



December 11, 2024

Members of the Council of the Federation
Sent via email

Dear Provincial and Territorial Premiers,

On behalf of the signatory organizations to this letter, we are writing you in advance of your December 2024 meeting to seek your support in advocating for a more competitive and cost-effective air travel system for all Canadians.

Over the past year, several provinces have voiced their concern with federal aviation policy. The four Atlantic Premiers wrote to the then-Minister of Transport in January expressing concern with the impact the Canadian Transportation Agency's (CTA) July 2023 Air Passenger Protection Regulations (APPR) proposals would have on the cost of air travel and regional connectivity. In October, the Government of Alberta included a comprehensive report as part of their response to the Competition Bureau's consultation on competition in Canada's airline industry, explicitly recognizing that Canada is one of the highest cost jurisdictions in the world in which to operate, citing high federal fees and charges, and a burdensome regulatory framework. In November, the Premier of Newfoundland and Labrador followed up to highlight the federal fees, charges, and taxes that contribute to a disproportionately higher air travel costs for the residents of his province. We thank all those jurisdictions who have raised these concerns with the federal government.

The lack of competitiveness in the Canadian air travel system will be exacerbated if overly costly reforms proposed by the CTA are enacted, including:

- Proposed regulations to the APPR regime that would add significant costs to air travel in Canada, and would threaten regional connectivity by putting regional routes with low margins at risk.
- A 'cost recovery' proposal that would require airlines to pay \$790 for each claim submitted by passengers to the CTA, regardless of the outcome or determined responsibility of the



airline, adding significant cost to air travel and further threatening the viability of regional routes.

The federal government argues these reforms will improve airline performance. However, a decade of experience in the European Union—whose model Canada seeks to emulate—shows no significant performance improvements with rigid passenger rights rules. Notably, since the removal of COVID-19 restrictions in 2022, Canadian airline performance has improved without government intervention.

In addition, as the Canada-US relationship will be the main topic of discussion during your meeting, we would like to underline the important role airlines play in reinforcing the ties between our countries, in terms of tourism, trade, investment and strategic priorities. However, despite the importance of the transborder market, US airlines are not returning to Canada at pre-pandemic levels. In fact, for the winter 2024-2025 season, US airlines'¹ capacity into Canadian markets will be reduced by 11% versus the same period pre-pandemic, and down 40% in markets outside major hubs (Toronto-Pearson, Vancouver, Montreal-Trudeau and Calgary). According to Airlines For America (A4A), "Costs and burdensome regulatory requirements (and proposed additional regulatory requirements) in Canada can be considered among barriers of expansion and entry into the Canadian market." This represents a significant loss of connectivity for Canadian communities, and further restrictive APPR and/or cost recovery regulations will only further negatively impact Canada's connectivity.

Canada has a proud history as a global leader in aviation, as evidenced by the fact that Montreal has been home to the International Civil Aviation Organization (ICAO) for over 80 years – and Canada's record in aviation safety is second to none. With meaningful reforms, Canada's aviation system can also be among the most sustainable, accessible, and cost-effective globally.

During your upcoming meetings, we are asking provincial and territorial leaders to convey two key messages to the federal government:

- A full review of all federal fees, charges, and taxes in air travel is required in order to enhance the competitiveness of the Canadian air travel system.

¹ Includes Alaska Airlines, American Airlines, Atlas Air, Delta Airlines, Hawaiian Airlines, JetBlue, Southwest, and United Airlines.



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- Costly initiatives as the CTA’s proposed \$790 ‘cost recovery’ levy or unbalanced reforms to the APPR regime must be postponed, as they will not improve air travel, instead burdening passengers with additional cost while threatening regional connectivity.

Thank you for your ongoing support for Canada’s air travel sector. We look forward to reviewing the outcome of your upcoming meetings.

Yours truly,

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John McKenna
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CC: Hon. Anita Anand, PC, MP, Minister of Transport