over the past decades, with Air Canada's share of the domestic market having fallen from 75% in 2001 to "currently around 43%." In his estimation, 24 airlines currently provide service to the domestic Canadian market, including 20 with more than 50,000 seats per year, of which three carriers have more than 10% of capacity (sharing between them a total of 82%). He also suggested that this compares favourably with international examples in Australia, France, and the United States.

Regional Routes

According to Dr. Prentice, discussions of competition must differentiate between southern Canada and the North, in which "the thinness of the markets" and high operating costs make it very difficult to increase competition. He added that the introduction of another form of transportation, such as airships, could make a significant difference.

Mr. Hutton confirmed that since the COVID-19 pandemic, larger carriers like Air Canada and WestJet have reduced their operations on regional routes, shifting towards longer haul and international flights. While he pointed out this has made some space for smaller carriers to fill these gaps, regional connectivity remains a challenge due to low demand and the impacts of labour shortages on smaller carriers.[9]

As Mr. Ebrahimi put it, the challenge of ensuring regional air service "is a chicken-and-egg situation. If air travel is inaccessible and too expensive, people will not use it. The fewer air passengers there are, the lower the demand and, if demand is low, the carriers will not offer service to remote regions."

Dr. Jacques Roy, Full Professor, HEC Montréal (appearing as an individual), provided more context into the economics of regional routes, explaining that the small number of passengers in a smaller regional market means that the airline will use smaller aircraft. This in turn requires them to raise the cost per seat to make the route economically viable, particularly if they are unable to fill all the seats of even a smaller aircraft. The resulting higher costs for regional air travel is a global issue, he stressed, with many jurisdictions (including the United States, Australia, European countries, and Quebec) attempting to reduce fares through various government programs. He added that while the Canadian government had offered assistance programs during the COVID-19 pandemic, these have since lapsed and there are currently no federal programs to help reduce the cost to passengers for regional flights.

John Gradek, Faculty Lecturer and Program Coordinator, Aviation Leadership, School of Continuing Studies at McGill University (appearing as an individual), agreed that a lack of regional competition and connectivity is a global problem. He pointed to the Essential Air Service program in the United States[10] as a potential example for how to identify specific routes for government subsidies. Some witnesses also discussed a program offered by the government of Quebec, which will be discussed in greater detail further in this report.

9 TRAN, *Evidence*: Craig Hutton, Associate Assistant Deputy Minister, Policy, Department of Transport.

10 U.S. Department of Transportation, *Essential Air Service*, last updated on 4 November 2024.

Mr. Hutton agreed that regional air service is "very important" for remote communities that often rely on it for cargo, medical services, as well as connection between communities. Mr. Moore, however, stated that

> airlines are businesses […] The idea is to make money. Now, you can make excessive amounts of money, but given what happened in COVID and the lack of support compared to other countries, they've had huge financial issues to deal with, and they're going to fly where the money is, to a considerable degree. Now, that means it's going to be more expensive to fly to some parts of the world. I flew recently to the Yukon, and it was very expensive because of the lack of demand.

As such, carriers will prioritize routes where demand is high. On this topic, Mr. Ebrahimi argued that the federal government could "tell airlines that, if they have highly profitable international flights, they must also provide and maintain regional flights." He stressed, however, the need for cooperation and compromise in these discussions.

Border Airports

The loss of customers to U.S. border airports was a topic of concern for several witnesses throughout this study. According to the testimony of Jeff Morrison, President and Chief Executive Officer of the National Airlines Council of Canada, more than 7 million Canadians each year depart from U.S. airports on U.S. airlines instead of flying from Canada. Mr. Moore referred to a sign outside Plattsburgh airport, in New York State, declaring itself to be "Montreal's U.S. Airport." Meanwhile, Parm Sidhu, General Manager of the Abbotsford International Airport reported that his airport's business model was designed in parallel with feedback from airline partners specifically to be more competitive than U.S. alternatives and stem the loss of customers to nearby Bellingham International Airport in Washington State.

Mr. Hutton told the Committee that there could be several reasons why people would cross the border to use U.S. airports but that, for privacy reasons, this is not information that the Department of Transport would track. Ms. Fisher acknowledged that the Competition Bureau had looked into the issue in the context of recent merger reviews, although she stated that, according to the evidence, "there would have to be a large price differential before a passenger would incur the time and the added transportation costs" to cross the border for a flight. In fact, some other witnesses suggested that this large price differential exists, and that it is caused by comparably higher taxes and fees levied at Canadian airports.[11]

11 TRAN, *Evidence*: Roy; Gibbons; and Rheault.

THE ROLE OF AIRPORTS

Mr. Ebrahimi described air travel as an economic multiplier, estimating that "[f]or every dollar invested in the sector, two, three or four dollars go back into the economy," with airports often acting as hubs that generate economic activity and attract companies. As explained by the Canadian Airports Council (CAC), in its brief, airport operators are non-share capital corporations. As such, the airport system has no shareholders to pay and can reinvest any financial surplus to the benefit of its users, into infrastructure. Under the user-pay model, airports are responsible for their own operational and capital costs and so must operate, maintain, and grow their services without impacting the taxpayer. In addition, 21 of the 26 privately-operated airport authorities in Canada return money to taxpayers through rent paid to the federal government.

The CAC also explained that airport revenue has three sources:

1) Aeronautical revenue such as landing and terminal fees that are charged to air carriers and general aviation tenants.

2) Non-aeronautical revenue that is generated by businesses deployed and developed on airport land (such as hotels, shops, restaurants, or parking).

3) Airport improvement fees on airline tickets, which are used exclusively for capital infrastructure programs that benefit travellers and other airport users.

While airports can maintain their operations through aeronautical and non-aeronautical revenue, they typically depend on airport improvement fees in order to fund infrastructure projects that help them maintain their competitiveness.

Mr. Sidhu described airports as economic enablers, much like a highway, stating: "If you can't move it, you can't sell it." He also described the efforts made by Abbotsford airport to cooperate with lower cost airlines in developing its business model, allowing both the airport and airlines to grow.

Broadly speaking, Mr. Moore considered that Canadian airports "are well run" but recommended that fees be reduced and that the government "[take] on the responsibility that most governments around the world take toward funding the industry and funding airports particularly."

Mr. Ebrahimi agreed that there is not enough investment in airport infrastructure, citing for example the $40 to $50 billion in aid provided to airports by the United States

government at the beginning of the COVID-19 pandemic, in comparison with the $500 million provided by the government of Canada to Canadian airports, which were seeing their revenues decline by 95%. He also expressed concern that the current airport governance model allows airports to do "more or less as they please."

This concern was echoed by Mr. Gradek, who referred to a lack of oversight as well as decisions by airport authorities that do not reflect the needs of the whole system of air travel through the airport.[12] Mr. Lawford was of the view that the public-private partnership structures for larger airports "don't seem to be keeping up with the infrastructure needed and the building that's needed for the increase in air travel that we need in Canada."

Dr. Roy and Mr. Ebrahimi recommended that the government review the current airport governance model as well as its own intervention model to address increasing airport improvement fees and the need for significant infrastructure improvements.

Airport Rent

As Mr. Liebman and Mr. Ebrahimi told the Committee, Canada's largest airports pay 12% of their revenues in rent to the federal government. Mr. Hutton explained this to be "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."

However, several other witnesses expressed frustration that federal revenues derived from airport rents are not necessarily reinvested into the aviation sector. According to Mr. Morrison, these revenues are estimated at $400 million per year, an amount that he described as "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." According to the National Airlines Council of Canada (NACC), in their brief, airport rents in 2022–23 reached $419 million, a 42% increase compared with ten years previously. The NACC indicated that "only a small portion" of these payments is invested back into airport infrastructure, for example through the Airport Capital Assistance Program (ACAP). In context, the ACAP provides $32 million per year in investments, or roughly 9% of the amount collected in airport rents.

Several witnesses explicitly recommended that airport rents be invested in airport infrastructure.[13] Mr. Gibbons also referred to the following recommendation made by

12 TRAN, *Evidence*: Gradek.

13 TRAN, *Evidence*: Morrison; Ebrahimi; and Rheault.

the Committee in its February 2023 report entitled *Enhancing the Efficient, Affordable Operation of Canada's Airports*:

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

Gate Slots

As a question of barrier to entry, some witnesses discussed the issue of airport gate slot access and whether these slots were being distributed in a manner that makes space for new entrants. Mr. Lawford described the current system as a negotiation between airports and carriers, through a "use it or lose it" approach that allows established carriers to maintain the slots they have previously had. Myka Kollmann, Articling Student with the Public Interest Advocacy Centre, recommended reserved time and gate slots for new entrants (Mr. Lawford suggested 10% of gates every year), with incumbent carriers then having the opportunity to take the slots if they are not used by new entrants.

When asked about the possibility of imposing a threshold for time slots, in particular for Air Canada at Montréal-Trudeau International Airport, Dr. Roy disagreed. He suggested that it was logical for Air Canada, as the country's main carrier, to use many airport gate slots, but suggested that the high levels of competition for international flights at Montréal-Trudeau make the situation more fluid. He pointed out that Air Transat previously used more slots than Air Canada. Mr. Ebrahimi agreed, stating that "weakening the national airline does not necessarily help other companies grow," particularly if the underlying issues of "weaknesses in the tax systems and infrastructure" are not addressed. He recommended instead the establishment of a whole-of-system national airline strategy to help improve competition. He agreed, however, that this strategy could include measures to reserve time slots for smaller companies.

Mr. Jones also agreed that time slots should be distributed more generally, but indicated that in his view, the problem of control of time slots by existing players is largely confined to Toronto-Pearson International Airport. Mr. Liebman pointed out that anticipated construction at both Montréal-Trudeau and Toronto-Pearson will require significant cooperation with airports to ensure ongoing access to gates and timeslots in the coming years.

Mr. Hutton confirmed that, while airports are responsible for slot allocation, they are required to ensure sufficient space for new entrants to the market. The CAC in its brief, explained in greater detail the "highly regulated process" of slot access, which is governed by the Worldwide Airport Standards Slot Guidelines (WASG). These guidelines are developed jointly by the International Air Transportation Association, Airports Council International, and the Worldwide Airport Coordinators Group. Essentially, it establishes three levels of slot controls for airports based on the capacity of a particular airport's infrastructure.

The CAC explained that level 1 airports are those for which the demand is not expected to exceed the capacity of the airport infrastructure. Level 2 airports, such as Montréal-Trudeau International Airport, Calgary International Airport, and Québec City Jean Lesage International Airport, can face congestion during certain periods, but this is typically resolvable by adjusting schedule agreements with carriers. Only level 3 airports require slot allocation for all airlines and aircraft operators. This is done by a coordinator in accordance with WASG guidelines based on each airport's particular infrastructure constraints. Air carriers are able to maintain a "historical" right to a slot from one equivalent season to the next if they use it 80% of the time. Unused slots are held in a pool to be reallocated, with 50% of these unused slots being offered to new entrant air carriers. The only level 3 airports in Canada are Toronto-Pearson, Billy Bishop Toronto City Airport, and Vancouver International Airport.

The Aviation Ecosystem

As some witnesses indicated, the integrated nature of the aviation ecosystem requires a whole-of-system approach, working with airlines, airports, as well as service providers such as the Canadian Air Transport Security Authority (CATSA) and NAV CANADA.[14] As Mr. Sidhu stated, "[l]ow fares can only do so much" and must be paired with similarly low costs throughout the ecosystem, including nearby hotel accommodations and ground transport.

Dr. Lukács suggested that greater transparency in terms of airline data would allow for more accurate calculations and economic planning, both within the industry and at all levels of government. He, along with other witnesses, pointed to Europe and the United States to find examples of data sharing systems whose publicly available records of passenger and cargo numbers allow data-driven policy-making without divulging

14 TRAN, *Evidence*: Gradek; and Howard Liebman, Vice-President, Government Relations, Air Transat.

competitive issues between airlines.[15] According to Mr. Hutton, Transport Canada is currently working toward ensuring data sharing between industry players.

As Mr. Morrison and Mr. Gradek stated, airlines and airports are also key components of Canada's supply chain. As such, Mr. Gradek stressed the importance of having effective processes for industry to follow in order to properly measure the effectiveness and efficiency of Canada's supply chain network management system. He also spoke of the potential for harmonizing practices with the United States to develop an integrated North American strategy for dealing with known supply chain issues.

Dr. Prentice, however, stated that in his view there is no link between supply chain challenges and competitiveness in the airline industry, given the large number of dedicated cargo carriers.

CHALLENGES

Market Concentration

According to Dr. Prentice, a high proportion of fixed costs favours industry concentration, making entry more difficult. Some of these costs can be semi-variable, such as leasing aircraft or subcontracting labour for services like baggage handling, while the largest variable cost in his estimation is fuel. He added the number of entry costs such as setting up a reservation system, establishing labour contracts, renting airport space, and maintenance operations. Larger airlines, meanwhile, benefit from economies of scale and size, including costs of operations such as hangars, maintenance and overhead expenses.

Ms. Kollmann recommended that the government provide more support for new entrants by establishing a "lending bank": "10 government-owned aircraft of various sizes leased at cost, available only to competitors and upon such conditions as serving certain routes at certain frequencies and with exit barriers."

Mergers

Mr. Ebrahimi expressed concern regarding a pattern of airline mergers being approved despite acknowledgement of a lack of competition, referring to the recent purchase of Sunwing by WestJet and a proposed purchase of Air Transat by Air Canada. These mergers, he argued, lead to a further concentration of airline services.

15 TRAN, *Evidence*: Dr. Gábor Lukács, President, Air Passenger Rights; Gradek; and Prentice.

Ms. Fisher explained to the Committee that the Competition Bureau's role in the case of proposed airline mergers is one of "advisor" to the Minister of Transport. In fact, it is the Minister who requests their involvement by initiating a public interest review. The Bureau then identifies competition concerns with respect to the specific merger being proposed and prepares a report for the Minister. It does not approve or deny merger proposals – that responsibility falls to the Minister. She explained that merger reviews are case specific and are not meant to be a broader investigation into the industry's state of competition.

Bradley Callaghan, Associate Deputy Commissioner, Policy, Planning and Advocacy Directorate with the Competition Bureau Canada, added that the Bureau's focus in these instances is singularly on the question of competition, whereas the Minister would have "a broader set of factors" to consider. Mr. Lawford expressed that he found it "discouraging" to hear that the Minister would focus on other considerations when the Competition Bureau expresses concerns regarding competition.

Ms. Fisher confirmed that a merger has never been blocked in Canada. She explained that the Bureau has a well-established process once competition concerns have been identified in a potential merger to negotiate a resolution of those concerns with the parties. This resolution is then registered as an agreement with the tribunal – a process that she described as "quite effective."

Mr. Lawford stated that the result of this situation, in which no proposed mergers have ever been blocked by the Minister of Transport, has led to market concentration. He added for context that mergers are blocked "with fairly high regularity" in the United States. Ms. Kollmann recommended that the responsibilities in the case of proposed airline mergers should be reversed, with the Minister of Transport providing advice to the Competition Bureau or the Competition Tribunal, who would have the final decision. Mr. Lawford added that this decision could still be appealed to the Federal Court of Appeal.

Anti-Competitive Behaviour

Mr. Jones stated: "absolutely, we've seen anti-competitive behaviour in the market," arguing that smaller carriers are seen as a threat to major carriers. He referred to Swoop Airlines, a low-cost carrier owned by WestJet that operated between 2018 and 2023, to illustrate the danger posed by major carriers to smaller entrants: "Swoop was not created to promote competition. Swoop was a weapon designed to quell competition." He gave the example of a Comox to Edmonton flight that was established by Flair: "Swoop immediately followed us a month later, at the same time and on the same days

of the week. When we pulled out, they pulled out." He added that Flair received no assistance from the government to prevent or address predatory behaviour.

Mr. Callaghan responded to Mr. Jones' testimony by confirming that the Competition Bureau has completed in-depth investigations into predatory pricing. He indicated that the matter was discontinued in 2023 but "was looked at very seriously." When asked about lengthy delays and complex document requirements for airlines to bring concerns to the Bureau, he expressed optimism that recent changes to the *Competition Act*, including some that remained at the time before Parliament, would help the Bureau to address concerns more quickly. Mr. Lawford echoed this optimism.

In a written response to the Committee, the Competition Bureau confirmed that the anticipated changes were contained in bills C-56[16] and C-59,[17] both of which have since received Royal Assent.

Dr. Prentice expressed concern, however, that tacit collusion between major players, wherein carriers react to each other in order to share the market and maximise their profits, might continue to play a role despite existing regulations to curb anti-competitive behaviour. In its brief, the Greater Saskatoon Chamber of Commerce provided a potential example of this in the route changes made by Air Canada and WestJet in 2022. Essentially, the Chamber alleged that the two major airlines each withdrew from the other's "traditional home-turf regional routes," exacerbating an east-west division between their services. One such route, between Saskatoon and Calgary, the Chamber insisted had been "consistently profitable for over 30 years" and continued to show "strong and growing demand." They submitted that even if the withdrawal of services was not the result of an agreement (whether express or tacit) between the major carriers, it would still amount to an abuse of dominance.

Mr. Callaghan explained that the changes to the *Competition Act* have also streamlined the Bureau's abuse of dominance framework, which rests on three requirements: "first, market power, in other words, that the firm was big; second, conduct, the practice of an anti-competitive act; and third, the effect on competition." Previously, all three requirements had to be met for the Bureau to seek a prohibition order to put a stop to the conduct. Under the new framework, however, the Bureau can act if the first element (market power) and only one of the two other requirements are met, although meeting

16 Bill C-56, An Act to amend the Excise Tax Act and the Competition Act, 44th Parliament, 1st Session, S.C. 2023, c. 31.

17 Bill C-59, An Act to implement certain provisions of the fall economic statement tabled in Parliament on November 21, 2023 and certain provisions of the budget tabled in Parliament on March 28, 2023, 44th Parliament, 1st Session, S.C. 2024, c. 15.

all three requirements opens the door to a broader set of potential remedies. Mr. Lawford expressed hope that the changes would better equip the Bureau to address what he called the "predictable defensive strategies" employed by major airlines, such as route-matching and predatory pricing.

The question of predatory pricing, however, Mr. Callaghan described as "particular," as the Bureau wants to ensure its involvement does not deprive customers of the benefits of low costs. He explained that the concern of predatory pricing specifically relates to "short-term low pricing, below the costs of the dominant firm, with a long-term effect of raising prices above the competitive level once they've been able to exclude or discipline their competitor."

Ms. Kollmann recommended "enforcement of abuse of dominance rules on route-matching and price-cutting" as well as price floors "for incumbents with entry conditions and exit conditions." Mr. Jones, however, argued against the idea of a regulated pricing floor, which would set a minimum limit on ticket prices to avoid a race toward the bottom between an established carrier and a new entrant. He preferred competition to regulating prices which, in his view, risks encouraging inefficiency. He suggested instead a mechanism to monitor predatory behaviour and, importantly, ensure quick intervention to put an end to it, as opposed to the current complaint process which he viewed as too slow.

Regulations

The *Airline Passenger Protection Regulations*

Some airlines representatives spoke of the additional burden imposed on carriers by the recent *Air Passenger Protection Regulations* (APPR). Mr. Gibbons recommended the suspension of policy developments in relation to these regulations. He argued that the proposals do not help lower prices, nor do they increase competition, that the policies are applied inconsistently, and that the current backlog of complaints before the Canadian Transportation Agency needs to be addressed prior to any additional changes. He suggested that the current system be given the chance to work as-is. Mr. Morrison expressed the view that the proposed changes to the APPR would in fact result in higher prices and endanger regional connectivity.

Both of these witnesses referred to concerns expressed by various stakeholders, including several provincial governments, on this issue.[18] Mr. Morrison clarified,

18 TRAN, *Evidence*: Gibbons; and Morrison.

however, that the NACC was not opposed to the APPR in general, but rather concerned that changes being proposed are "not as balanced as they need to be." The Airlines for America (A4A), in its brief, stated that the APPR's requirements already exceed those in other jurisdictions and that the proposed changes are "further compounding the competitive disadvantage of small market Canadian airports."

Dr. Lukács, however, dismissed the idea that protections for passengers would necessarily have a negative impact on competition. In fact, he argued the opposite: that properly enforced passenger protection encourages innovation and stimulates competition by establishing a "level playing field." He pointed to Europe which, as previously mentioned, typically has substantially lower air fares and more competition than is seen in Canada. This, even though Europe, in Dr. Lukács' estimate, also holds the "gold standard of passenger protection."

Dr. Lukács also addressed the concerns outlined in a letter by provincial premiers, which had been raised by Mr. Gibbons and Mr. Morrison. These concerns, according to Dr. Lukács, related to aspects of the APPR which have already been in place since 2019, rather than changes currently being proposed.

Foreign Ownership Rules

As Mr. Callaghan explained, foreign ownership rules were identified as a barrier to entry by the Competition Bureau in its submission to the *Canada Transportation Act* Review in 2015. In fact, Mr. Jones credits the subsequent relaxation of those rules in 2018 for the existence of Flair Airlines.

Mr. Moore expressed concern that the current barrier to ownership, wherein 49% of a Canadian airline may be foreign owned provided that no more than 24% is owned by a single foreign entity, makes it less attractive to invest in Canadian airlines. He stated: "I'm not sure we have a lot of rich Canadians who want to get rid of their wealth by owning an airline. However, we have a lot of rich foreigners who would see opportunities if there were some changes to the rules in Canada." As such, he recommended maintaining the current 49% overall limit, but allowing a single foreign entity to own that full 49%. Mr. Liebman echoed this recommendation, which he indicated better reflects the realities of large global airline alliances.

Dr. Roy, on the other hand, suggested it is not necessary to change the current foreign ownership limits and was concerned that doing so might have implications for Canada's bilateral agreements. He added that "[t]here are enough rich people with deep pockets in Canada to actually invest in airlines."

Cabotage

In order to increase competition in Canada's domestic air travel market, Dr. Lukács recommended "granting to selected trustworthy foreign airlines the right to operate flights within Canada." Domestic transportation by a foreign carrier is referred to as cabotage.

Mr. Lawford explained that existing rules against cabotage help to ensure Canadian control over the domestic market and expressed concern that relaxing those rules would impact only larger routes, with a negative impact on smaller ones that might increase the need for government involvement. He suggested that a detailed study of potential impacts would be needed before changing rules on either cabotage or foreign ownership.

Taxes and Fees

As previously mentioned, several witnesses expressed the view throughout this study that the taxes and fees attached to airline tickets in Canada are comparatively very high. Mr. Morrison even declared them to be "among the highest sets of fees in the world," and suggested they are often set without consultation and without transparency regarding reasoning. Mr. Rheault also pointed out that the issue of fees and taxes in Canada's aviation sector have been the topic of numerous reports over the years, including a 2012 report by the Standing Senate Committee on Transport and Communications,[19] the *Canada Transportation Act* Review Report,[20] and a 2023 report by the Montreal Economic Institute.[21] Mr. Gibbons quoted the latter, stating "Ottawa prefers to treat our airports as cash cows, rather than the essential transportation infrastructure that they are."

Mr. Moore also stated that these taxes and fees would need to be substantially reduced to allow low-cost carriers to operate successfully in Canada. Mr. Ebrahimi agreed, explaining that high taxes and fees in Canada raise the baseline price point of an air ticket by as much as $150, (Mr. Gibbons estimated $160), preventing low-cost carriers and smaller airlines from being sufficiently competitive to survive into the medium-term. Mr. Jones agreed that federal taxes are a barrier to entry, describing Canada as "a very expensive place to do business."

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19 Standing Senate Committee on Transport and Communications, 41st Parliament, 1st Session, *The Future of Canadian Air Travel: Toll Booth or Spark Plug? Report on the Future Growth and Global Competitiveness of Canada's Airports*, June 2012.

20 Transport Canada, *Pathways: Connecting Canada's Transportation System to the World*, 2015.

21 Montreal Economic Institute, *Wing Heavy: The Fees That Undermine the Competitiveness of the Airline Sector*, December 2023.

According to Mr. Morrison, since the COVID-19 pandemic, there has been a roughly 50% reduction in the number of U.S. carriers operating in non-hub or smaller Canadian airports. He suggested that this was largely a result of the higher costs of the fee system in Canada, a point that was echoed by A4A in its brief to the Committee. According to A4A, Canada has lost its pre-pandemic status as the largest international air travel market for the United States. This, they claim, is due in part to "costs and regulations implemented in Canada," including fees such as airport improvement fees, security fees, and navigation fees, which are "materially higher than fees in the United States."

Mr. Gibbons recommended that the commitment to transparency outlined in Budget 2024 be expanded to require airline tickets to show the mandatory third party fees that, in his estimation, "truly drive up ticket price." He explained that while these fees and taxes appear small when taken individually, their cumulative effect is significant. He suggested that a reduction in fees and taxes would have a positive effect on carriers' ability to provide more routes and more competitive pricing and would increase competition in Canada.

Mr. Rheault and Mr. Morrison also recommended a review of all taxes and fees. Mr. Gradek, however, indicated that if taxes and fees were reduced or eliminated, there would be nothing in place to prevent airlines from raising ticket prices to fill the gap. In this situation, customers would continue to pay the same total amount for a ticket, while airlines would increase their revenues. In response, Mr. Rheault argued that competition would ensure lower prices, since stimulating the market would generate more volume and allow carriers to offer more capacity at affordable prices.

As Mr. Hutton pointed out, the Government of Canada's Budget 2024 included a commitment to ensuring the transparency of additional fees, including with regard to airline tickets. This would include all charges from the carrier (for example, seat selection, meals, or extra baggage), although it would remain up to the carrier to determine which other fees (such as those imposed by the government or service providers) they want to show on the ticket.

Mr. Hutton explained that various fees are charged to air carriers, who then pass on the costs to their customers. Charges can be at the airport level or from entities like NAV CANADA to ensure that services are adequately supported. These charges depend on the route, whether local, domestic, or international. They include:

- airport improvement fees;
- NAV CANADA fees; and

- the Air Travellers Security Charge.

While he indicated it was difficult to generalize and that it would depend on the specific route, Mr. Hutton was of the opinion that despite these additional fees, "the majority of the ticket price represents the actual cost of the service for the airline."

The Actual Cost of a Ticket

As Mr. Gradek explained to the Committee, prior to the deregulation of passenger air services in the 1990s, Transport Canada or the Canadian Transportation Agency were required to validate any price increase that was proposed by a carrier. These prices had a direct relationship to the cost to the carrier of actually flying passengers on the route. Since deregulation, prices are determined by the market. As such, non-competitive markets necessarily have higher prices. Mr. Gradek suggested that, as the market has evolved over the past several decades, the relationship between price and cost is no longer clear.

Mr. Hutton described this market-driven approach as "a key characteristic of air services in Canada, and a primary goal of the *Canada Transportation Act*." He explained that the price of any particular ticket would involve many factors, including the following:

- the cost of operating air services;
- the number of passengers on a particular flight;
- the price of operating the aircraft;
- fuel charges; and
- labour costs for the pilot, staff, maintenance, etc.

Mr. Rheault also provided a list of factors that airlines would use to determine the price of a ticket:

- market conditions;
- available inventory;
- supply and demand in respective markets; and
- the type of aircraft flown in specific cities.

According to Mr. Gibbons, Canadian airlines have generally kept prices stable and constant, despite "across-the-board" cost increases. Meanwhile, Mr. Jones described the "Flair model" as keeping costs as low as possible and passing that on to customers in the form of lower fares. He explained that this is achieved by running an efficient business and by providing choice to customers around what they are being charged for.

Mr. Gradek defined the term "junk fees" as broadly applying to "fees that are over and above whatever you pay as your base fare in an airline context." Examples of "junk fees" include seat selection, carry-on bags, or checked baggage. These fees, he explained, are neither new, nor insignificant, as they can comprise a significant portion of a low-cost carrier's revenue. In fact, he predicted a continued proliferation of this type of fee, since "[j]unk fees are an important part of the business."

"Drip pricing," as Mr. Callaghan indicated, refers more specifically to a tactic whereby a consumer is shown an initial price for a product only for that price to be inflated by a series of additional fees, to the point that it exceeds what the consumer would initially have considered affordable. Mr. Callaghan explained that drip pricing rules are not specific to airlines but exist to ensure that consumers are not misled and understand the full amount of the price they will pay for a final product.

Air Navigation Fees

In its brief to the Committee, NAV CANADA explained that its service charge structure is outlined in the *Civil Air Navigation Services Commercialization Act*. As such, the charges must be transparent and set in consultation with customers and they cannot generate revenues that exceed NAV CANADA's current or future financial requirements for providing services (based on reasonable and prudent projections).

NAV CANADA also explained that its most recent service charge increase was necessary to address the increased debt assumed during the pandemic. Although passenger air travel was reduced by 80% during the pandemic, NAV CANADA was required to maintain full levels of service. As its services are not easily scalable to reflect varying traffic levels, and as its service fees are charged to aircraft operators, it suffered significant shortfalls in revenue.

Nevertheless, NAV CANADA stated that its current service charges remain lower than the air transport tax that was paid by air travellers prior to privatization. It has also undertaken an overall rate reduction as of 1 January 2024, and it estimates its service charges are now more than 50% below the cumulative change in the Consumer Price Index since the inception of the user-pay model.

When asked about the feasibility of moving NAV CANADA under Department of Transport's funding umbrella as a means of reducing airport fees, Mr. Gradek replied that it was possible, but expressed some caution. He described NAV CANADA as "exemplary" in terms of its investment profile and self-management and he stated that it is considered one of the better-run air navigation services worldwide. He also added that, in the United States, a lack of funding in air navigation services was becoming apparent and he expected that the current governance structure was therefore likely to change.

Security Fees

Mr. Hutton explained that security fees are used to help offset the costs associated with security services, such as CATSA. As representatives of Air Canada and WestJet reminded the Committee, these fees recently rose by just under 30%.[22] For context, Mr. Rheault indicated that this has resulted in security fees of $34 CAD for an international flight, while similar fees in the United States would be no higher than $5.60 USD (roughly equivalent to $7.66 CAD at the time of his appearance before the Committee).

Mr. Gibbons suggested that it was unclear exactly how these fees are used within CATSA's budget allocation. He recommended greater transparency in this regard, particularly as the cost of the fees are borne by the customer.

Airport Improvement Fees

Mr. Hutton explained to the Committee that airport improvement fees are charged at the local level based on a formula that is set by the federal government. He added that these fees help ensure infrastructure improvements which are generally important to ensuring multimodal connections with air services, such as projects to reduce roadway congestion and improve public transit connections with airports.

Mr. Jones argued that airport improvement fees are unusual in that they require a consumer to pay for a potential future benefit: "You wouldn't go and buy a car now and pay extra to General Motors for what development they might do for the future." In his view, while certain airports have independently chosen to reduce the costs of these fees to attract smaller airlines, there is no general incentive for them to do so.

22 TRAN, *Evidence*: Rheault; and Gibbons.

The Carbon Tax

When asked about the federal carbon pollution pricing system[23] in relation to air services, Mr. Gibbons responded that it applies only to travel within a single province, not to interprovincial flights.

THE USER-PAY MODEL

According to Mr. Hutton, the establishment of the current user-based system, in which the cost of running the air transportation system is covered by those who use it, was a conscious political decision. The purpose, he explained, is to ensure that "taxpayers more broadly aren't saddled with the costs of running our air system." Nor is Canada alone in following this system, as he indicated that a user-pay model is also a feature of the U.S. system.

Several witnesses, however, expressed varying levels of reservation, concern, or opposition to the current system. Mr. Gradek, for example, expressed the view that, while the user-pay model worked well when it was designed and throughout the 1990s and early 2000s, it "doesn't work anymore." As air travel is increasingly perceived as essential and given a lack of viable alternative modes of transportation, he told the Committee that air services, including airport infrastructure, are seen throughout the world as "an economic weight that has to be borne by the countries themselves."

On a similar note, Mr. Morrison likened air travel to the education system in having a generally positive impact on all Canadians, not just people who fly. Meanwhile, Mr. Gibbons pointed to the apparent incongruity of heavy federal subsidies for passenger rail service, which does not extend to many regions of the country that are served by air travel. He recommended that a review of fees should include comparisons with how other modes of transport are treated.

According to Mr. Ebrahimi, the user-pay principle results in wealthier people having the right to air travel while others "have to stay home." He added that his main concern with the current system is that money raised through the user-pay system in Canada is not being reinvested into the air transportation sector: "If we taxed airlines and passengers to try and provide adequate infrastructure, I might even say that it's for a good cause, but that's not even the case."

23 Since this study took place, as of 1 April 2025, the consumer carbon price has been removed, although industrial carbon pricing remains in effect.

In fact, Mr. Rheault suggested that the current system does not follow a user-pay model, since the revenue taken from the industry (including airport rents and the excise tax on jet fuel) is not being reinvested. He added that the United States, in contrast, has a trust fund for the air industry that is used to reinvest funds in infrastructure. He suggested that this model of government support was justified by the public benefit provided by air travel.

Dr. Roy clarified that he was not opposed to the principle of the user-pay model, stating: "Air travel is a very expensive mode of transport. It is only natural that users should pay." He stressed the distinction, however, between leisure travel and regional routes that are essential for those living there. Mr. Ebrahimi agreed, adding that the model is not just "to pay people to go lie on the beach," and that air travel is a "productive sector" that generates economic activity.

Mr. Morrison also wanted to be clear that the NACC was not opposed to the user-pay model, nor, he added, was it asking for subsidies to the air transportation sector. Rather, he recommended a "more competitive balance" of the user-pay system.

Meanwhile, representatives from both Air Canada and WestJet were categorical in stating that "[n]o one is saying that" the Canadian public should subsidize the air travel sector.[24]

Subsidizing Regional Travel

Specific subsidies for regional routes, however, were discussed throughout this study. Some witnesses referred to a particular program by the government of Quebec which provided access to discounted fares for regional routes.[25] Incentives from the provincial government allowed carriers to fix ticket prices at $500, allowing passengers to choose which carrier they wanted to fly with, while keeping prices affordable.[26]

When asked about this program, Mr. Gibbons suggested that the issue of high fees should be addressed prior to any discussions about government subsidies. Mr. Ebrahimi similarly expressed the view that the provincial program had not resolved the underlying problem of lack of demand and therefore was not a long-term solution. He added, when asked, that the program had "not really" affected service quality.

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24 TRAN, *Evidence*: Gibbons; and Rheault.

25 Since this study took place, the Government of Quebec has modified its program to support regional flights. The testimony heard does not necessarily reflect the newly modified program.

26 TRAN, *Evidence*: Rheault.

Mr. Hutton indicated that Transport Canada expects the results of the provincial program to be "instructive," while adding that there are many possible ways forward, such as subsidizing a route to get a route guarantee.

Mr. Lawford agreed that there are many possible solutions, while also expressing that, in general, the lack of connection in northern, rural, and remote regions in Canada is "somewhat shameful" and is "holding back industry and people's social and economic life." He stated:

> I think sneaking in some direct taxpayer support of the airline industry is appropriate. It does benefit all Canadians. Whether you travel on a plane or not, it doesn't matter. Your doctor probably does, and your food probably comes in that way. There are all sorts of other benefits economically to having air connection across the country.

According to Mr. Gradek, any program to subsidize remote and necessary air travel should give first priority to northern communities that rely on air services. He suggested that provincial governments would have more awareness of the specific needs of regions and communities and have been responsible for the existing infrastructure and as such should be providing the first level of support. Nevertheless, he added that the federal government also needs to provide "a corresponding backstop" to funding services.

Some witnesses suggested learning from the experiences of other countries in ensuring regional air connectivity. Dr. Roy, for example, pointed to the United States and Europe. Mr. Moore referred to Morocco, where the government has played a role in creating a tourism hub through infrastructure investments, then encouraging a greater number of flights to that region. This model, he explained, could also be used around an industry hub, rather than tourism.

Mr. Ebrahimi described a similar model used in Scandinavian countries that is based on the view of air travel as a driver of regional development. Quebec regional airports, he explained, lack tourism infrastructure such as car rentals and hotels. Meanwhile, Danish regional airports have created demand by encouraging economic development around them, and Norwegian regional airports, even in very remote northern regions, act as hubs for the development of industrial zones, with the participation of local stakeholders. Businesses were encouraged to establish around the airport, boosting the airport's activity and stimulating the economy, thereby creating demand. Once demand is created, Mr. Ebrahimi suggested, the regional economic activity becomes permanent.

Mr. Gradek agreed that that Scandinavian countries could provide lessons to be learned in terms of subsidized regional air travel, but he argued that Canada has enough experience in providing air services in the North that a Canadian solution should be

feasible: “We just have a lack of will, direction or intestinal fortitude—for lack of a better term—to make something happen.”

Mr. Jones suggested that one option among many could be a revenue subsidy that airlines can bid on: “a very transparent subsidy that the most efficient airlines will be able to make the most of.”

Dr. Lukács suggested that subsidies be targeted to specific routes and airports while being blind to the carrier that would operate them in order to generate competition for routes that are not currently profitable. Selection of these routes and airports should be based on real-life data and economic analysis to ensure that each subsidy has a net-positive effect on tax revenues and provides maximum benefit to taxpayers, while also targeting the lowest fare classes to incentivize low fares. He was clear, however, that “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.”

Dr. Lukács also added that his proposed subsidy system, focused on the route and carrier-neutral, would be preferable “as long as no one carrier engages in unfair competition or anti-competitive practices.”

APPENDIX A:
LIST OF WITNESSES

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

44th Parliament – 1st Session

Organizations and Individuals	Date	Meeting
As an individual	2024/04/30	111
John Gradek, Faculty Lecturer and Program Coordinator, Aviation Leadership, School of Continuing Studies, McGill University		
Karl Moore, Associate Professor, McGill University		
Jacques Roy, Full Professor, HEC Montréal		
Université du Québec à Montréal, International Aeronautics and Civil Aviation Observatory	2024/04/30	111
Mehran Ebrahimi, Director and Professor		
Abbotsford International Airport	2024/05/02	112
Parm Sidhu, General Manager		
Air Canada	2024/05/02	112
David Rheault, Vice-President, Government and Community Relations		
Air Transat	2024/05/02	112
Howard Liebman, Vice-President, Government Relations		
Flair Airlines Ltd.	2024/05/02	112
Stephen Jones, President and Chief Executive Officer		
National Airlines Council of Canada	2024/05/02	112
Jeff Morrison, President and Chief Executive Officer		
WestJet Airlines Ltd.	2024/05/02	112
Andrew Gibbons, Vice-President, External Affairs		

Organizations and Individuals	Date	Meeting
Abbotsford International Airport	2024/05/07	113
Parm Sidhu, General Manager		
Air Passenger Rights	2024/05/07	113
Dr. Gábor Lukács, President		
Department of Transport	2024/05/07	113
Craig Hutton, Associate Assistant Deputy Minister, Policy		
Jennifer Little, Director General, Air Policy		
National Airlines Council of Canada	2024/05/07	113
Jeff Morrison, President and Chief Executive Officer		
As an individual	2024/05/09	114
Dr. Barry Prentice, Professor, Transport Institute, University of Manitoba		
Competition Bureau Canada	2024/05/09	114
Bradley Callaghan, Associate Deputy Commissioner, Policy, Planning and Advocacy Directorate		
Melissa Fisher, Deputy Commissioner, Mergers Directorate		
Public Interest Advocacy Centre	2024/05/09	114
Myka Kollmann, Articling Student		
John Lawford, Executive Director and General Counsel		

APPENDIX B:
LIST OF BRIEFS

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

44th Parliament – 1st Session

Airlines for America

Canadian Airports Council

Greater Saskatoon Chamber of Commerce

National Airlines Council of Canada

NAV CANADA

REQUEST FOR GOVERNMENT RESPONSE

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

A copy of the relevant *Minutes of Proceedings* (Meeting No. 7) from the 45th Parliament, 1st Session and (Meetings Nos. 111, 112, 113 and 114) from the 44th Parliament, 1st Session is tabled.

Respectfully submitted,

Peter Schiefke
Chair

Bloc Québécois Supplementary Report entitled:
“State of airline competition in Canada”

Tabled by Member of Parliament Xavier Barsalou-Duval before the Standing Committee on Transportation, Infrastructure, and Communities (TRAN) on September 26, 2025

The Bloc Québécois MP Xavier Barsalou-Duval hereby submits a supplementary report to the report of the Standing Committee on TRAN adopted on September 23, 2025. The Bloc Québécois partially agrees with this report, but believes that the final recommendations do not adequately and directly address the major challenge posed by the concentration of the airline market.

The Bloc Québécois supports the requests made by several witnesses to review the Minister of Transport's absolute power to approve or reject mergers between airlines. Several of them expressed concern about “the approval of mergers despite the recognition of a lack of competition” as Mr. Ebrahimi pointed out. Currently, the minister can request a review by the Competition Bureau, which assesses the public interest. However, it is up to the minister to decide based on the report produced.

We understand the political reservations associated with a possible complete transfer of this decision-making power from the minister to the Competition Bureau, especially since the latter, although independent, reports to the Department of Justice, and it is ultimately elected governments that remain accountable to the public. We also recognize that the minister takes into account “a broader set of factors” and that the public interest may justify the consideration of various criteria. On the other hand, the democratic principle also implies that elected officials may sometimes make questionable choices.

However, despite the absence of definitive solutions, we question the possibility of establishing stricter guidelines governing the minister's discretionary power in approving mergers. This question is based in particular on a recurring point raised by several witnesses: market concentration, embodied by the Air Canada-WestJet duopoly, which highlights the difficulty for smaller competitors, particularly at regional and remote airports, to enter the aviation ecosystem and survive.

In a context where new companies are finding it difficult to gain a foothold in the domestic market, this exclusive right of the minister to decide on mergers appears to be an obstacle to respecting passenger rights. Reasonable and judicious measures must be considered to strengthen air competition in Canada, including in circumstances involving airline mergers.