



**NACC**  
National Airlines  
Council of Canada

**CNLA**  
Conseil national des lignes  
aériennes du Canada

June 14, 2024

Mr. Matthew Boswell  
Commissioner of Competition  
Competition Bureau of Canada  
50 Victoria Street, Room 2414  
Gatineau, Québec J8X 3X1  
*Via Email: [commissionerofcompetition-commissairedeconcurrence@cb-bc.gc.ca](mailto:commissionerofcompetition-commissairedeconcurrence@cb-bc.gc.ca)*

Dear Commissioner,

**Re: Draft Market Study Notice—Competition in Canada’s Airline Industry**

On behalf of the National Airlines Council of Canada (“NACC”), we are pleased to offer our comments on the proposed terms of reference for a market inquiry into the state of competition in Canada’s airline industry, which were published on the Competition Bureau’s website on May 27, 2024. We understand that pursuant to subsection 10.1(4) of the *Competition Act*, the Commissioner will consider any comments received from the public before submitting the final terms of reference to the Minister for approval.

NACC represents Canada’s largest passenger airlines—which includes Air Canada, Air Transat, Jazz Aviation LP, and WestJet. Our mandate is to advocate for safe, accessible, environmentally responsible and competitive air travel by promoting the development of sound public policy and engaging with government and industry stakeholders.

Canada’s airlines welcome competition. Our member airlines are fierce competitors amongst themselves, and collectively our vision is an aviation system in which all airlines that operate in the Canadian market have an equal opportunity to succeed, grow, and thrive.

The House of Commons Standing Committee on Transport, Infrastructure and Communities held meetings between April 30<sup>th</sup> and May 7<sup>th</sup> in connection with its study on the State of Airline Competition in Canada. Many experts who appeared before the Committee during this study shared their concerns about the funding system which is currently underpinning the Canadian air



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passenger travel system. We agree with them that this funding system is flawed, placing Canadian airlines at a competitive disadvantage, especially in relation to international counterparts. The Canadian air passenger system is stated to be based on a “user pay” model. However, in its current form, the system over collects from users, and lacks transparency and oversight. In particular, NACC believes that the fees, taxes, and rents collected from “paying users” should be fully reinvested back into service and infrastructure to the benefit of the air transportation system, as one would expect in a “user pay” model—however, this is not currently the case.

As currently structured, the Canadian fiscal and regulatory air travel framework penalizes both travellers and air carriers who must pay elevated fees, taxes and other charges compared to other jurisdictions. When added up, this results in higher airfares and undermines airline competitiveness in Canada—especially in comparison to the majority of international jurisdictions, including the United States.

As such, NACC recommends that the Commissioner’s proposed terms of reference which will define the scope of the market study be focused on the wider systemic challenges and factors that inform the current Canadian air travel journey system. These include, but are not limited to:

- The impact of third-party fees and charges along with the associated level of transparency and accountability provided to users, service providers and governments;
- The onerous impacts of existing and forthcoming regulatory requirements under the *Air Passenger Protection Regulations* and the associated cost recovery provisions under consideration by the Canadian Transportation Agency;
- Level of investment in Canada’s airport infrastructure; and
- The impacts of additional regulatory requirements, including with respect to labour costs and absenteeism, as a result of flight duty time regulations and statutory leaves, respectively.

These are major factors that network carriers, regional carriers, new entrants, low-cost carriers and ultra low-cost carriers have all identified as significant impediments to a more robust competitive environment in this country.

In support of this, we offer brief examples of the challenges inherent in Canada’s air passenger system:



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- It is estimated that Canada's airports pay over \$400 million more in rent to the federal government than they receive in support, hampering airports' ability to invest in infrastructure.
- When added together, the cost of third-party fees and charges on an average domestic Canadian airfare can range from \$130 to \$160; the equivalent charges in the United States are less than half these amounts, and all taxes and fees collected in the US are re-invested in relevant infrastructure.
- A growing list of stakeholders, including provincial Premiers, municipalities, large and small airports, labour associations, tourism groups and others, have raised concerns that if proposed amendments to the *Air Passenger Protection Regulations* proceed, as well as a proposed "cost recovery" levy, air travel costs will increase, and regional and remote connectivity will be threatened.
- According to the Canadian Airports Council, over 5 million Canadian passengers are estimated to cross the border by land in order to fly from US airports because of the cost burden inherent in the Canadian system.

It should be noted that many of the issues outlined in the Commission's draft terms of reference document were analyzed in a report commissioned by and produced for the Government of Canada entitled "*Pathways: Connecting Canada's Transportation System to the World*", known as the Emerson Report. We would encourage you and your team to thoroughly review the report and utilize it as a guide, as many of the findings remain relevant in the current context.

With a focus on the anti-competitiveness elements of the overall air transportation system, NACC would further recommend that Canada be benchmarked using an evidence based approach against other jurisdictions, including the United States, the European Union and Australia. We believe there are lessons that can be learned from the experience of similar countries and regions.

Lastly, we have noted in the proposed terms of reference that one of the items being considered is "impediments to informed customer choice". We presume that this item was included in response to the announcement in the 2024 Federal Budget to "strengthen transparency of fees for optional services charged by airlines". As NACC stated publicly in response to the Budget, our member airlines are fully transparent in regard to the options that consumers have when booking a flight, and our members are subject to, and adhere, to regulatory requirements in this regard. As such, given the many pressing challenges facing the Canadian air travel sector, we would suggest that this issue remain outside the proposed terms of reference.



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Thank you for taking the time to review these recommendations. NACC would be pleased to meet with you further to discuss our views in more detail.

Yours truly,

Jeff Morrison  
President and CEO  
National Airlines Council of Canada

CC : The Hon. Pablo Rodriguez, Minister of Transport  
The Hon. François-Philippe Champagne, Minister of Innovation, Science and Industry