

ATAC COMMENTS ON THE COMPETITION BUREAU'S STUDY OF CANADA'S AIRLINE INDUSTRY

The Competition Bureau is defining the scope of its market study on the competition in Canada's airline industry to be released in July 2025. The study is to focus on three main questions.

What is the state of competition in the Canadian airline industry?

It is critically important that the Competition Bureau distinguish among the various segments of the commercial air transport markets in Canada. The northern, rural and remote regions of Canada face an entirely different reality than that of the major market destinations in Canada. The state of the competition is very different, as are the levels of service offered, the equipment needs and the quality of aviation infrastructure.

The Competition Bureau must recognize that the user-pay model cannot be applicable to those markets as it cannot sustain service to those regions that often depend entirely on aviation.

The study of the northern, rural and remote markets should focus less on the state of competition than on the quality of the infrastructure required to not only grow the market but to maintain the current level of service and safety. Maintaining services in certain small markets is often a greater preoccupation than the presence of strong competition.

How can Policymakers Further Support Airline Entry and Expansion?

Reinvesting a majority, if not all, of its aviation generated government revenues back into aviation infrastructure would certainly help sustain Canada's air industry. We do not stand a chance of being competitive if the Government continues to see aviation as no more than a cash cow.

The high cost of operating air services in Canada is affected by many factors, a significant portion of which are fees and charges added directly to the price of tickets or indirectly through fuel excise taxes, carbon taxes, airport taxes, regulatory costs, outrageous APPR compensation and charges, and non-subsidized services. These cumulative costs make it impossible for airlines to offer competitive services in Canada, compared to other markets, or other modes of transportation.

The Canadian market is huge geographically but with a relatively small client base, making it very difficult to operate efficiently. Although that is the case for all of Canada, the north is

particularly impacted by that reality. Competition in the north is greatly limited by a number of factors, a major one being the limited number of paved runways and limited availability of runway infrastructure such as high intensity runway approach and taxiway lighting etc., which really limits the type of aircraft that can be used. With the gradual but steady withdrawal of Boeing 737-200 Series equipped for operations on gravel runways, smaller less efficient aircraft must be used to service those communities. Given their smaller payloads, more of the smaller aircraft are needed, which means more pilots and maintenance personnel, none of which are readily available. Government investment in airport infrastructure in the north is long overdue and badly needed.

Canada is served by carriers of all sizes, all of which play an important role in the connectivity, both domestic and international. Policies should not be drafted with only the largest carriers in mind but consider the smaller size, structure and complexity of the other carriers in the air transport mix serving Canadians.

The key to promoting greater competition in the Canadian airline industry is a thorough understanding of our air travel industry needs, infrastructure and market. The various segments of our industry require made-to-measure policies tailored to their size, complexity and potential to provide the air service Canadians need and deserve. It would be disastrous to once again suggest that cabotage is an option for air travel in Canada. That would literally be a quick death sentence for the airline industry in this country and the thousands of direct and indirect jobs it supports.

How can Policymakers Further Support Consumers When Shopping for Airfares?

The concept of low-cost carriers is unsustainable and an impossibility in Canada if we continue to operate solely on a user-pay model. Imposing the cost of aviation security, airport infrastructure and air navigation solely on passengers and airlines just adds to making this country a high-cost market.

The Government must develop a greater knowledge of the structure and fabric of our industry and its vastly different components if it is to act as a significant stakeholder in a collaborative effort to increase competition in Canada. It must recognize that some of the market segments are just too small to sustain greater competition and must be supported by Government to ensure reliable service and accessibility for its citizens.