Ready for take-off: the economic case for reducing aviation costs in Canada

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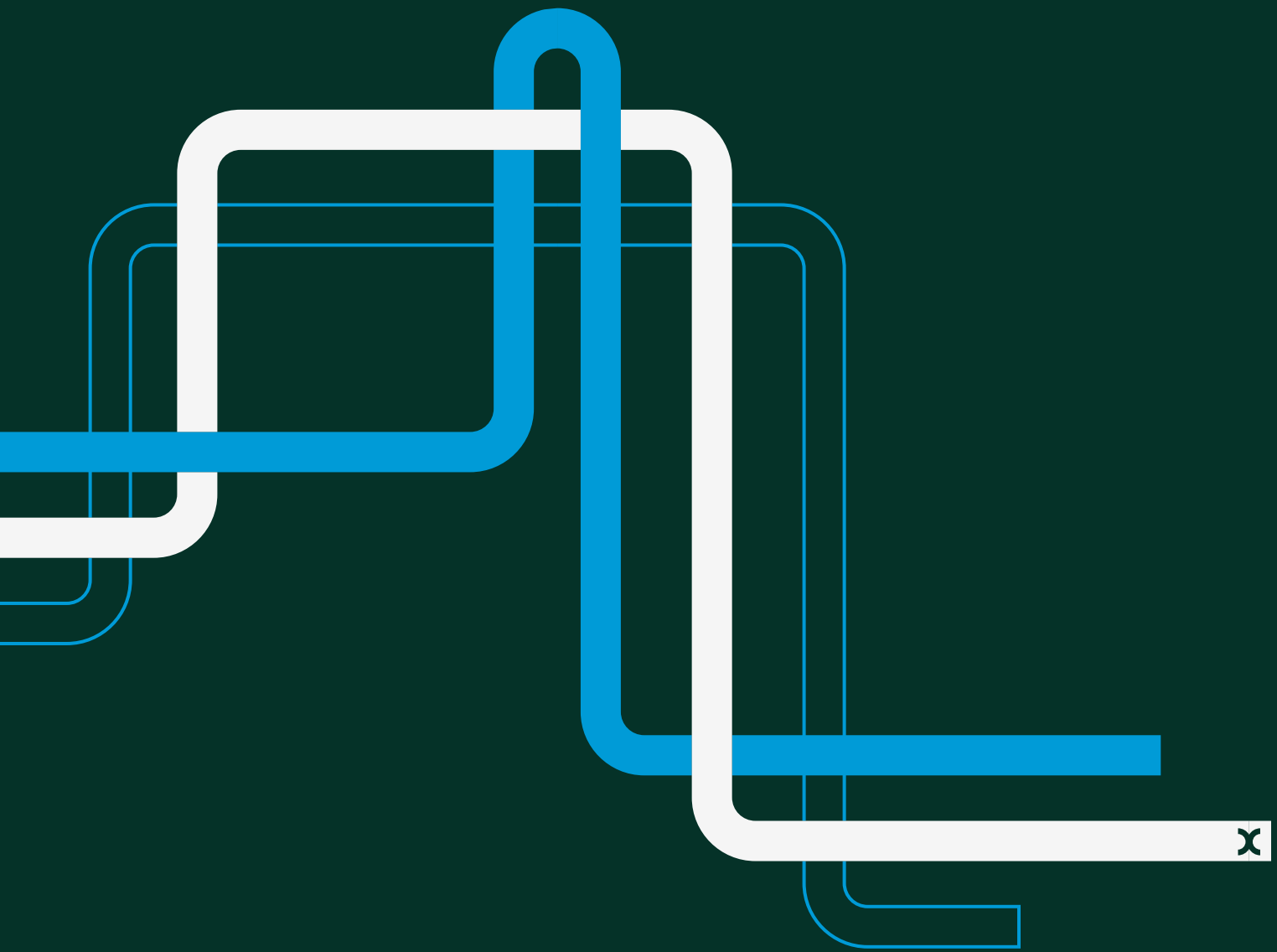
Report prepared for the National Airlines Council of Canada

11 February 2026



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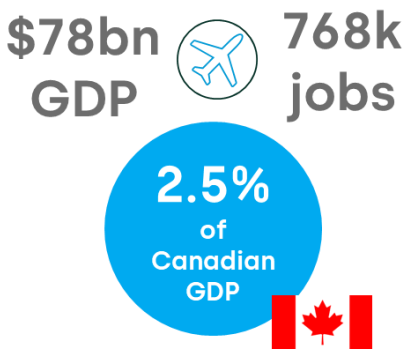
Figures and Tables

Executive summary

The National Airlines Council of Canada (NACC) has commissioned Oxera to undertake a study of the impact on the Canadian economy of taxes, fees, charges and regulations applied to the aviation sector.

The aviation sector is a significant contributor to the Canadian economy, transporting Canadians living in big cities and smaller communities, moving high value and urgent goods across the country, and connecting Canada to the rest of the world. Our analysis illustrates the economic importance of the aviation sector in Canada, which contributes $78bn in GDP, 768,000 jobs[1] and makes up 2.5% of GDP.[2]



In the context of current discussions around affordability for Canadian citizens and stimulating the Canadian economy, this study illustrates the economic benefits that could be unlocked by making Canadian air travel more accessible.

The study covers a range of economic impacts expressed in terms of gross domestic product (GDP) and number of full-time-equivalent (FTE) employees associated with aviation sector activity, as illustrated below.

[1] These figures represent the sum of all baseline economic impacts of the sector as estimated in the analysis in this report. This includes the sum of direct, indirect, induced, and catalytic (i.e. tourism) effects.
[2] Throughout the report, the dollar symbol '$' refers to Canadian dollars (CAD). References to US dollars are explicitly denoted as USD.

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Reducing aviation fees while ensuring investment in airport infrastructure

Taxes, charges and fees on airline tickets in Canada have been a recurring topic in public policy debates. Canada has a user-pays air travel model whereby users (airlines, passengers and airports) pay fees to cover (all or most of) the system's costs. In addition, the government imposes other costs on the industry, which feed into the Federal Government's general revenues, but which could otherwise be reinvested into the air transport system, as is the case in other countries. These include rents charged to National Airport System (NAS) airports, and sales and excise taxes.

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NAS airports pay up to 12% of their revenues each year to the Federal Government in the form of rent,[3] amounting to close to $500m in total.[4] This significant contribution could otherwise be re-invested in infrastructure, and initiatives to improve the passenger experience and cargo movement at Canadian airports. While, in other countries, such as the USA, charges, taxes and fees are pooled and used to pay for operations, infrastructure and research and development (R&D), the Canadian model requires airports to fund infrastructure investments by charging an Airport Improvement Fee (AIF). Changes to this system, which could include reinvesting the amount paid in rent or reinvesting (all or part of) sales taxes collected from the industry, could be ways to improve the affordability of air travel in Canada, while ensuring that airports receive the infrastructure investment needed to compete globally.

As noted in the Canada Transportation Act Review (2015):[5]

Canada is unique among its competitors in charging onerous rents and taxes that undermine competitiveness.

Indeed, according to benchmarking undertaken by AirTrav, the fees levied in Canada are among the highest when considering international comparators. These fees represent a significant proportion of the total price paid by passengers travelling within Canada, particularly in short-haul markets, raising the overall cost of air travel in Canada.

These findings align with Recommendation 6 of the House of Commons Standing Committee on Transport, Infrastructure and Communities, which calls on the Government of Canada to review all taxes and fees impacting the aviation sector and the costs passed on to passengers, and to assess their competitiveness relative to other jurisdictions.[6]

This assessment looks at the potential economic impacts of reducing these fees. We consider four case studies:

[3] Moreau, A. (2016), 'The charges and taxes that undermine the competitiveness of Canadian airport,' Montreal Economic Institute Economic Note, June, p. 2. Also see Greater Toronto Airports Authority (2025), 'Management's Discussion and Analysis and Condensed Interim Consolidated Financial Statements', 30 September, p. 10
[4] Government of Canada (2025), 'Public Accounts of Canada (2024)', Volume II: Details of Expenses and Revenues, Section 27: Transport, Revenues.
[5] Transport Canada (2015), 'Pathways: Connecting Canada's Transportation System to the World', Volume 1, Canada Transportation Act Review, February, p. 190.
[6] House of Commons Canada (2025), 'State of airline competition in Canada', October, p. 4.

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- reversing recent fee increases and reinvesting rents collected to reduce the AIF (Case 1);[7]
- bringing fees closer to levels seen in other countries (Case 2: Sweden and Case 3: USA);
- eliminating certain fees entirely, to illustrate the upper bound of the potential benefits from fee reductions (Case 4).

Changes to the Air Passenger Protection Regulations

Canada's Air Passenger Protection Regulations (APPR) regime was introduced in 2019 to establish a comprehensive framework of passenger rights on flights to, from and within Canada. The intent was for the Canadian Transportation Agency (CTA) to implement a consistent set of passenger rights on flights by defining airline requirements and obligations to passengers for flight delays, cancellations and other operational situations, with compensation varying according to the situation (e.g. the duration of any delay).

APPR has created a complex regulatory framework that is difficult for passengers to navigate, generating a high volume of complaints[8] and imposing administrative burdens on airlines that far exceed the government's initial estimates.[9] The regulatory requirements impose significant costs on airlines, which are ultimately passed on to consumers through higher fares and/or operational adjustments affecting airlines' services and network connectivity. In turn, this leads to a reduction in connectivity, reduced access to air travel and negative economic impacts. We estimate the costs of APPR at $675m, while the proposed reforms are forecast to increase these costs substantially, to $1,740m.

[7] Annex A5 also summarises the impact of a case study focusing only on the reduction in AIF.
[8] It was reported in June 2025 that the CTA had a backlog of complaints of over 85,000 claims, which could take over two years to be resolved. See CBC (2025), 'Air travel complaints backlog could soar to 126,000 by 2028, 23 June'.
[9] In responding to the CTA's consultation on its impact assessment of the APPR regime, several Canadian airlines and industry representatives noted that the CTA's estimates of airline costs of $2.75 per passenger were significantly underestimated and are up to ten times higher. See the cost–benefit analysis section of CTA (undated), 'Air Passenger Protection Regulations - Regulatory Impact Analysis Statement', section 12.

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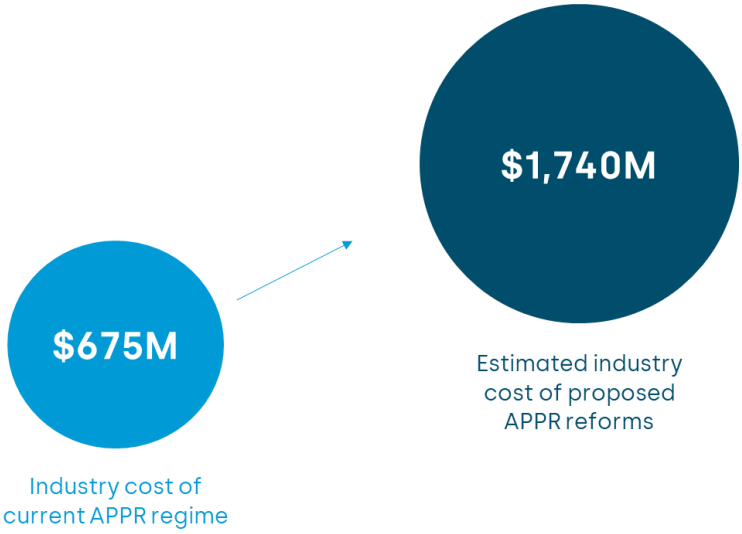

Note: Figures have been rounded to the nearest $5m. For further detail on how these APPR costs are calculated, please refer to section 4.3 of this report.
Source: Oxera.

In this assessment we consider the potential economic impacts from reducing APPR-related costs for airlines. We consider both the current APPR regime, but also the proposed amendments to the regime from December 2024 (referred to as 'APPR 2.0').

The economic footprint of third-party fees and the Air Passenger Protection Regulations

Our analysis shows that either reducing third-party fees or amending the APPR regime could generate large reductions in fares, increases in traffic, and ultimately significant benefits for the Canadian economy.

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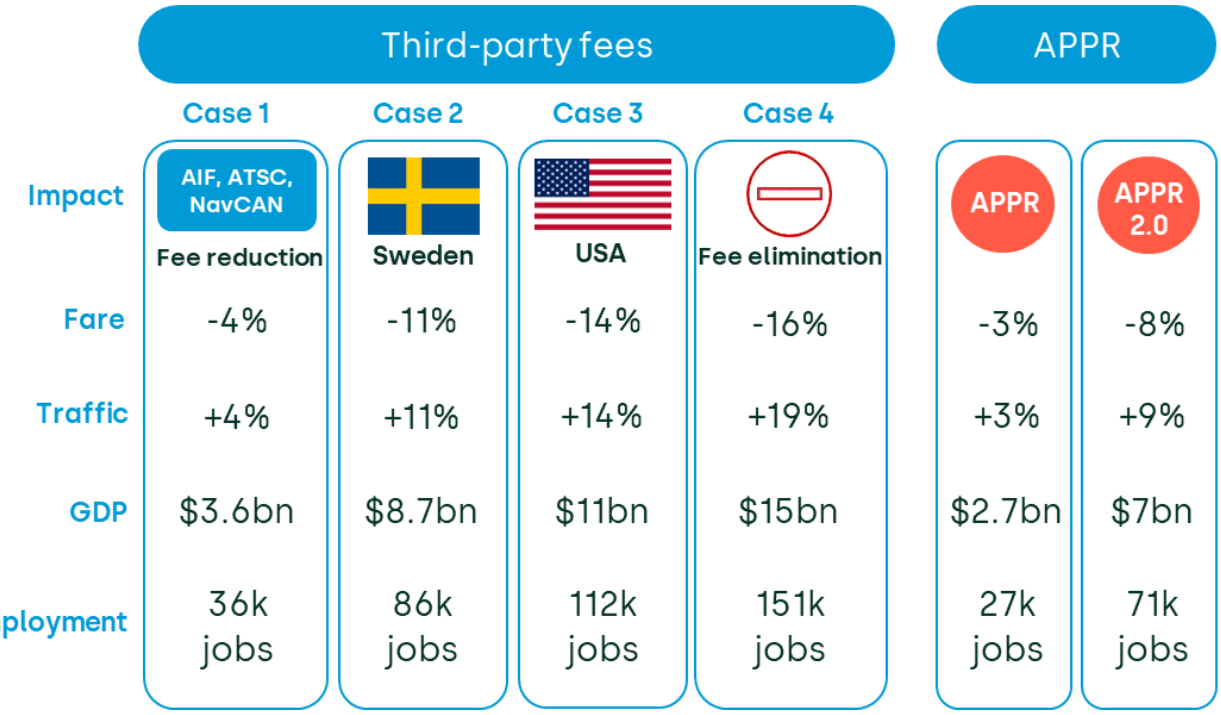

Note: The GDP and employment estimates are based on direct, indirect, induced and catalytic tourism effects. The APPR results shown assume 100% pass-through of APPR costs to airfares. The values presented have been rounded and exclude wider economic impacts (productivity, government revenues and trade).

We present the results of our assessment of third-party fees and APPR separately, as we analysed the impact of each of these two types of intervention individually. However, the combined effects of reducing third-party fees and amending the APPR regime are likely to be similar to the sum of their individual impacts, and could therefore be substantial.

The results above reflect the economic impacts of the increase in aviation traffic associated with fare reductions, based on average fares across all classes of travel. However, these impacts are more pronounced when focusing on entry-level economy fares, which account for an important share of the air tickets purchased in Canada. Our analysis shows that, for some major domestic routes, including some regional routes, aviation fees can represent over 45% of the total airfare. As the economy travel segment is typically more price-sensitive, these travellers stand to benefit substantially from the improved affordability of air travel resulting from a reduction in fees.

The Sweden case

With regard to third-party fees, Sweden can be considered a relevant comparator to Canada, as it is a country with a dispersed population and remote communities relying on air connectivity. Despite these similarities, Sweden has substantially lower aviation fees. The removal in July 2025 of the Swedish tax on air travel (*flygskatt*) to stimulate growth in the Swedish aviation sector is a noteworthy example of

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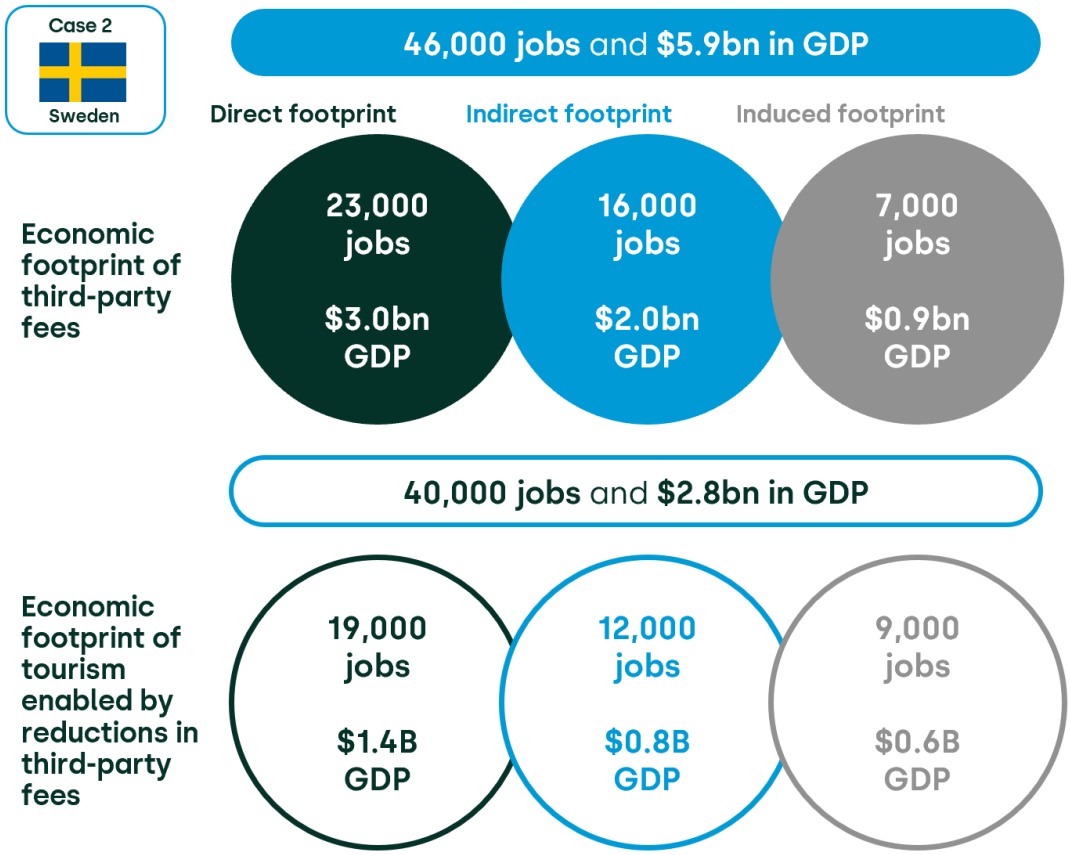
efforts to boost economic growth by lowering aviation taxes.[10] This was emphasised by Andreas Carlson, Minister of Infrastructure and Housing, who said: [11]

'[the decision to remove the flugskatt] will enable investments in Swedish aviation and market Sweden more competitive…[and ensure]…good accessibility throughout our long country'

If Canada were to lower its third-party fees, taxes and charges, in line with Swedish levels, this would generate significant economic benefits, as set out below.



Note: Values are rounded and exclude wider economic impacts (productivity, government revenues, trade).

By way of example, a family of four travelling on a return-trip from Toronto to Vancouver would pay approximately $251 less. For a family of

[10] See Skatteverket, 'Tax on air travel'.
[11] IATA (2024), 'IATA welcomes abolition of Swedish aviation tax', 3 September, last accessed 9 February

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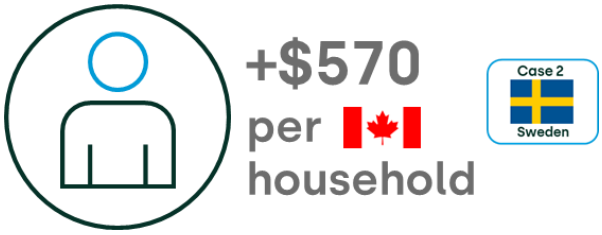
four travelling from Edmonton to Montreal return on entry-level economy-fare tickets, the saving would be $282.

To put these figures in context more broadly, the $8.7bn GDP impact (direct, indirect, induced and catalytic combined) is equivalent to approximately $570 per household when distributed across Canada's 15.3 million households.[12]



The wider economic impacts of making Canadian air travel more affordable

The economic benefits that flow from enhanced air connectivity extend well beyond the aviation sector itself. Improved accessibility generates productivity gains, supports internal and international trade, attracts foreign investment, and creates employment opportunities across the Canadian economy.

This additional activity within the country (through productivity benefits) and between the country and the world (through international trade) also benefit the national government, and in turn the provinces and territories, through an increase in tax revenue. As such, growth in air travel demand is a catalyst to unlock substantial benefits for national economies, not only directly by stimulating the aviation sector and its related activities (e.g. tourism, trade), but also more broadly through the wider economic effects of increased connectivity.[13]

Results from the assessment, presented below, show that these broader impacts are likely to be substantial, with increases in Canadian GDP of between $5bn and $30bn in productivity benefits, increases in the value of traded goods of between $34bn and $164bn and increases in tax revenue for the Canadian government of between $2bn and $10bn.

[12] GlobalData (2021), 'Total Households in Canada (2010–2021, Million)'.
[13] These wider economic impacts represent the broader potential effects of the initial intervention (e.g. reducing third-party fees or reducing APPR costs). As such, they are not additive to the estimated economic footprint (i.e. the direct, indirect, induced, and catalytic tourism). Adding the economic footprint to the wider economic impact estimates would risk double-counting benefits. They are also not additive to each other, as productivity-driven GDP growth may itself facilitate additional trade, meaning that these wider impacts are interconnected.

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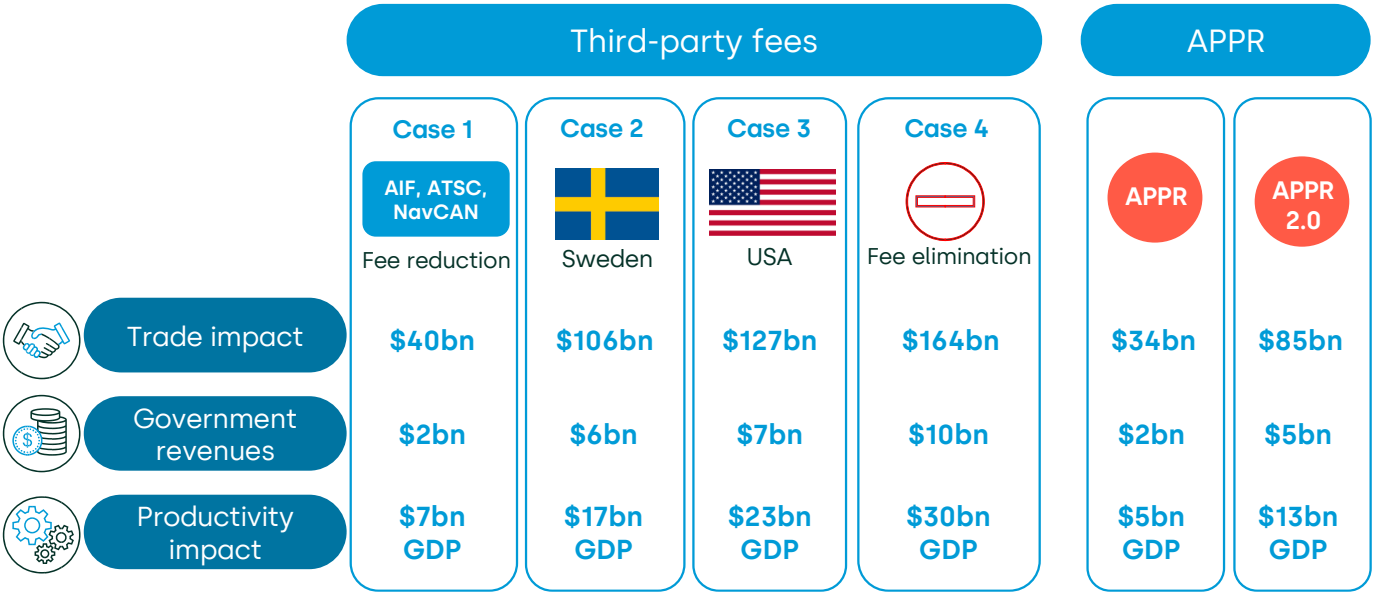

Although the impacts presented are not additive due to the risk of double-counting benefits, productivity benefits to the national economy can be considered as an upper bound for the benefits captured in this assessment. For example, the $17bn productivity impact would be indicative of the total benefits expected under Case 2.

Unlocking air travel demand in Canada by reducing third-party fees and the cost of regulations could generate significant benefits across Canada, from large cities to regional communities, and create a stronger and more productive economy.

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1 Introduction

The National Airlines Council of Canada (NACC) has commissioned Oxera to assess the impact on the economy of taxes, fees, charges and regulations applied to the Canadian aviation sector.

Air travel in Canada is subject to third-party fees, charges, and taxes, such as the Air Traveller Security Charge, the Airport Improvement Fee, an air navigation service charge, and consumption tax. Cumulatively, these add a significant sum to airfares, reducing the affordability of air travel both for Canadians and for international travellers seeking to visit or do business in Canada.

As part of the evidence base for this assessment, AirTrav was commissioned to undertake international benchmarking of aviation fees, charges, and taxes across comparable jurisdictions. AirTrav's analysis suggests that Canada's aviation fees, charges and taxes (hereafter referred to as 'fees' or 'third-party fees') are among the highest globally, raising questions about the competitiveness of the Canadian aviation sector and the broader economic impact of these fees.

In addition to these third-party fees, in 2019 Canada introduced a compensation regime for flight disruptions, establishing a comprehensive framework of passenger rights for flights to, from and within Canada. Proposed amendments to this Air Passenger Protection Regulation (APPR) framework (referred to as 'APPR 2.0') were published in December 2024. While the APPR is designed to protect passengers, it imposes costs on airlines that are ultimately reflected in ticket prices and/or airline operations, leading to impacts on service provision, network connectivity and economic activity.

With growing discussions around improving affordability and strengthening the Canadian economy, there is a timely opportunity to explore how different policy levers could stimulate economic growth and improve accessibility of air travel for passengers in Canada. This report therefore complements the Federal Government's recent decision to conduct a cross-departmental review of all federal regulations, by

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providing objective, data-driven evidence on the potential economic impacts of reducing aviation costs.[14]

In particular, this report illustrates what could be achieved through adjustments to aviation fees, charges, taxes and regulations such as APPR—i.e. lower costs for passengers, stronger demand for air travel, and wider economic, trade and supply chain benefits across the country. We quantify these elements to demonstrate what could be unlocked by making Canadian air travel more affordable, without pre-empting discussions on the specific fiscal paths or budgetary trade-offs that would achieve this objective. The government could consider how different levers might be deployed as part of a comprehensive aviation strategy that balances cost reduction and regulatory reform with necessary investments in infrastructure.

In this report, we quantify economic impacts by assessing the additional air traffic in the absence of these fees and regulations, and translating this traffic into broader economic effects.[15] These effects are measured through two key indicators:

- **employment** is defined as the employment of full-time-equivalent (FTE) employees supported by the additional air traffic;
- **gross domestic product (GDP)** is a measure of economic activity that represents the total monetary value of all goods and services produced within a country over a specific period.

The report is structured as follows:

- **section 2** gives an overview of the third-party fees and the four fee-reduction cases considered;
- **section 3** presents the economic impact of taxes, fees and charges applied in the Canadian aviation sector;
- **section 4** gives an overview of the APPR regime, looking at its key characteristics and the types of cost that airlines incur to comply with it;
- **section 5** presents our findings on the economic cost of the APPR regime. We assess the costs imposed on airlines by the

[14] In July 2025, the Canadian federal government announced a cross-departmental 'Red Tape Reduction' review aimed at modernising regulations and reducing administrative burdens. Government of Canada (2025), 'Government of Canada moves forward to modernize outdated regulations and reduce red tape', July.

[15] The economic impact presented here reflects the gross activity supported by the air traffic that is forgone due to these fees. In other words, it measures the total value of economic activity that would have been generated had the additional demand materialised, without adjusting for how labour, capital and other resources might have otherwise been redeployed elsewhere in the economy.

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compensation regime and translate these into economic impacts through their effect on airline operations, pricing and network decisions.

The Annexes set out further detail about the methodology and analysis.

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2 Setting the scene on third-party fees

2.1 Overview of third-party fees, taxes and other charges in the Canadian aviation sector

Since the 1990s, Canada's aviation sector has operated under a user-pays model, whereby aviation infrastructure, security and air navigation services are funded primarily through charges on airlines and passengers, rather than through general government revenues.

Canadian passengers face a range of taxes, fees and charges that are levied in addition to the airline's base fare. These fees are imposed by different levels of government and third-party entities, and have direct consequences for passenger demand, airline operations and the accessibility of air travel for Canadians.

The fees that account for the largest components of airfares in Canada are the Air Traveller Security Charge (ATSC), the Airport Improvement Fee (AIF), consumption taxes (goods and services tax (GST)/harmonised sales tax (HST)), fuel tax, and air navigation service (ANS) charges. While we discuss each of these fees below, in our analysis we focus on the ATSC, the AIF and the ANS charges, as the other fees are driven by broader tax policy (i.e. they are not specific to the aviation sector). Throughout this report, we use the term 'third-party fees' to refer to these non-tax charges (i.e. the ATSC, the AIF, and the ANS charges).

We also note that most of Canada's largest airports operate under long-term ground leases from the federal government, and the airports are required to pay substantial annual rent. These rent payments represent a major component of airports' cost bases. If these airports did not have to pay this (extent of) rent, such funds could be diverted to other uses (e.g. building infrastructure), meaning that other fees such as the AIF could be reduced. This is explored in more detail in the cases set out in section 2.3, while the other fees are described in more detail below.

Air Travellers Security Charge

The ATSC was introduced on 27 March 2002, through the Air Travellers Security Charge Act, in response to increased government expenditure on air travel security following the attacks on September 11 2001.[16] The charge is collected by airlines and varies according to the flight

[16] Government of Canada (2002), 'Air Travellers Security Charge Act', March.

itinerary. It is a federally mandated user fee levied on passengers flying on commercial flights originating from Canada, regardless of the point of sale. The charge is used to help offset the costs associated with security services provided by the Canadian Air Transport Security Authority (CATSA), and applies to both domestic flights and flights from Canada to international destinations.

While the ATSC is intended to offset the costs of aviation security services provided by CATSA, the revenues collected are remitted to the federal government and flow into general revenue.[17] As CATSA is funded through federal parliamentary appropriations rather than directly through ATSC revenues, this structure can weaken the link between the level of charge, the cost of service provision, and incentives for operational efficiency.

In May 2024, the ATSC was increased for the first time since 2010, leading to a 33% rise in the charge.[18] The 2025 federal budget subsequently established savings targets requiring a 15% reduction in CATSA funding over a three-year period, with no corresponding reduction in ATSC fees charged to travellers.[19]

Table 2.1 gives an overview of ATSC for various flight itineraries.[20] The ATSC is applied per enplanement.[21]

Table 2.1 Overview of current ATSC for flights departing from Canada by enplanement, 2025

	$
Domestic	9.46
Transborder[1]	16.08
Other international[2]	34.42

Notes: [1] Refers to a destination in the USA (except Hawaii) or the Territorial Collectivity of Saint Pierre and Miquelon.
[2] Refers to a destination outside of Canada, the USA (except Hawaii) and Saint Pierre and Miquelon.
Source: Government of Canada's website, 'Air Travellers Security Charge (ATSC) Rates'.

[17] NACC, 'Backgrounder: The Canadian Air Transport Security Authority (CATSA)'.
[18] Government of Canada website, 'Air Travellers Security Charge (ATSC) Rates'.
[19] Government of Canada website, 'Comprehensive expenditure review: Planned reductions by organisation'.
[20] Throughout the report, the dollar symbol '$' refers to Canadian dollars (CAD). References to US dollars are explicitly denoted as USD.
[21] We note for the purposes of our analysis that transit, connecting flight, and emergency services enplanements are not considered chargeable enplanements for the purpose of calculating ATSC fees.

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Airport Improvement Fee

The AIF is a per-passenger charge levied by individual airports on departing passengers. The charge was introduced in the 1990s as part of Canada's shift to a user-pays model for aviation infrastructure, allowing airports to raise capital for infrastructure projects and improvements directly from passengers, rather than relying on government funding.

The AIF, which is collected by airlines on behalf of airports, provides revenue to fund airport capital investment[22] alongside other funding sources available to airports, such as landing fees, concession revenues and debt financing.[23] AIF rates vary by airport and are set by airport authorities based on their capital investment needs and cost-recovery requirements. Unlike other charges, the AIF does not vary by destination, and applies to domestic, transborder and other international itineraries. Across Canadian airports, current AIF rates range from $0 to $46 per departing passenger, with most high-traffic airports charging more than $20.[24] These fees are also subject to sales taxes and are included in the calculation of rent payments (i.e. up to 12% of the amount collected is remitted to the federal government, and not reinvested in infrastructure).

Removing or reducing these fees would require the government to have in place new sources of revenue to support investment in airport infrastructure. For example, reinvesting rent amounts or (all or part of) sales taxes collected from the industry could be a solution to improve the affordability of air travel in Canada while ensuring that airports receive the infrastructure investment needed to compete globally.

Consumption taxes

Canada applies consumption taxes on commercial air transport originating from Canada, based on the point of departure rather than the point of sale.

All provinces and territories are subject to the federal GST at a rate of 5%. In provinces that have harmonised their provincial sales tax with the

[22] Although AIF is predominantly used to fund capital projects, some airports can also use the revenue to support operations.
[23] House of Commons Standing Committee on Transport, Infrastructure and Communities (2022), 'Enhancing the efficient, affordable operation of Canada's airports', Report 8, 44th Parliament, 1st Session, November, section 'Canadian Airport Governance and Cost Structure'.
[24] Annex A2 sets out the full list of AIF values by airport used in our analysis. Air Canada website, 'Airport Improvement Fee (AIFs): Canadian Destinations'.

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GST, a single harmonised sales tax (HST) applies instead; it is set at 13% in Ontario and 15% in the four Atlantic provinces (New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador).[25] In non-harmonised provinces, only the 5% GST typically applies to airfares, as provincial sales taxes are generally not levied on air transport.[26] The application of consumption tax to air travel contrasts with many international countries, where such taxes are often not applied to airfares.

The applicability of consumption taxes varies by route type and province of origin, as detailed in Table 2.2.

Table 2.2 Applicability of consumption taxes

Route	Consumption tax applied
Domestic	GST or HST applies to the Air Transportation Charge (ATC, i.e. the base fare with carrier surcharges), the ATSC and the AIF, with specific variations for Quebec-origin flights.[27]
Transborder	GST applies from provinces without HST to the ATC, the ATSC and the AIF (with no charges from Yukon, and to the AIF only from Northwest Territories). HST applies from all provinces with HST to the AIF only. QST applies to the AIF only for Quebec-origin flights.
Other international	Consumption taxes apply only to the AIF. GST applies from provinces and territories, excluding Quebec, to the AIF only. HST applies from all provinces with HST to the AIF only. QST applies to the AIF only from Quebec.

Source: Oxera based on Government of Canada website, 'GST/HST Information for the Travel and Convention Industry'; and Government of Canada website, 'Questions and Answers - Air Travellers Security Charge (ATSC) - How will the ATSC be calculated on the purchase of an airline ticket?'.

Air Navigation Service charges

NAV CANADA, Canada's air navigation service provider (ANSP), was created in 1996 as the world's first privatised civil air navigation system. NAV CANADA is a non-profit corporation that owns and operates

[25] Although Nova Scotia reduced its HST rate to 14% in April 2025, our analysis covers the 2024 period; therefore, we apply the 15% HST rate for Nova Scotia. Government of Canada website, 'Nova Scotia HST Rate Decrease – Questions and Answers on General Transitional Rules for Personal Property and Services'.
[26] In Quebec, the provincial Quebec Sales Tax (QST) applies separately from the federal GST. Both taxes are value-added and administered by Revenu Québec. Airfares for flights originating in Quebec are therefore subject to 5% GST plus 9.975% QST, rather than the harmonised HST used in other provinces.
[27] From provinces and territories excluding Quebec (without HST), GST applies to the ATC, the ATSC and the AIF. In provinces with HST, HST applies to these same components. For flights originating in Quebec, QST applies to the ATC, the ATSC and the AIF for one-way or return trips, with the AIF subject to QST only for the Quebec portion of a return trip originating outside Quebec.

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Canada's civil air navigation system. It was established by statute in accordance with the Civil Air Navigation Services Commercialization Act.[28]

NAV CANADA charges airlines directly. These charges fund terminal services (the airspace in the vicinity of airports), enroute flight control (for flights transiting through Canadian-controlled airspace, whether domestic or international), and support infrastructure and administration. The charges consist of two components—an enroute charge and a terminal charge—each calculated using a distinct formula based on the maximum take-off weight (MTOW) of the aircraft and distance.[29] This weight–distance structure means that larger aircraft and longer flights within Canadian airspace incur proportionally higher charges.

NAV CANADA's charges apply to Canadian airspace only. When a flight enters a different ANSP's airspace, different charging rates apply, typically following similar formulae but with different unit rates.

Air navigation services charged to Canadian airlines can be absorbed by airlines or passed on, in full or in part, to passengers. Since NAV CANADA's creation, some Canadian airlines have recouped these costs through surcharges on air tickets.[30]

Fuel excise tax

Canada levies federal excise taxes on aviation fuel under the Excise Tax Act for domestic flights. International (including transborder) flights are generally exempt. The federal excise tax rate is four cents per litre on aviation fuel (other than aviation gasoline) and ten cents per litre on aviation gasoline.[31]

In addition to federal excise taxes, provincial governments apply their own taxes on aviation fuel. For example, British Columbia applies a total

[28] See Government of Canada's website, 'Civil Air Navigation Services Commercialization Act (S.C. 1996, c. 20)'.
[29] The enroute charge is calculated as R*W*D, where R is the enroute charge unit rate (composed of a base rate of $0.03524), W is the weight factor calculated as $(MTOW)^{0.5}$, and D is the distance flown in Canadian airspace measured in kilometres. The terminal charge is calculated as R*W, where R is the terminal charge unit rate (composed of a base rate of $31.88, plus a temporary rate adjustment of $2.02), and W is the weight factor calculated as $(MTOW)^{0.8}$. NAV CANADA (2025), 'Customer guide to charges', January.
[30] NAV CANADA (2025), 'Customer guide to charges', January.
[31] Government of Canada website, 'Current Rates of Excise Taxes', accessed January 2026.

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tax rate of 21.59 cents per litre, while New Brunswick applies 2.5 cents per litre.[32]

Fuel taxes are applied at the wholesale level to airlines, as fuel purchasers, and are embedded in airline operating costs. Airlines may pass these costs through to passengers as part of base fares or fuel surcharges, but they are not presented as separately itemised, mandatory per-passenger additions to the base fare.

Summary

Table 2.3 summarises the fees, taxes and charges that account for the largest components of airfares in Canada.

Table 2.3 Summary of main fees, charges and taxes applied to air travel in Canada

Fee/tax/charge	Type	Who sets it	Who pays it	Amount
ATSC	Federal user fee	Government of Canada	Passengers	$9.46 (domestic), $16.08 (transborder), $34.42 (other international) per enplanement
AIF	Airport user fee	Individual airport authorities	Passengers	Ranges from $0 to $46 at Canada's 30 largest airports
GST/HST/QST	Consumption tax	Federal and provincial governments	Passengers	GST 5%; HST 13–15%; QST applies to the AIF for Quebec-originating flights only
Air navigation service charges	Cost-recovery charge	NAV CANADA (ANSP)	Airlines (ultimately passengers)	Varies by aircraft size, route length and flight profile
Fuel excise taxes (federal and provincial)	Excise tax	Federal and provincial governments	Airlines (ultimately passengers)	Federal: 4¢/litre (aviation fuel); provincial rates vary (e.g. British Colombia 21.59¢/litre: New Brunswick 2.5¢/litre)

Source: Oxera.

[32] Province of British Columbia website, 'Motor fuel tax and carbon tax rates on fuels and substances', accessed January 2026; and Government of New Brunswick website, 'Gasoline and Motive Fuel Tax: A basic overview of the Gasoline and Motive Fuel Tax Act', accessed January 2026.

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2.2 International comparison of third-party fees, taxes and charges: an illustration

To illustrate the magnitude of third-party fees in Canada, and their contribution to total air travel costs, AirTrav has compared key fees applied to entry-level economy domestic airfares in Canada with those in other major aviation markets.

The analysis is focused on domestic routes as it is the only travel segment that reflects a given country's air travel policies, as international routes would reflect taxes and fees from both the origin and destination countries. This benchmarking shows differences in fares for routes that are essential to domestic connectivity and highlights the impact of fees and taxes on the affordability of regional travel within Canada.

AirTrav's analysis only considers third-party fees that are separately itemised within airfares—i.e. security charges, airport user fees, and applicable taxes (e.g. consumption, tourism, and departure taxes).[33] Other charges (e.g. the ANS charge and fuel excise tax) do not appear as explicit line items in a passenger's airfare, and are typically incorporated into the base fare and carrier surcharge. As a result, these charges are not considered in AirTrav's analysis.

To ensure comparability, the benchmarking analysis standardises the base fare across all countries in the sample by applying a common fare, before adding the jurisdiction-specific third-party fees. Figure 2.1 illustrates that Canadian third-party fees are among the highest globally and are the highest within the sample considered. In this analysis, the third-party fees considered represent approximately 33% of the base fare of a domestic flight. This is notably higher than the USA (18%) and the European countries included in the sample, such as Sweden (17%) and Italy (27%).

[33] This aligns with the categories listed in the International Air Transport Association (IATA) schedule of ticket and airport taxes and fees. See Cathay Pacific (2023), 'Codes and abbreviations', December.

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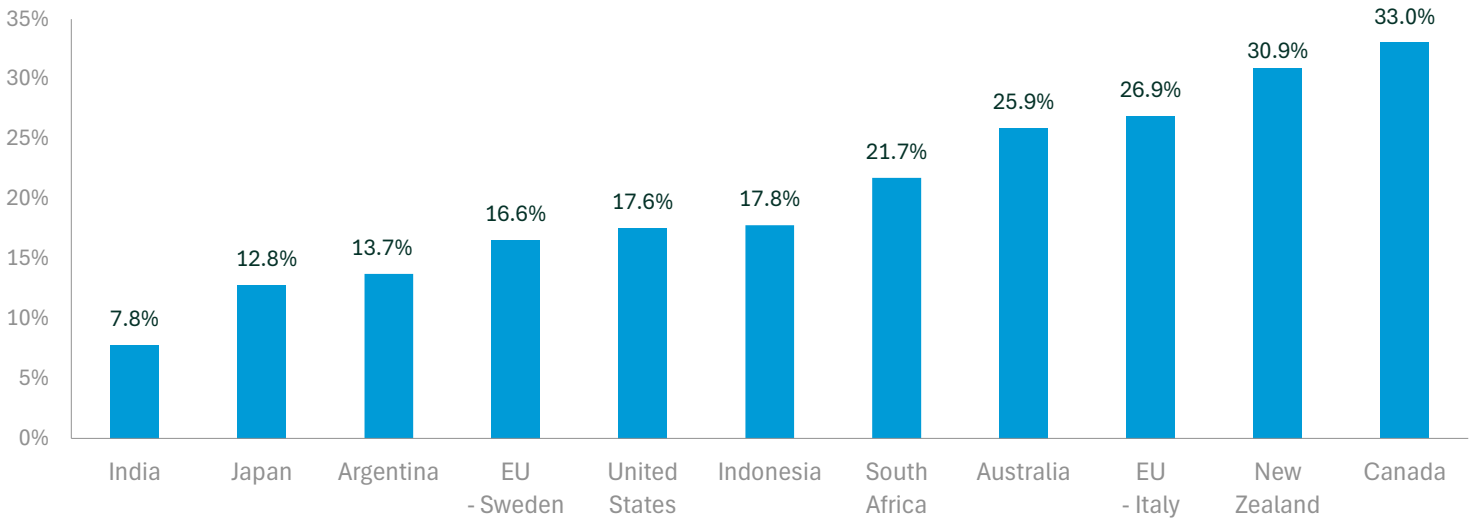
Figure 2.1 International comparison of third-party fees applied to domestic flights (percentage of base fare)



Note: This analysis has been conducted on the basis of assuming all countries in the sample have the same one-way discount economy base fare, which is $210.[34] From this base fare, which does not include carrier surcharges, third-party fees have been applied. In some instances these fees are fixed fees, and in some instances they are ad-valorem. The percentages presented in the chart represent third-party fees as a proportion of the common base fare used (i.e. third-party fees / airline base fare).
Source: AirTrav.

While this illustrative analysis can serve as a useful way of comparing aviation fees in Canada with other jurisdictions, it does not directly show the economic impact that such fees could have on the Canadian economy. Additionally, the impact of fees varies by route depending on distance travelled, departure airport, and market segment, often making comparisons challenging. As a result, in the following analysis we look at the economic impact of third-party fees for all routes operated to/from Canadian airports.

2.3 Case analysis

To assess the economic impact of third-party fees in the Canadian aviation sector, we consider four case studies for the structure and level of different fees. These cases range from small reductions grounded in policy precedent, historical levels and international benchmarking, to an illustrative case that eliminates third-party fees entirely. The range of cases explored seeks to demonstrate the economic benefits that could

[34] IATA Direct Data Solutions was queried to derive an average Discount Economy fare for Canadian domestic flights, which was then applied as a common fare across all countries analysed for domestic routes. Airline-determined surcharges that airlines file on domestic fares and coded as YQ or YR on tickets, were not included in the analysis.

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be unlocked by making Canadian air travel more affordable through different levels of third-party fee reductions, without pre-empting discussions on the specific fiscal paths or budgetary trade-offs that might be needed to achieve this objective. The implementation of any of these cases would depend on broader policy decisions and structural changes to Canada's aviation financing framework.

In addition, while we have considered the fees applied in other jurisdictions for some of the cases analysed, we note that countries operate different aviation funding models. For example, lower third-party fees may reflect greater reliance on general government revenue rather than lower total system costs. Our analysis is intended to capture differences in third-party fees to estimate demand impacts; we do not consider alternative funding models. Also, our analysis does not account for the level of taxation of the sector—i.e. how much the sector contributes to general revenue instead of being subsidised by general revenue.

Across the cases considered, we do not analyse changes to government-imposed taxes (GST/HST or fuel excise tax). These are broad-based fiscal instruments applied across the economy, and changes to tax policy fall outside the scope of this analysis. We therefore focus on aviation-specific third-party fees that are distinct from general tax policy. However, the revenue associated with these government-imposed taxes would need to be considered when looking at alternative funding models.

The four cases considered in our analysis are set out in Box 2.1.

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Box 2.1 Fee-reduction cases considered in our analysis

Case 1: Return to 2019 fee levels
Estimating the impact of reversing the increase in ATSC and ANS fees since 2019, combined with a reduction in AIF (of 15–25%, depending on airport size).

Case 2: Sweden
Estimating the impact of reducing fees in Canada to the level applied in a comparable European country—Sweden. Sweden is a relevant benchmark for Canada as it is a large country with dispersed population centres and air connectivity is essential in remote regions. Throughout this report, we use the Sweden case as the reference case to report impact estimates.

Case 3: USA
Estimating the impact of reducing fees in Canada to the level applied in the USA–i.e. eliminating the incentive for Canadian travellers to cross the border to travel and maintaining an environment that is competitive with the USA.

Case 4: Elimination of fees
Estimating the impact of eliminating all fees under consideration. This is an illustrative case to show the full economic impact of these fees on the economy.

Source: Oxera.

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Table 2.4 below gives an overview of the assumptions for the reductions in third-party fees analysed in each of the cases. Further detail on the rationale for the proposed reductions is provided in Annex A1.

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Table 2.4 Overview of cases analysed

	Case 1: Return to 2019 fee levels	Case 2: Sweden		Case 3: USA		Case 4: Elimination of fees
	Reduction (%)	*Description*	*Reduction (%)*	*Description*	*Reduction (%)*	*Reduction (%)*
ATSC	30%	$6.79 per departing passenger	54%[1]	$7.83 per one-way trip	46%[1]	100%
AIF	25% for Class 1 airports; 15% for other airports	$5.5 per departing passenger	83%[2]	$6.29 per itinerary	81%[2]	100%
ANS charges	20%	Unchanged	0%	Elimination	100%	100%

Note: [1] Represents the weighted average reduction relative to baseline ATSC for domestic, transborder and international segments. [2] Represents the weighted average reduction relative to baseline existing AIF charges. AIF reduction under Case 1 is motivated by the link between AIF and airport rent paid to the federal government. Oxera analysis of NAS airports' financial statements estimate the rent share of AIF to be roughly 25% for Class 1 airports and 15% for other airports. This case illustrates that if airport rent were to be eliminated, and airports passed these savings on in full to passengers, AIF could be reduced by either 15% or 25%.
Source: Oxera.

2.4 Airfare and traffic impacts of third-party fees

This section presents our methodology for estimating the economic impact of third-party fees, taxes and charges on the Canadian aviation sector. We model how reductions in these costs translate into lower fares, increased passenger demand and, ultimately, broader economic benefits. Figure 2.2 summarises our approach, which is described in more detail below.

Figure 2.2 Approach to modelling economic impacts

Source: Oxera.

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To capture route-specific fee structures, demand responses and economic impacts, all analysis is conducted at the origin–destination (O/D) pair level.

Below we describe in more detail the analysis of the fare impact and the traffic impact. In section 3 we set out the economic impacts.

2.4.1 Step 1: fare impact of third-party fees

We use 2024 traffic and base-fare data (i.e. fares absent taxes or third-party fees) covering all O/D pairs for flights to and from Canada.[35]

Baseline fares

We then construct a baseline that reflects how third-party fees are currently applied in Canada. In this baseline, we add to the base fare ATSC, AIF, consumption taxes and carrier surcharges, and remove from the base fare the ANS charges (i.e. individual third-party fees are identified separately to the rest of the base fare for the analysis).[36] The application of these fees and taxes is determined by the specific characteristics of each itinerary, taking account of:

- how fees apply to defined market segments (e.g. domestic, transborder, or international traffic);
- whether fees are levied on departing or arriving passengers or flights;[37]
- whether fees are airport-specific (e.g. AIF).

Most third-party fees can be incorporated directly into base fares, as either a nominal surcharge or a percentage mark-up. For example, the ATSC is applied as a fixed charge per segment based on the itinerary type (domestic, transborder or international); AIF is applied based on the departure airport;[38] and consumption taxes are applied as a

[35] The data was obtained from the Cirium air traffic database. This data details the airport pairs for each O/D, the carrier involved, and passenger volumes for different market segments.
[36] Fuel excise taxes formed part of the base fares. Carrier-imposed surcharges are set by airlines and are separate from the base fare, though they are not considered a tax or third-party fee. While they are part of the total airfare paid by passengers, they remain under the control of air carriers and may be used to recover costs related to fuel, insurance or other operational expenses. We received information on the carrier surcharges charged by airlines, which was sourced from ITA Software (2024), 'ITA Matrix by Google'. The reason we remove the ANS charge, rather than add it, is because it already makes up part of the base fare.
[37] The traffic data obtained from the Cirium air traffic database included bidirectional passenger volumes for each O/D pair. To differentiate between outbound and inbound traffic, we assumed a 1:1 ratio of departing to arriving passengers.
[38] As the traffic data was bidirectional, we assumed a 1:1 ratio of departing to arriving passengers and used the average AIF of the airports in each O/D pair to determine the applicable AIF for that pair.

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percentage of the applicable fare components depending on the province and destination.

However, applying NAV CANADA charges to base fares is less straightforward, given that these are charged only on the portion of the flight that operates in Canadian airspace. To address this, we identified the coordinates of all airports in each O/D pair and calculated the distance that each flight travels within Canadian airspace. We then identified representative aircraft types for each market segment based on the total distance flown.[39] This enabled us to determine the MTOW of the representative aircraft for each route. Once the distance within Canadian airspace and the MTOW of the representative aircraft are established for each O/D pair, we calculate the total terminal and enroute ANS charges according to the approach set out in section 2.1.

Fares in cases analysed

For each of the cases described in section 2.3, we adjust the relevant components of the airfare according to the assumptions and methodology specified for that case, while maintaining the same base fare and other unchanged elements (consumption and fuel taxes). Depending on the case, adjustments may involve applying percentage reductions to specific fee components, replacing Canadian fees with international equivalents, or eliminating certain charges entirely.

In all cases, fare adjustments are applied at the O/D pair level, ensuring that the modelled fares accurately reflect how different routes and market segments would be affected by each policy intervention, and providing the basis for the subsequent demand and economic impact analysis.

Summary of modelled fares

Figure 2.3 below shows the weighted average reduction in fares modelled in each scenario, broken down by five market segments: domestic; transborder (Canada–US flights); transatlantic (flights across the Atlantic); transpacific (flights across the Pacific); and rest of the world (all other international routes).

[39] To calculate NAV CANADA charges, representative aircraft types were selected for each distance category: short-haul routes (0–1,500km), the Bombardier Dash 8-Q400; medium-haul routes (1,500–4,000km), the Boeing 737 MAX 8; long-haul routes (4,000–8,000km), the Boeing 777-300 ER; and ultra-long-haul routes (8,000–18,000km), the Boeing 787. These selections were informed by engagement with NACC airlines and reflect typical aircraft across different route lengths.

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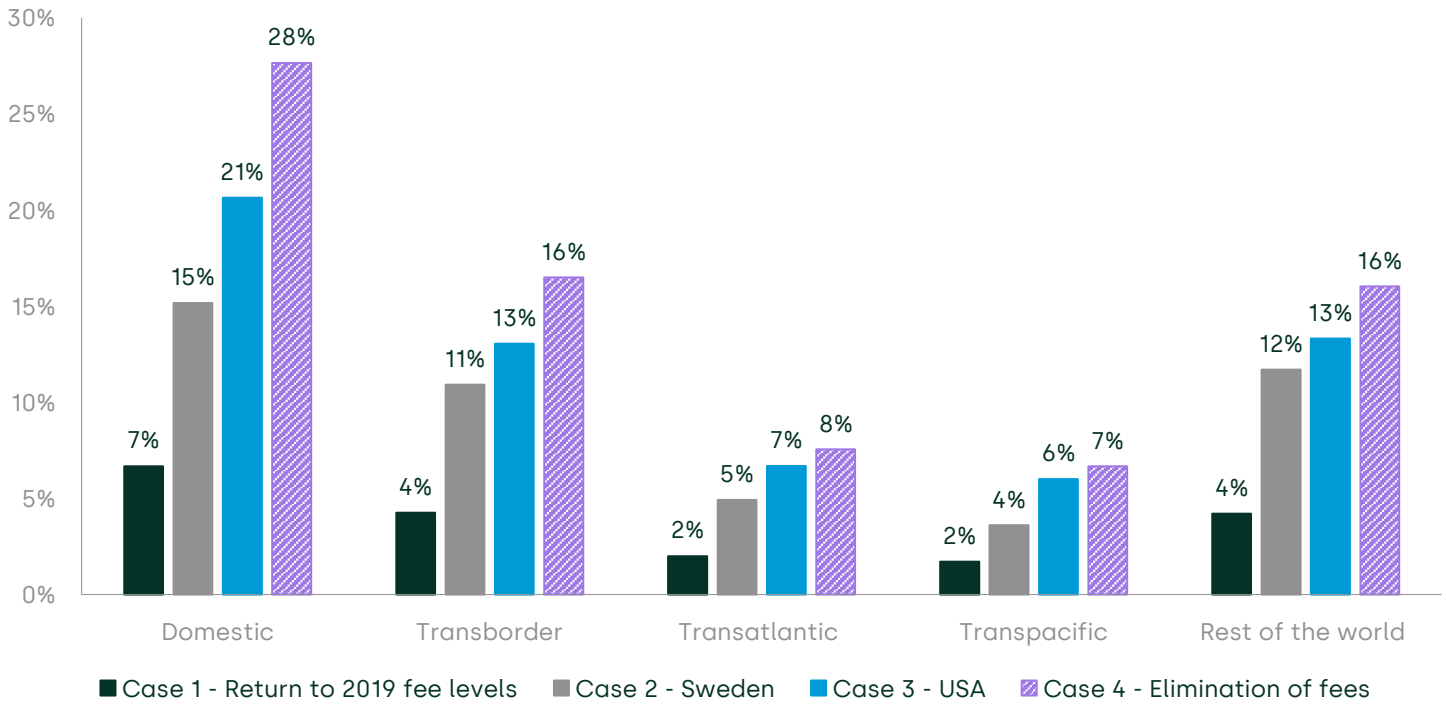
Figure 2.3 Percentage reduction in fares in each case relative to baseline, by market segment



Note: Fares are calculated as the weighted average across routes within each segment using the number of passengers in that segment and scenario as weights.
Source: Oxera analysis.

As shown in Figure 2.3, the impacts are greatest for domestic flights. This is partly because domestic airfares are typically lower, meaning that certain charges, particularly fixed charges, represent a larger proportion of the total ticket price. In addition, for domestic flights, some charges are applied at both ends of the journey (i.e. at the origin and destination airports). By contrast, for international segments where only one airport is located in Canada, such charges will only be applied once.

The figure above demonstrates that lower fees would make air travel more accessible to Canadians across all income levels, enabling more families to visit relatives, students to pursue educational opportunities, and businesses to access distant markets—connections that drive both social and economic value. For example, in the Sweden case (Case 2):

- a family of four travelling on a return-trip from Toronto to Vancouver, would pay approximately $251 less;
- a business traveller making a return trip from Toronto to New York (JFK) would save $46;

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- a couple planning a transatlantic vacation from Montreal to London (LHR) would save a total of $135.

In addition to undertaking the analysis for average fares based on all classes of travel, we did this analysis for a sample of domestic routes on entry-level economy fare tickets, explored further in Box 2.2 below. These represent the lowest price tickets available and are typically purchased by passengers who are most sensitive to price changes. For these 'marginal users', the impact of high third-party fees becomes particularly pronounced, as fees can account for a disproportionately large share of the total airfare. We assess the savings these passengers could make for the cases analysed.

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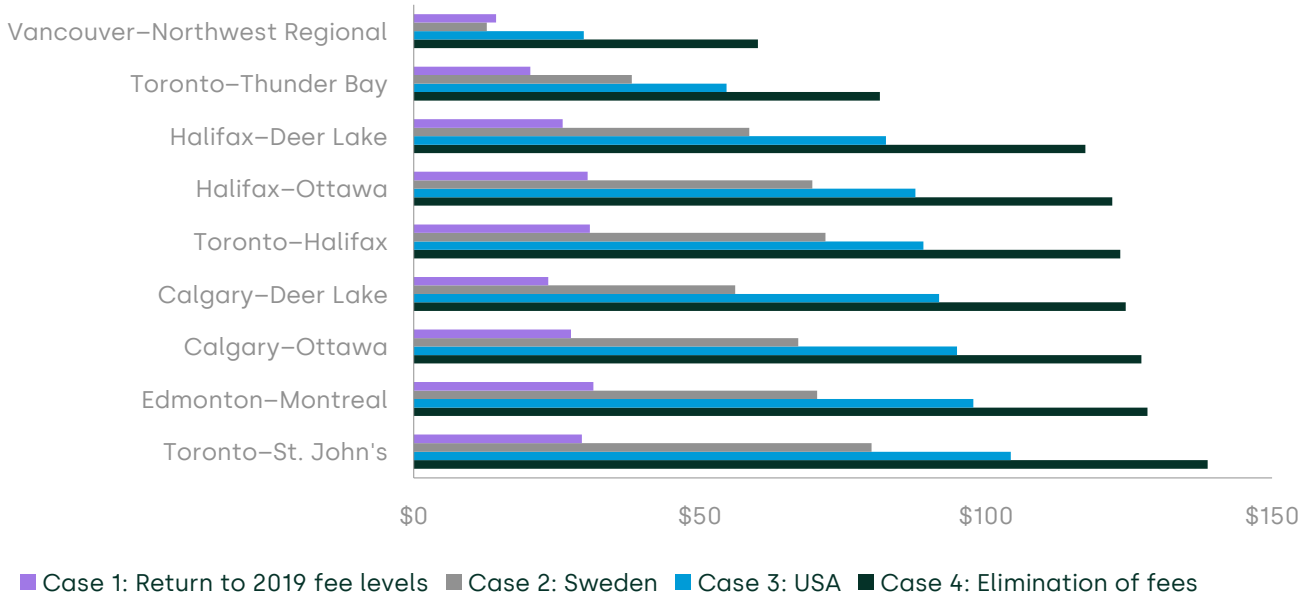
Box 2.2 Impact of third-party fees on entry-level economy fare tickets

Analysis of a sample of domestic routes in Canada demonstrates the significant savings that passengers travelling on entry-level economy fares could make for the cases considered. These savings would constitute a catalyst for the wider real-economy impacts estimated throughout this report.

Across these routes, third-party fees account for a substantial share of the total airfare. This is most evident on regional routes—i.e. cases where communities are highly reliant on air travel for connectivity and have limited alternative transport modes. For example, on Halifax–Deer Lake, third-party fees represent 44% of the total fare. The same applies to thicker[1] routes, such as 45% for Toronto–St. John's International Airport, and 46% for Toronto–Halifax.

Figure 2.4 presents the savings for passengers on return trips across the sample of domestic routes. As the proportions of third-party fees are large, any reductions to these fees would lead to substantial savings for passengers. For Case 1, an individual traveller would save $15–$30 per journey. Savings increase to an average of $60 per journey for Case 2, and could reach up to $140 for Case 4.

Figure 2.4 Change in entry-level economy fares in each case relative to baseline, select routes



Note: [1] 'Thick' routes refer to frequently travelled, high-frequency and often high-yield airline routes.
Source: Oxera.

2.4.2 Step 2: Traffic impact of third-party fees

The next step in the analysis is to consider how these fare reductions might translate into additional passenger demand.[40]

To translate fare changes into passenger volumes, we apply price elasticities of demand (as summarised in Table 2.5.[41]), which represent the percentage change in passenger demand resulting from a one-percent change in fares. National-level price elasticities of demand were sourced from the academic literature. These elasticities vary by geographic market and flight duration (e.g. short- or long-haul).

Table 2.5 Price elasticities of demand

	Price elasticity of demand
Domestic	-0.99
Transborder	-1.18
Transatlantic	-0.98
Transpacific	-0.74
Rest of the world	-0.90

Note: These elasticities represent the midpoint between the elasticities in a study by InterVISTAS and an academic paper by Gillen et al. (2007). The elasticities in the InterVISTAS study are specific to the North American market, while elasticities that reflect cabin class demand responses (business/leisure passengers) are reflected in the Gillen paper. The midpoint of these two sources was taken to reflect meaningful information from both sources.[42]
Source: Oxera based on InterVISTAS Consulting Inc. (2007), 'Estimating Air Travel Demand Elasticities', December, p. v. Gillen, D.W., Morrison, W.G. and Stewart, C. (2007), 'Air travel demand elasticities: Concepts, issues and measurement', *Advances in airline economics volume 2: The economics of airline institutions, operations and marketing.*

Finally, the estimated percentage changes in demand are applied to actual 2024 traffic levels for each O/D pair, to calculate the number of

[40] This analysis is also conducted at the O/D pair level to capture the variability in fare impacts and demand responses across different routes and market segments.
[41] These elasticities reflect overall traffic and do not differentiate by purpose of travel (leisure or business). Purpose of travel is typically a significant determinant of elasticity values, with business travellers exhibiting lower price sensitivity (elasticities closer to zero) than leisure travellers. By applying uniform elasticities regardless of travel purpose, we potentially underestimate the traffic response from leisure passengers, while overestimating the response from business passengers. Given that leisure passengers constitute a significantly larger share of the overall traffic mix, the elasticities used are likely to provide a conservative estimate of the total traffic response, and consequently of the economic impacts estimated in subsequent sections.
[42] To estimate transborder elasticities under Gillen et al. (2007), the weighted average of short-haul elasticities between business and leisure travellers were used, weighted by the share of economy and business travellers. This assumes that all leisure passengers travel in economy, and all business passengers travel in business class.

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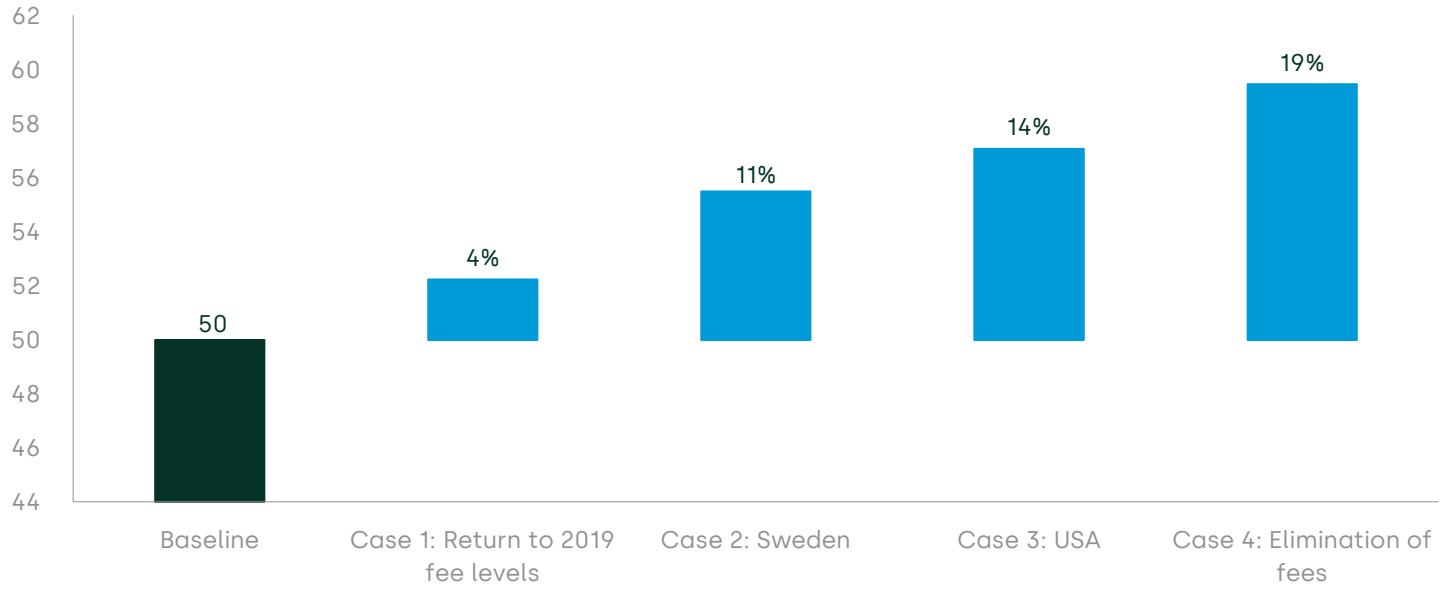
additional passengers who would have travelled in each of the cases due to the lower cost of air travel.

Figure 2.5 presents the estimated increase in traffic in each case across all market segments, relative to the baseline. These estimates represent the additional passenger traffic if third-party fees were reduced or eliminated, as specified in each case.

Figure 2.5 Traffic impacts due to reductions in third-party fees, relative to baseline, by case (million passengers per annum, mppa)



Note: Figures correspond to round-trip passengers, which have been estimated by taking half the stated passengers for each O/D pair.
Source: Oxera.

The final step in the analysis is to consider the economic impacts associated with this additional traffic. This is explored in the following section.

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3 The economic impact of reducing third-party fees

3.1 Introduction

This section presents the economic impact associated with reducing third-party fees according to the fee-reduction cases outlined in section 2.3. Our analysis captures a wide range of economic impacts expressed in monetary terms and as GDP contributions across both the aviation sector and the broader Canadian economy.

The full set of economic impacts considered is set out below.

Economic footprint impacts

Direct, indirect, and induced economic footprints: effects on the aviation sector itself, the aviation supply chain, and economic activity generated when employees spend their wages in Canada

Catalytic tourism impact: direct, indirect and induced economic benefits from tourism enabled by additional air connectivity

Wider economic impacts

Productivity impact: increased productivity due to the increased air connectivity

Trade impact: increased international trade due to the increased air connectivity

Government revenues: increased tax income from higher wages and increased profits due to productivity gains

3.2 Direct, indirect and induced footprints

This section sets out estimates of the economic activity (measured as the direct, indirect and induced economic footprints associated with air traffic) that could be generated if fees were reduced, according to the cases presented in section 2.3.

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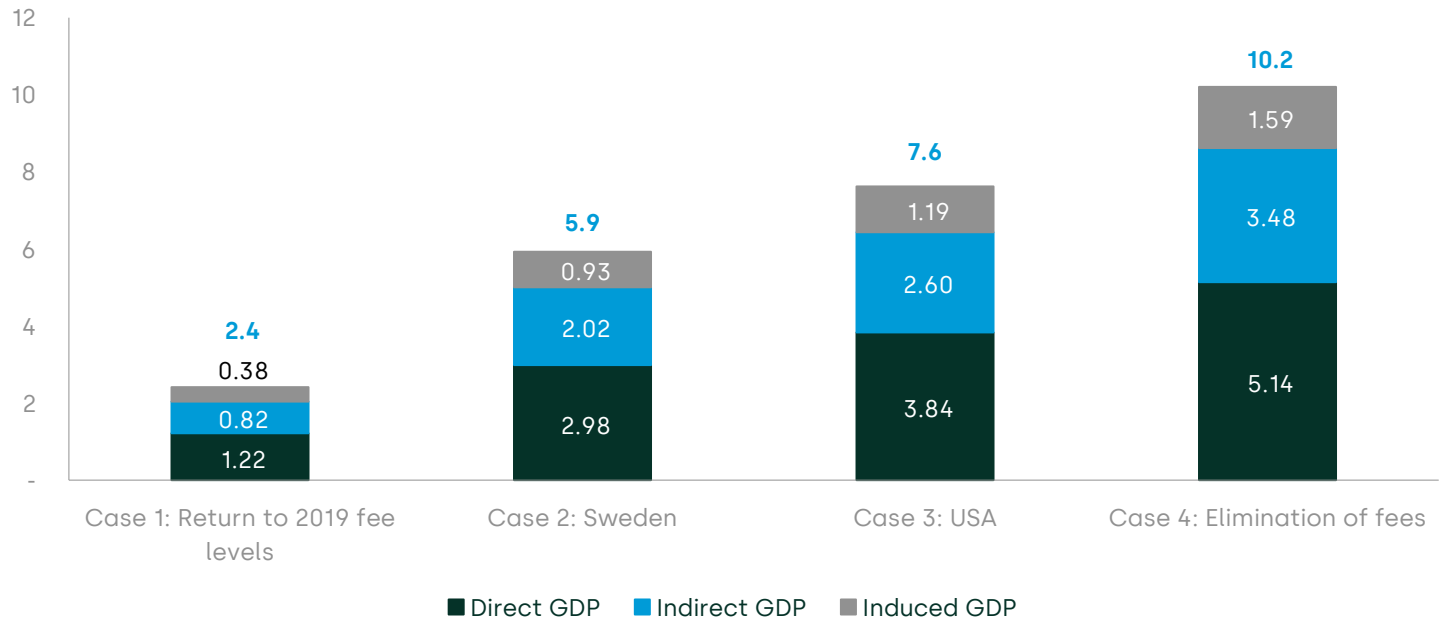
Table 3.1 Description of direct, indirect and induced impacts

Impact	Description
Direct footprint	Employment and GDP generated directly by airlines and airports
Indirect footprint	Employment and GDP supported in the supply chains serving airlines and airports (e.g. ground-handling providers, catering companies, fuel suppliers)
Induced footprint	Employment and GDP generated through the consumer spending of wages by those employed directly and indirectly in aviation and its supply chain (e.g. spending at restaurants, retail, personal services)

Note: Employment is measured by the number of FTE employees.
Source: Oxera.

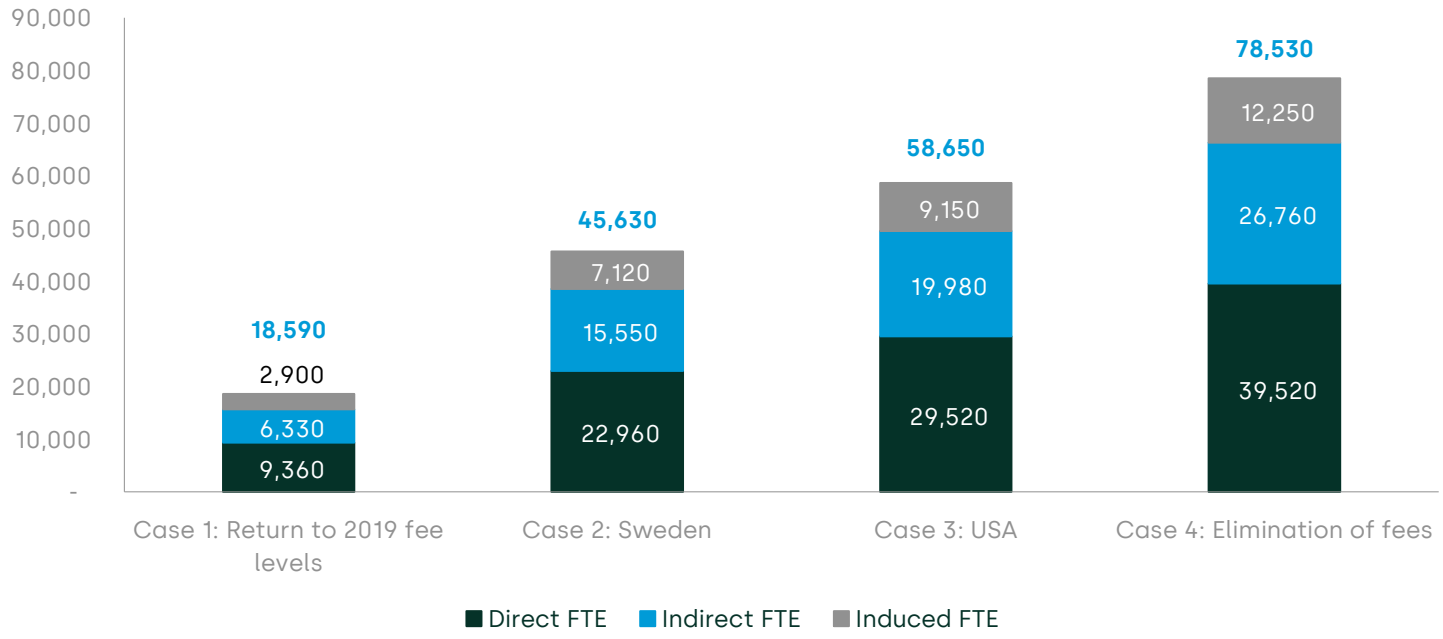
The figures below present these economic footprints for each case analysed. If third-party fees were reduced according to the cases specified, this would lead to a reduction in fares, an increase in air travel, and ultimately an increase of between $2.4bn and $10.2bn in GDP and between 18,590 and 78,530 jobs, depending on the case considered.

Figure 3.1 Direct, indirect and induced GDP footprint of third-party fees ($bn)



Note: GDP figures are presented in 2024 prices.
Source: Oxera.

Figure 3.2 Direct, indirect and induced employment footprint of third-party fees (FTE)



Note: Employment figures are rounded to the nearest 10 FTEs.
Source: Oxera.

Of the total footprint presented above, approximately 89% of the GDP impact would arise in Alberta, Quebec, British Columbia, and Ontario (based on Case 2: Sweden). This is due to significantly higher air traffic volumes in these provinces compared with other parts of the country. While smaller provinces show lower absolute impacts due to lower traffic, the benefits remain significant—particularly as improved cost-competitiveness enhances regional connectivity and route viability for smaller communities.

Figure 3.3 below illustrates the geographic distribution of the employment footprint under Case 2: Sweden. For provinces such as Manitoba, Alberta, or Nova Scotia, Case 2 would generate an increase in sector-related employment of more than 12%. Further detail on the provincial and territorial estimates of the economic footprint is included in Annex A6.

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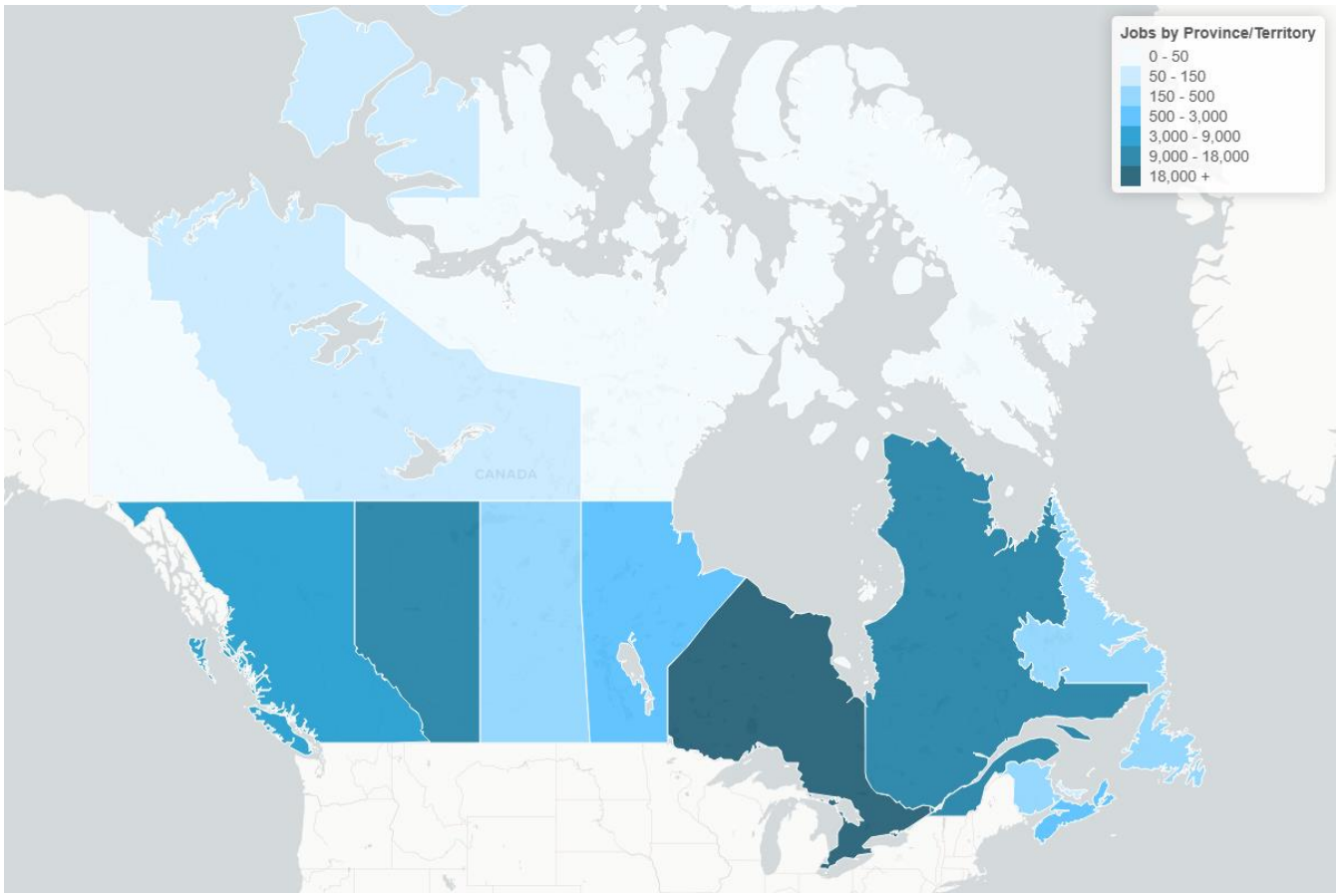
Figure 3.3 Employment footprint of third-party fees by province and territory of Canada (Case 2: Sweden)



Note: The map shows the total number of FTEs supported by the direct, indirect and induced footprints of third-party fees in Canada under Case 2: Sweden. As the legend shows (top right-hand corner), darker shading indicates that more employment is generated within a given province or territory. The full list of FTEs per province or territory is set out in Annex A6.
Source: Oxera.

3.3 Catalytic tourism impact

The catalytic impact captures the additional economic activity generated across the Canadian economy as a result of the extra air traffic due to lower third-party fees. This economic activity is not directly related to airports' and airlines' activities—it is not related to the direct, indirect or induced footprint—but firms in the economy nevertheless benefit from the passenger flows and additional connectivity that airlines and airports offer.

Improved connectivity supports economic activity in a variety of ways, including by increasing demand for labour, stimulating spending in local businesses, and enhancing overall productivity. While there are multiple potential benefits of enhanced air connectivity (see section 3.4 for further detail), this assessment focuses on one key component of the

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catalytic impact: the economic contribution of tourism that is facilitated by additional passenger demand due to reductions in third-party fees.

Air travel enables tourists to visit destinations across Canada, supporting spending on accommodation, dining, entertainment and other cultural activities, and making a substantial contribution to the local economy. In addition, suppliers of tourism-related services often rely on local supply chains and employ individuals whose wages are spent within the community, further amplifying the economic impact. As a result, tourism generates significant employment and supports a wide range of local businesses across multiple sectors.

Table 3.2 sets out the catalytic impacts considered as part of this analysis.

Table 3.2 Description of catalytic impacts

Impact	Description
Catalytic tourism, of which	Employment and GDP supported by visitors travelling to Canada for leisure or business purposes; it includes each of the sub-impacts below
direct	Additional employment and GDP generated directly in the Canadian tourism sector through lower taxes/fees
indirect	Additional employment and GDP supported in the supply chains serving the Canadian tourism sector (e.g. the local supply chain to restaurants)
induced	Additional employment and GDP generated through the consumer spending of wages by those employed directly and indirectly in the tourism sector (e.g. spending in retail, personal services)

Note: Employment is measured by the number of FTE employees.
Source: Oxera.

Figure 3.4 and Figure 3.5 below present the economic footprint of tourism (comprising the direct, indirect and induced footprints) that would be enabled by the reduction in third-party fees in each case.

We estimate that this additional tourism activity would support between 16,920 and 72,310 jobs and generate between $1.1bn and $4.9bn in GDP in Canada, depending on the case considered.

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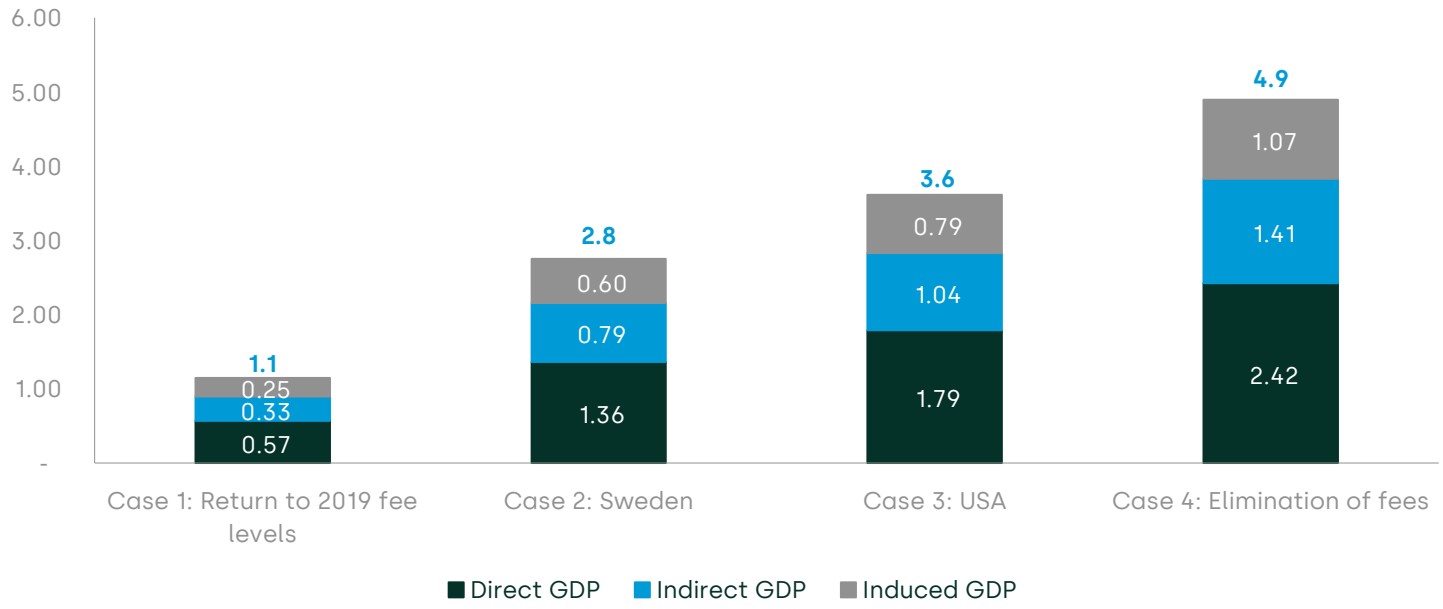
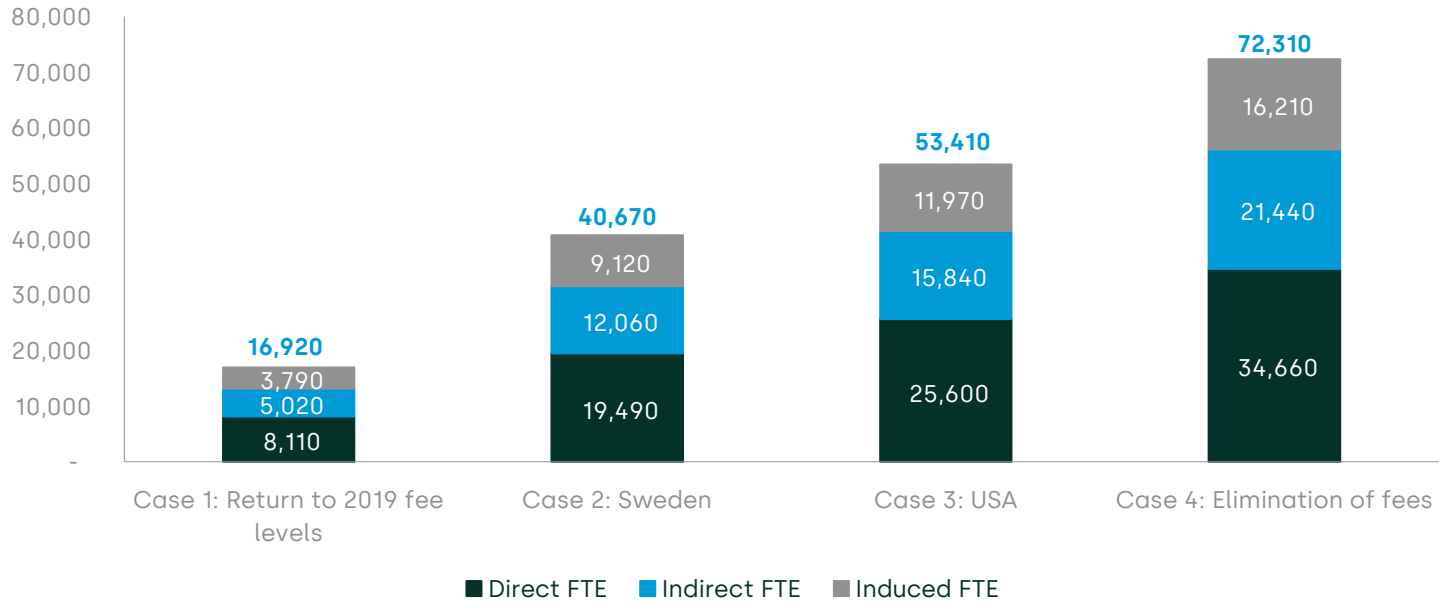
Figure 3.4 Direct, indirect and induced GDP footprint of tourism associated with reductions in third-party fees ($bn)



Note: GDP figures are presented in 2024 prices. The footprint results disaggregated by Canadian province/territory are presented in Annex A6.
Source: Oxera.

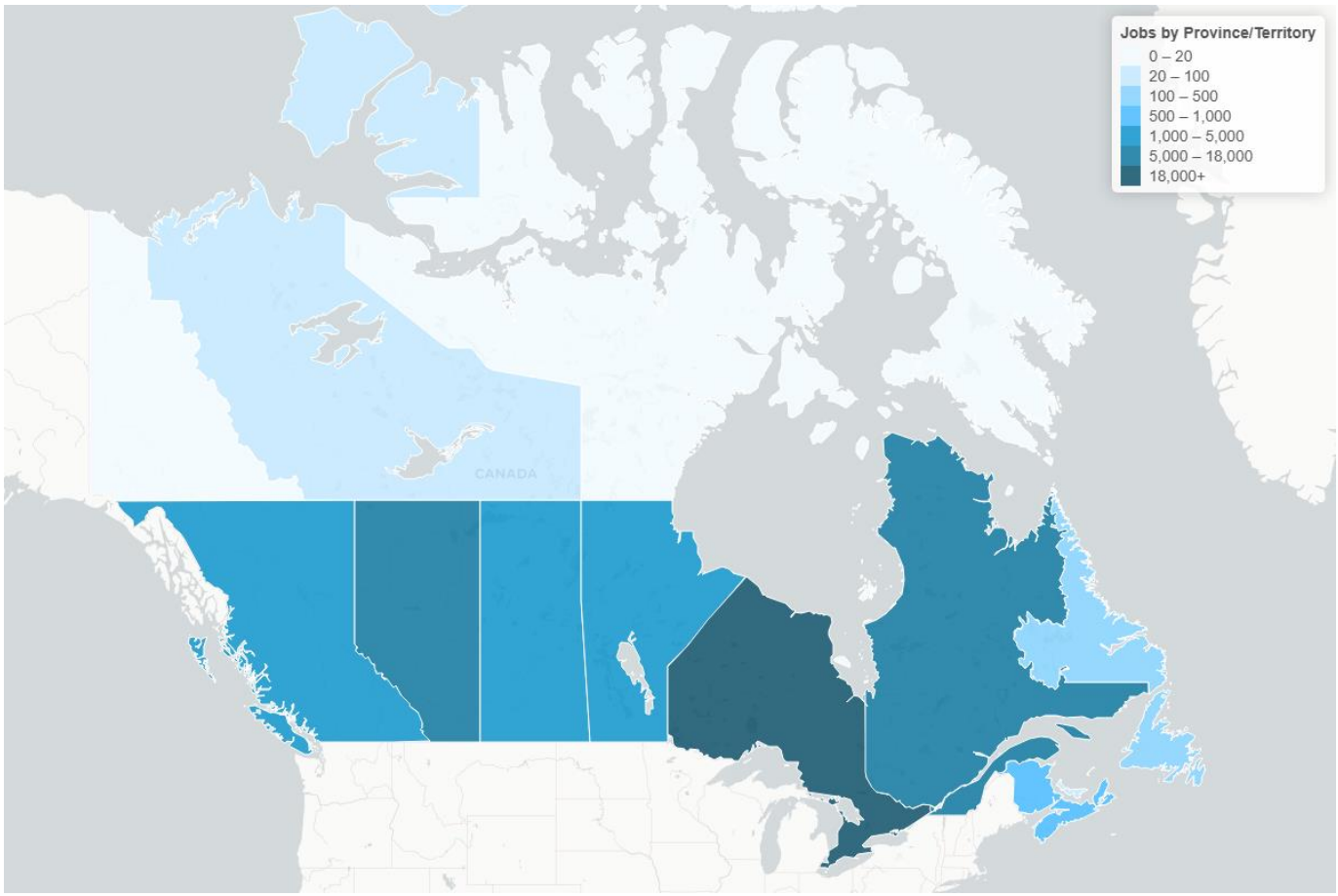
Figure 3.5 Direct, indirect and induced footprint of tourism associated with reductions in third-party fees (FTE)



Note: Employment figures are rounded to the nearest 10 FTEs. The footprint results disaggregated by Canadian province/territory are presented in Annex A6.
Source: Oxera.

Figure 3.6 illustrates the geographic distribution of the total tourism employment that would be facilitated by the reduction in third-party fees in Case 2: Sweden.

Figure 3.6 Employment footprint of tourism associated with reductions in third-party fees, by province or territory (Case 2: Sweden)



Source: Oxera.

All provinces stand to benefit from these changes as improved connectivity will enhance accessibility and create economic opportunities across the country, including in smaller markets that currently face higher barriers to air travel. That said, the impact is particularly pronounced in provinces with substantial air traffic and tourism-related economies. For instance, we estimate that 90% of the total tourism employment generated in Canada as a result of the reductions in third-party fees would arise in provinces with the largest tourism sectors: Alberta, Quebec, British Columbia, and Ontario.

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3.4 Wider economic impacts

3.4.1 Overview

The economic benefits that flow from enhanced air connectivity extend well beyond the aviation and tourism sectors. Better connectivity generates productivity gains, contributes to efficient supply chains which support internal and international trade, attracts foreign investment and creates employment opportunities across Canada.

These wider economic impacts represent the broader effects of the initial intervention. However, they cannot be added to the impacts already estimated (i.e. the direct, indirect, induced and catalytic tourism impacts estimated above) as this would risk double-counting benefits. In addition, they cannot be considered as additive to each other as there are likely to be some overlaps between them. For example, productivity-driven GDP growth may itself facilitate additional trade, meaning that these wider impacts are interconnected. As a result, the estimates in this section should be considered as a range of potential wider economic impacts of reducing fees. Although the impacts are not additive, productivity benefits to the national economy can be considered as an upper bound for the benefits captured in this assessment.

In the following subsections, we examine the channels through which lower third-party fees, and the resulting increase in air traffic, may generate broader economic impacts in Canada, and we quantify these impacts. The methodology used to estimate these wider economic effects is set out in Annex A7.

3.4.2 Trade impacts

Improved air connectivity supports international trade by enabling business passengers to travel more frequently to negotiate contracts, establish partnerships and manage internal and international supply chains. It also supports time-sensitive cargo movements, particularly for high-value goods that require rapid delivery. As a result, it makes Canadian businesses more competitive in accessing global customers and supply chains. The reliability of the country's supply chains and transportation networks, moving both goods and people, is dependent on a strong, affordable and competitive air sector.

Figure 3.7 below presents the estimated trade impacts for each fee reduction case—i.e. the increase in the value of trade measured as the

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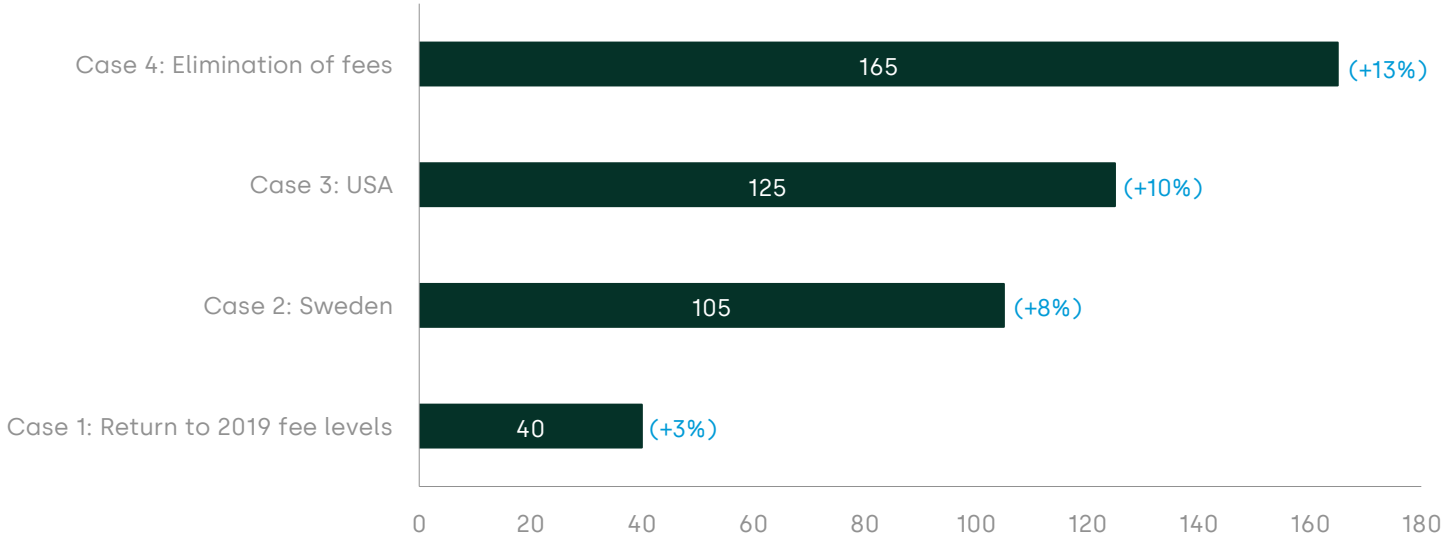
sum of Canadian imports and exports.[43] Reduced third-party fees would increase Canada's total trade by between $40 billion and $165 billion, representing growth in trade of 3%–13% (compared to the 2024 value of Canadian trade), depending on the case examined.

Increased trade itself does not represent additional GDP or economic impact in the same way as the effects quantified in previous sections. Rather, as measured by the value of combined imports and exports, it serves as an indicator of enhanced business access to international markets, improved supply chain connectivity and stronger commercial relationships. These factors generate economic benefits and welfare gains through increased competitiveness, market diversification and access to global value chains.

Figure 3.7 Impact on total value of trade: percentage change from total value of trade in Canada in 2024 ($bn)



Note: Trade figures have been rounded to the nearest $5bn.
Source: Oxera.

Enhanced air connectivity also supports foreign direct investment (FDI) through mechanisms similar to those for trade. FDI decisions depend heavily on business travel: investors must conduct due diligence on potential opportunities, negotiate transactions, establish local partnerships and supplier relationships, and manage ongoing cross-

[43] To quantify the trade impacts of reduced third-party fees, we apply empirical findings on the relationship between air connectivity and international trade. We apply an elasticity of 0.76 (a 7.6% trade increase per 10% connectivity increase) to the percentage change in connectivity. Annex A7 includes further detail on the methodology used to estimate trade impacts.

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border operations. Improved air connectivity reduces the cost, and increases the ease, of undertaking these activities, making Canada a more attractive destination for international investment, as well as benefiting Canadian firms establishing international operations.

Unlike the productivity and trade impacts, we do not quantify the effect of reduced third-party fees on FDI. This reflects the absence of well-established empirical estimates that would enable robust quantification of the causal relationship between air connectivity and FDI flows. However, evidence from academic literature suggests that these impacts are economically meaningful.[44]

3.4.3 Productivity impacts

Enhanced air connectivity boosts productivity by improving labour mobility and knowledge exchange—e.g. allowing workers, researchers and businesses to share ideas and skills more effectively across regions and industries. By expanding access to markets, resources and talent, aviation fosters 'agglomeration' effects (i.e. business clustering, specialisation and faster information flows) which in turn support greater research activity, a more diverse industrial base and stronger economic growth.[45]

The productivity impact is estimated using an economy-wide approach that draws on existing literature linking connectivity improvements to GDP growth.[46] This provides an indicative measure of the total potential impact (including productivity effects) associated with enhanced connectivity. However, this estimate should be interpreted separately from the other impact estimates in this report as it may incorporate elements of the economic footprint (direct, indirect and induced), catalytic tourism effects and trade impacts presented above.

Figure 3.8 below presents the estimated productivity impacts, measured as additional GDP, for each fee reduction case. The results indicate that the total potential impact of reducing third-party fees could range from $7.1bn to $30.2bn in additional GDP, representing growth in GDP of 0.23–0.98% (compared to the 2024 Canadian GDP), depending on the case analysed.

[44] See, for example, Bannò, M. and Redondi, R. (2014), 'Air connectivity and foreign direct investments: economic effects of the introduction of new routes', *European Transport Research Review*, **6**, pp. 355–363.
[45] Aitbihiouali, L., Carbó, J. and Graham, D. (2020), 'Do changes in air transportation affect productivity? A cross-country panel approach', *Regional Science Policy & Practice*, **12**:3.
[46] For further detail on the methodology for estimating productivity impacts, see Annex A7.

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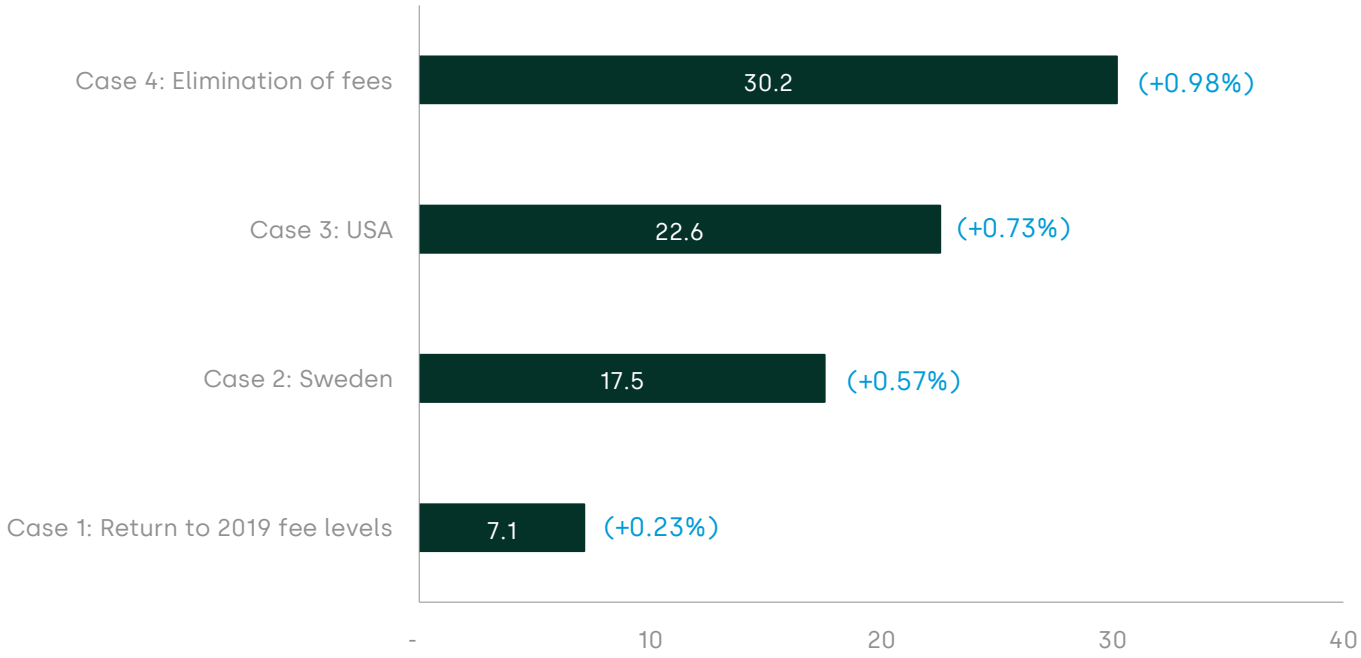
Figure 3.8 Change in GDP through productivity impacts ($bn)



Note: These estimates represent the total economic impact that could be associated with reductions in third-party fees.
Source: Statistics Canada (2025), 'Gross domestic product, expenditure based, Canada, quarterly', November. Impact elasticities from: Aitbihiouali et al. (2020).

3.4.4 Government revenue

Changes in third-party fees have both direct and indirect impacts on government revenue. The direct impact is the reduction in the revenue stream affected by fee adjustments—e.g. a reduction in AIF supported by revenues stemming from a reduction in rent. However, these reductions need to be compared to the indirect revenue gains from increased economic activity.

The productivity impacts quantified in the previous subsection generate additional tax revenues as higher GDP per employee translates into higher wages (subject to personal income tax) and increased business profits (subject to corporate income tax). The broader economic activity also generates consumption tax revenues from increased tourism and business spending.

The results indicate that the increase in government revenue as a result of reducing third-party fees could range from $1.9bn to $9.9bn, representing revenue growth of 0.4–1.9% (compared with the 2024 Canadian tax income), depending on the case analysed.

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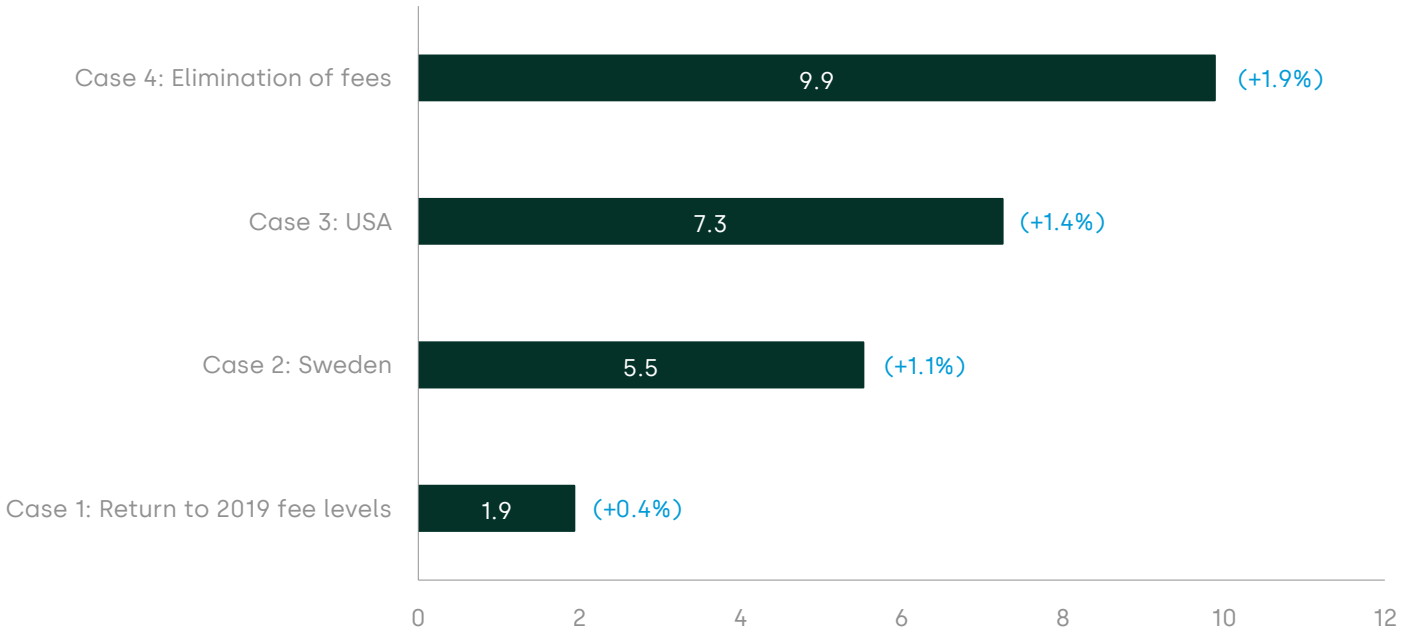
Figure 3.9 presents the estimated net government revenue impact for each fee reduction case.

Figure 3.9 Net change in government revenue through productivity impacts ($bn)



Note: Airport rent calculated at $528m in 2024 across NAS airports. The 2024–25 Annual Financial Report shows government revenues of about $511 billion.
Source: Oxera analysis of NAS airports financial accounts. Department of Finance Canada (2025), 'Annual Financial Report of the Government of Canada 2024-25', November.

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3.5 Conclusion

This section has assessed the economic impact of reducing third-party fees in Canada's aviation sector. By modelling reductions to the AIF, ATSC and ANS charges, we illustrate what could be achieved through adjustments to aviation-specific fees: more affordable fares, greater demand for air travel and significant economic benefits across Canada, including more efficient supply chains and greater movement of people and goods.

The four fee reduction cases examined are as follows:

- **Case 1: Return to 2019 fee levels**—estimating the impact of reversing the increase in ATSC and NAV CANADA fees since 2019 combined with a reduction in the AIF (of 15–25% depending on airport size). This assumes no change in planned infrastructure investment, with the AIF reduction compensated by the elimination of airport rent. Annex A5 summarises the impact of a case study focusing on a reduction in the AIF only.
- **Case 2: Sweden**—applies Swedish fees, providing a European comparator with similar characteristics.
- **Case 3: US**—applies US passenger-facing fee levels to Canadian routes, reflecting the different fee structure in this neighbouring aviation market.
- **Case 4: Elimination of fees**—complete elimination of all third-party fees, representing an illustrative upper bound for the economic impact assessment.

Figure 3.10 presents the total economic impacts across these cases, combining the direct, indirect and induced effects from increased aviation activity with the catalytic tourism impacts from additional visitor spending.

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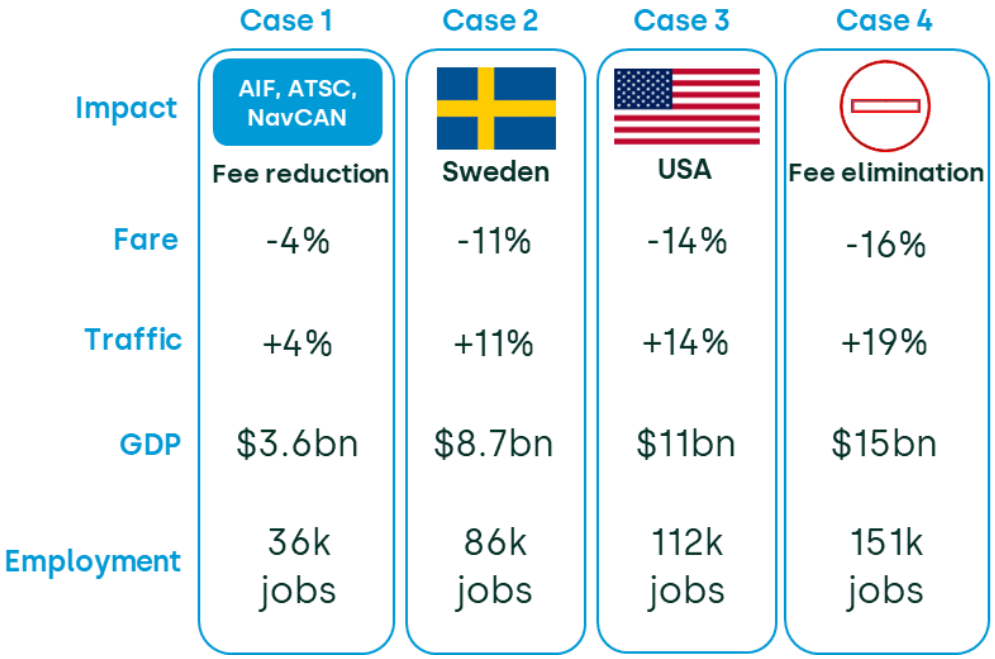
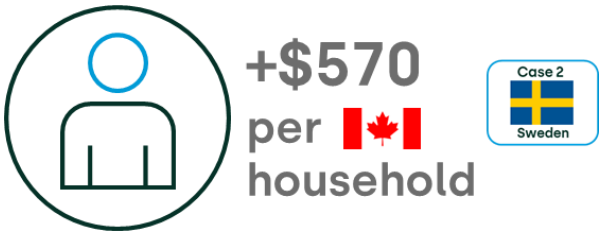
Figure 3.10 Total economic footprint of third-party fees—direct, indirect, induced and catalytic



Note: Values presented excluding wider economic impacts (productivity, government revenues, trade).
Source: Oxera.

As the results demonstrate, reducing third-party fees generates substantial economic activity by lowering fares and increasing passenger traffic across all cases examined. Under Case 2: Sweden, the combined direct, indirect, induced and catalytic tourism impacts generate approximately $8.7bn in GDP and support 86,000 jobs across the Canadian economy, while Case 4 illustrates the upper-bound potential impact if all analysed fees were eliminated.

To put these figures in context, the $8.7bn GDP impact under Case 2: Sweden is equivalent to approximately $570 per household if distributed across Canada's 15.3 million households.[47]



[47] GlobalData (2021), 'Total Households in Canada (2010–2021, Million)'.

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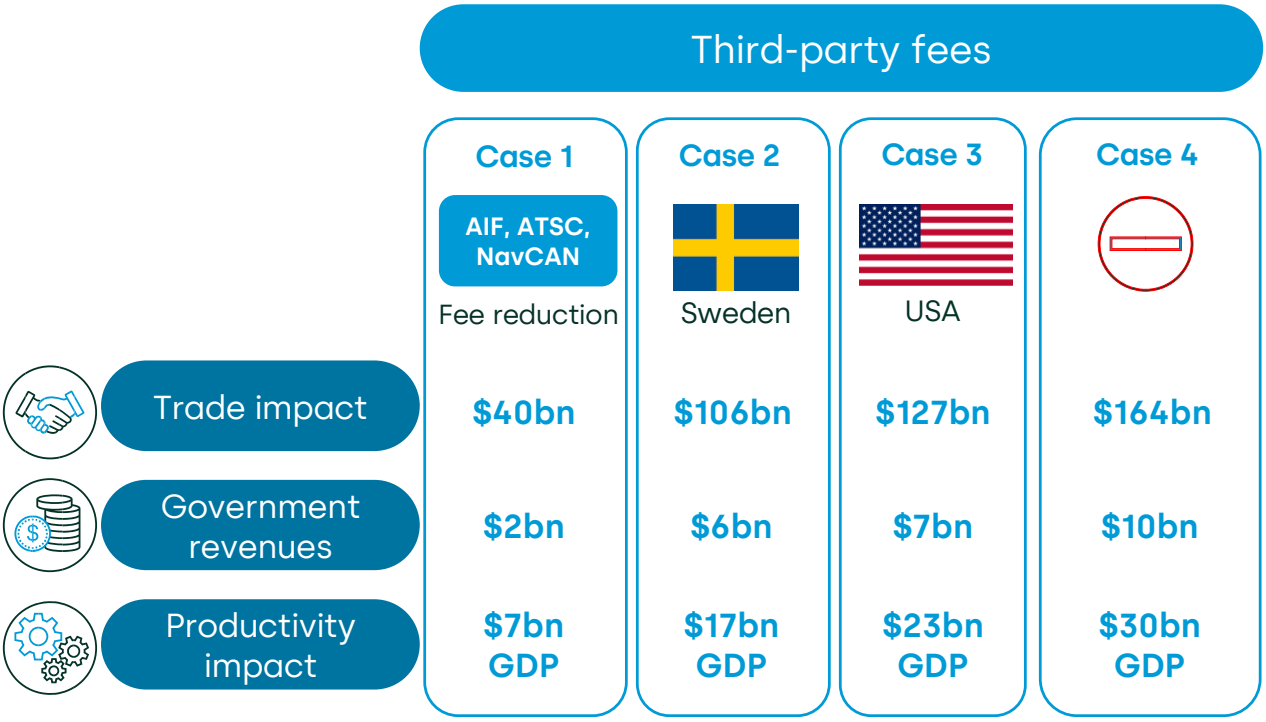
Wider economic impacts

Beyond the economic footprint of increased aviation activity and tourism, fee reductions generate wider economic benefits through a number of additional channels: productivity impacts from enhanced labour mobility and knowledge exchange; government revenue impacts that balance direct revenue losses against higher tax revenues from increased economic activity; and trade impacts from improved business connectivity and market access.

Figure 3.11 below presents the wider economic impacts across these cases, showing trade, government revenues, and productivity impacts.

Although the impacts presented are not additive due to the risk of double-counting, productivity benefits to the national economy can be considered as an upper bound for the benefits captured in this assessment. For example, the $17bn productivity impact would be indicative of the total benefits expected under Case 2: Sweden.

Figure 3.11 Wider economic impacts of third-party fees



Source: Oxera.

4 Air Passenger Protection Regulations: setting the scene

4.1 Introduction

Canada's APPR regime was introduced in 2019 under the Canada Transportation Act to establish a comprehensive framework of passenger rights on flights to, from and within Canada. At that time, the intention was for the Canadian Transportation Agency (CTA) to implement and administer a clear, comprehensive and consistent set of passenger rights by defining airline requirements and obligations to passengers.[48]

APPR has, however, created a complex regulatory framework that is difficult for passengers to navigate, generating a high volume of complaints[49] and imposing administrative burdens on airlines that far exceed the government's initial estimates.[50] This translates directly into higher airline operating costs. Airlines may respond to these higher costs in different ways, as detailed below, each of which has a negative impact on air connectivity and economic activity.

- **Full or partial pass-through to passengers:** when airlines pass on all or some of the increased costs through higher fares, passenger demand declines. Lower traffic can reduce route profitability, leading airlines to cut frequencies or exit routes, especially in smaller or remote markets where demand is more price-sensitive.
- **Absorption of costs:** where competitive pressures prevent airlines from (fully) passing on costs, profitability is directly affected. This can lead to reduced investment in new routes, lower service frequencies, or route withdrawals as airlines reallocate capacity to more profitable markets.

These mechanisms are demonstrated in Figure 4.1 below.

[48] See Canadian Transportation Agency (2023), 'Air Passenger Protection Regulations Highlights'.
[49] It was reported in June 2025 that the CTA had a backlog of complaints of over 85,000 claims, which could take over two years to be resolved. See CBC (2025), 'Air travel complaints backlog could soar to 126,000 by 2028, 23 June'.
[50] In responding to the CTA's consultation on its impact assessment of the APPR regime, several Canadian airlines and industry representatives noted that the CTA's estimates of airline costs of $2.75 per passenger were significantly underestimated and are up to ten times higher. See the cost–benefit analysis section of CTA (undated), 'Air Passenger Protection Regulations - Regulatory Impact Analysis Statement', section 12.

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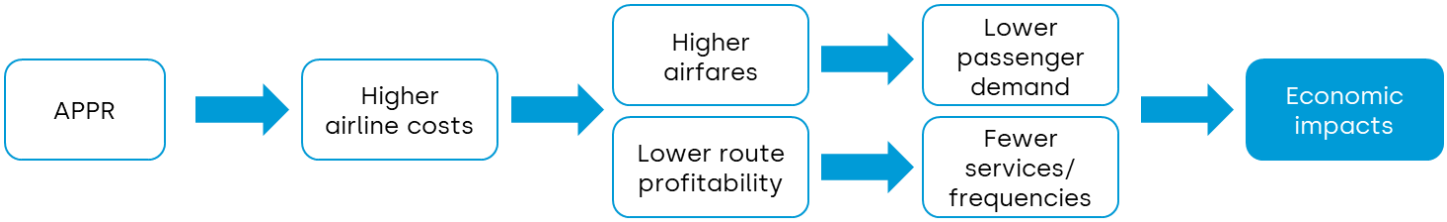
Figure 4.1 Mechanisms through which APPR affects economic activity



Source: Oxera.

In practice, the response is likely to involve a combination of higher airfares and reduced services, varying by route and market conditions, and depending on competitive dynamics. Regardless of the transmission channel, the result is a negative impact on air connectivity, which ultimately reduces economic activity.

The cost for airlines of the APPR regime is substantial, as illustrated in Box 4.1.

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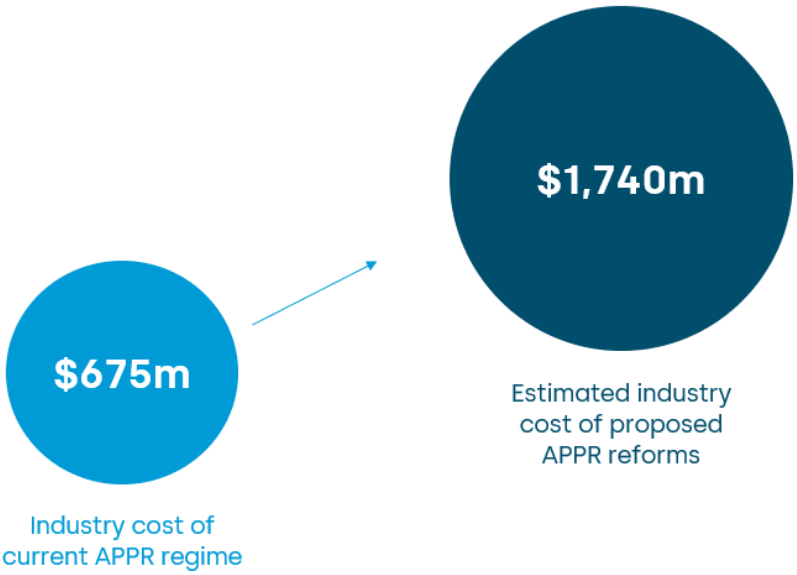
Box 4.1 Estimate of APPR costs and costs of proposed amendments

To estimate the costs imposed by the current APPR regime, we obtained information from NACC airlines on all costs they incurred to comply with the APPR regime in financial year 2023 (FY23).[1] These costs were subsequently scaled to reflect the expenditure that would have been incurred in financial year 2025 (FY25) based on traffic growth since FY23. See Annex A3 for further details.

NACC airlines also provided FY23 data on delay and cancellation root causes, along with projections for how claims and costs would increase under APPR 2.0. This enabled us to model FY23 costs under the proposed amendments, which were then scaled to FY25 based on traffic growth.



Note: Figures rounded to the nearest $5m. [1] Estimated industry costs are higher than those presented in InterVISTAS (2024), 'Cost and Market Impacts of APPR', April, as they reflect 2024 traffic (whereas the InterVISTAS study covers 2023) and a wider scope of APPR-related costs: compensation and passenger care costs (as per InterVISTAS 2024), but also labour and rebooking costs and refunds. Source: Oxera.

In this section we consider the economic impacts of APPR-related costs based on the same framework of direct, indirect, induced and catalytic effects as set out for the analysis of the reduction in fees. We focus primarily on the effect(s) of APPR on higher fares, although we also provide a case study analysing the potential impact of APPR on regional route connectivity.

We present analysis on both the existing APPR regime and the proposed reforms to the regime ('APPR 2.0'). As APPR 2.0 has not been implemented, the estimated impacts reflect the total costs (or

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disbenefits) that would arise from its introduction. These costs are calculated relative to a baseline scenario that excludes APPR costs entirely. This approach ensures a consistent basis for comparison between the existing APPR regime and APPR 2.0, as both are assessed against the same no-APPR baseline.

We discuss the methodology and results in detail in the following subsections.

4.2 Overview of the Air Passenger Protection Regulations

4.2.1 Scope of the APPR framework

The APPR establishes airline obligations to passengers on flights to, from and within Canada, applying to both large and small carriers with differentiated requirements.[51]

The APPR framework sets out the legal responsibilities of air carriers across various aspects of air travel, such as tarmac delays, cancellations and denied boarding.[52] It establishes a tiered system of obligations based on the cause of disruption, according to whether the disruption is: (i) outside the carrier's control (e.g. weather or air traffic control); (ii) within the carrier's control but required for safety; and (iii) within its control and not required for safety.

Each category entails different obligations, ranging from re-routing only to full passenger care (including meals, accommodation and rebooking) and monetary compensation. Compensation levels generally vary based on carrier size and delay duration.[53]

[51] Carriers transporting more than 2m passengers worldwide in each of the two preceding years. See Government of Canada (2019), 'Air Passenger Protection Regulations'.
[52] It also includes rules on seating for children aged under 14, baggage compensation and airfare advertising to ensure transparency for passengers.
[53] For large carriers, compensation ranges from $400 for delays of three to six hours, $700 for delays of six to nine hours and $1,000 for delays of nine or more hours. The compensation levels are lower for small carriers, at $125 for delays of three to six hours, $250 for delays of six to nine hours and $500 for longer delays. For involuntary denied boarding, compensation ranges from $900 to $2,400.

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4.2.2 Impact of the APPR regime on airline costs

The APPR imposes multiple categories of costs on airlines, as follows.

- **Direct compensation costs** include monetary payments to passengers for delays, cancellations and denied boarding that fall within the airline's control.[54]
- **Standards of treatment costs** include the provision of meals, refreshments, accommodation and transportation during delays and following cancellations. These costs can escalate significantly during extended delays or when large numbers of passengers are affected simultaneously.
- **Rebooking and re-routing costs** arise from obligations to arrange alternative travel, often via competitor airlines, which may involve purchasing seats at market rates at short notice.
- **Administrative and compliance costs** include staff time for handling claims; systems for tracking and processing compensation, legal and regulatory compliance activities; and responding to complaints filed with the CTA.
- **Operational adjustment costs** may arise as airlines modify scheduling, increase buffer times or alter networks to reduce exposure to compensation obligations.

The complexity of attributing cause in multi-factor disruptions creates uncertainty for airlines in estimating APPR-related costs.

4.2.3 Proposed amendments to APPR: APPR 2.0

In December 2024, the Canadian government published proposed amendments to the Canada Transportation Act (APPR 2.0).[55] The key changes proposed include mandatory compensation for all flight disruptions (excluding narrowly defined exceptional circumstances), expanded definitions of exceptional circumstances, rebooking requirements on the next available flight, enhanced children's seating requirements, and increased maximum penalties from $25,000 to $250,000 per violation.

[54] These costs can be substantial. During recent labour disruptions in Canada's airline sector, carriers collectively owed tens of millions of dollars in compensation, as strikes by airline staff are considered within an airline's control under the APPR. For example, Air Canada's earnings outlook for 2025 was cut due to the impact of the cabin crew strike, which could cost up to $375m due in part to customer refunds and compensation. Financial Post (2025), 'Air Canada cuts outlook after cabin crew strike cost $375 million', 25 September.

[55] See Government of Canada (2024), 'Proposed amendments to the APPR have been published in the Canada Gazette, Part I, for consultation', 21 December.

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The expanded scope of mandatory compensation, combined with reduced clarity in certain provisions,[56] is expected to increase both direct compensation costs and administrative compliance burdens.

4.3 Fare and traffic impact of APPR

This section outlines our methodology for estimating the economic impact of APPR-related costs on the Canadian aviation sector. We first take account of the APPR costs incurred by airlines, before modelling how these costs are passed through to passengers via higher fares, how the resulting fare increases affect passenger demand, and lastly the economic impacts of this reduced demand. Figure 4.2 below gives an overview of the approach, which we then describe in detail.

Figure 4.2 Approach to modelling economic impacts

Source: Oxera.

The following subsections set out the analysis of the fare impacts and corresponding traffic effects. Section 5 then presents the resulting economic impacts.

4.3.1 Step 1: Fare impact of APPR

Similar to the third-party fees analysis, we use 2024 traffic and base fare data covering all O/D pairs for flights to and from Canada.[57]

[56] Such as obligations for flights that 'are or are likely to be delayed' and passengers who 'are or are likely to miss' connections.
[57] The data was obtained from the Cirium air traffic database. This data details the airport pairs for each O/D, the carrier involved, and passenger volumes across different market segments.

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APPR-related costs

We obtained information from NACC airlines on all the costs they incurred in financial year 2023 (FY23) to comply with the APPR regime.[58,59,60] These costs were subsequently scaled to reflect the expenditure that would have been incurred in financial year 2025 (FY25) based on traffic growth since FY23.

NACC airlines also provided FY23 data on delay and cancellation root causes and projections for how claims and costs would increase under APPR 2.0.[61] This enabled us to model FY23 costs under the proposed amendments, and then scale to FY25 based on traffic growth since FY23.

The costs under both the existing and proposed APPR regimes were then expressed for a one-way passenger trip for each NACC airline. For non-NACC airlines, we used the weighted average APPR costs from NACC airlines as a proxy for costs faced by other carriers under the existing and proposed APPR regimes.

To reflect the uncertainty around how airlines pass through APPR-related costs to fares, we modelled the share of these per-passenger costs in one-way OD fares under two pass-through assumptions: 50% and 100%.[62] This enabled us to estimate the portion of the base fares that could be attributed to APPR-related costs (i.e. the APPR cost component of the fare). We then removed these costs from the base fare data at the O/D level, according to the airline operating each route and applying the relevant pass-through assumption.

[58] FY 2023 represented the most recent period for which APPR-related costs were finalised (i.e. no outstanding liabilities remained).
[59] These costs include direct compensation for delays, cancellations, denied boarding and ticket refunds; expenditure on vouchers and reimbursement for hotel accommodation, meals and transportation resulting from disruptions; administrative costs associated with processing claims (including recovery proceedings from the CTA); and the costs of rebooking flights with partner airlines.
[60] These costs represented direct expenditure related to APPR claims and their processing in FY23. However, airlines can also incur upfront costs associated with minimising APPR claims and streamlining claims processing. For simplicity, we have excluded these additional costs from our analysis, meaning that our estimate of the APPR's impact on fares is likely to be conservative.
[61] Root causes included unscheduled maintenance, weather events, and other operational factors. Airlines projected how the proposed APPR amendments would affect claim volumes and associated costs.
[62] The markets in which airlines operate are usually considered to be competitive with some level of market concentration and differentiation of services. Assuming that demand for airline services is linear and that pass-through would be expected to vary by route depending on the level of competition on a route, pass-through of APPR-related costs (as a sector-wide cost shock) would be expected to lie somewhere between 50% (monopoly routes) and 100% (more competitive routes). See, for instance, Koopmans, C. and Lieshout, R. (2016), 'Airline cost changes: To what extent are they passed through to the passenger?', *Journal of Air Transport Management*, **53**, pp. 1–11.

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Summary of modelled fares

Figure 4.3 below presents summary statistics for the reduction in fares modelled in each scenario, broken down by five market segments: domestic, transborder, transatlantic, transpacific, and rest of the world. For the APPR 2.0 estimates shown in the figure, we calculate the expected fares assuming APPR 2.0 is implemented, based on cost estimates provided by NACC airlines and the methodology outlined above. The fare changes illustrated therefore represent the increase in fares that would occur if APPR 2.0 were implemented.

Figure 4.3 Change in fares under the current and amended APPR regimes, by market segment relative to baseline

Note: Fares are calculated as the weighted average across routes within each segment using the number of passengers in that segment as weights.
Source: Oxera analysis.

As demonstrated above, lowering these costs would help make air travel more affordable for Canadians, creating opportunities for families to stay connected, for students to reach educational institutions, and for firms to engage with customers and partners in other regions.

Box 4.2 below presents how APPR costs affect entry-level fares (rather than average fares which is used in the analysis above). These fares are often purchased by the most price-sensitive passengers, yet airlines are constrained in their ability to price them competitively, in part due to the APPR costs they must absorb.

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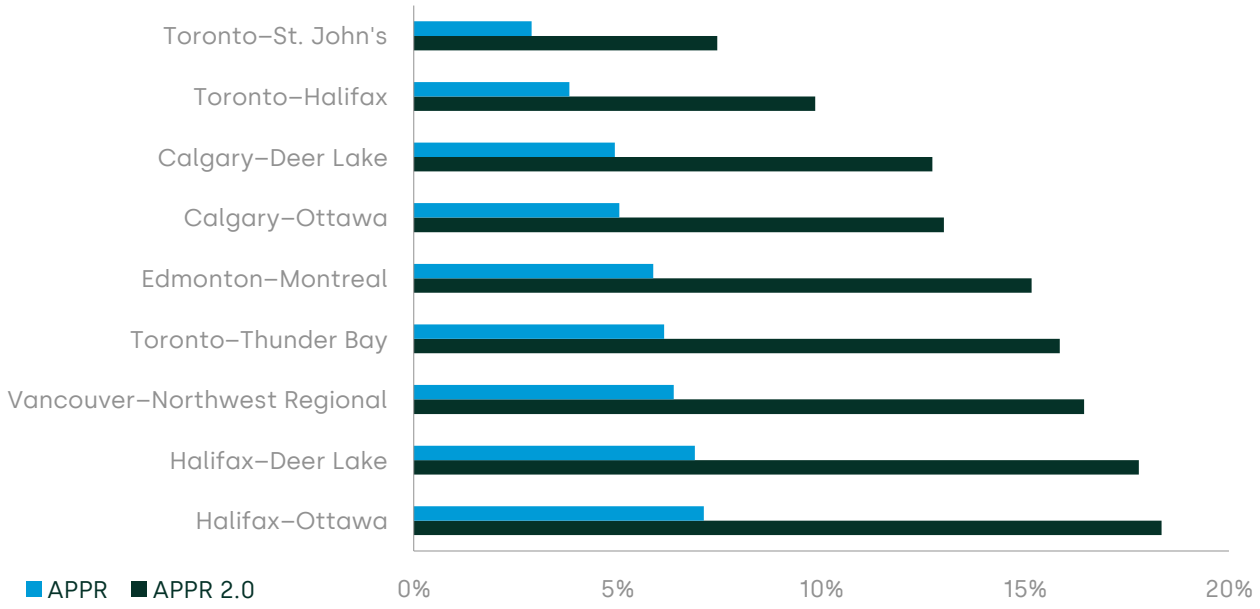
Box 4.2 Impact of APPR on entry-level economy fares

As explained, APPR costs are borne by airlines and can be passed on to passengers through airfares. While Figure 4.3 demonstrates the impact of APPR costs on the average fare (economy and business), below we provide an illustration of the contribution of APPR using a sample of entry-level economy fares on domestic routes.

The figure below presents the proportion of the base fare (defined as the airline fare excluding third-party fees) for entry-level economy tickets attributable to APPR costs. This analysis is shown for select domestic routes, consistent with those presented in Figure 2.4. The results indicate that on average more than 5% of the base fare reflects these costs.

Additionally, Figure 4.4 highlights the implications of the proposed APPR 2.0 reform, which is expected to impose substantial additional costs on airlines. Under these proposals, APPR 2.0 could account for up to 18% of the entry-level economy base fare.

Figure 4.4 Proportion of entry-level base fare attributable to APPR



Note: Oxera estimates of APPR costs are based on a weighted average of the per-ticket APPR cost estimates provided by NACC members. These per-ticket APPR costs represent an average derived from the full network of routes operated by carriers and are not specific to the individual routes shown. As APPR costs are typically included in the base fare, these are separated from the rest of the base fare in the analysis presented.
Source: Oxera.

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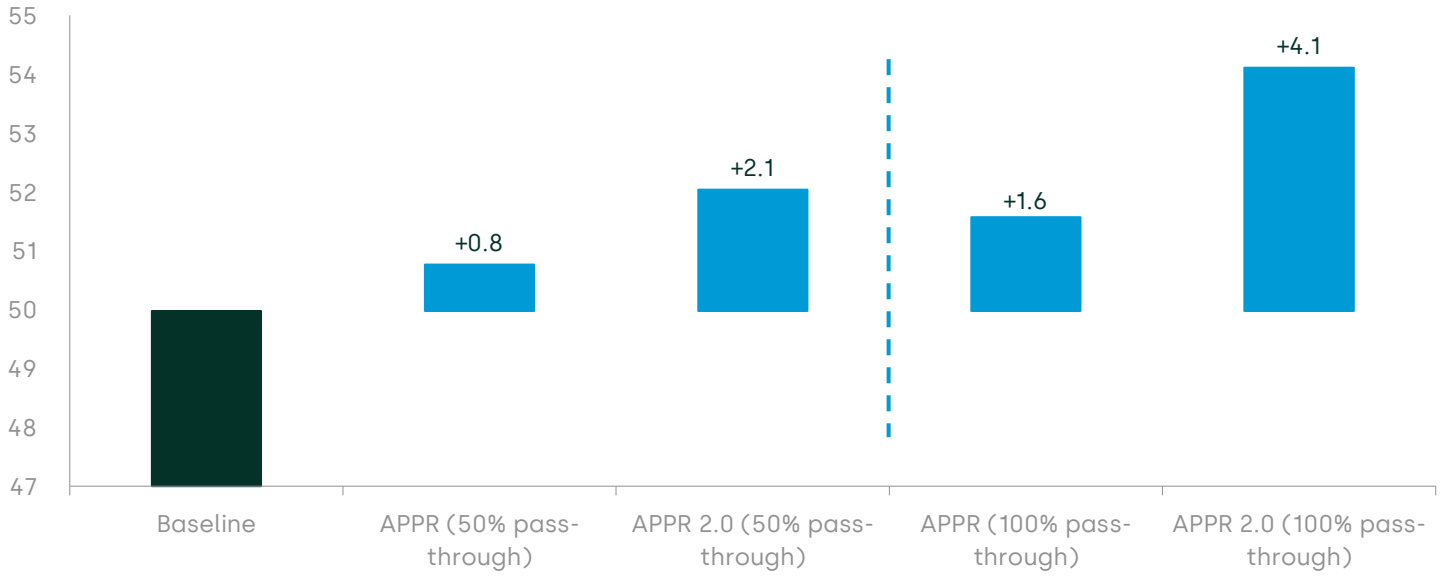
4.3.2 Step 2: Traffic impact of APPR

As a next step we assess how the fare reductions estimated above are expected to stimulate additional passenger demand. This analysis applies the same methodology and price elasticities as described in section 2.4.2.

Figure 4.5 shows the estimated traffic impact of APPR under the current APPR framework and under APPR 2.0, across all market segments. For the APPR 2.0 scenario, we first calculate the expected traffic levels assuming APPR 2.0 is implemented, with the 50% and 100% pass-through assumptions applied. The traffic increase illustrated therefore represents the reduction in traffic that would occur if APPR 2.0 was implemented and fares increased accordingly.

Figure 4.5 Total potential traffic impact of reduced APPR-related costs, by APPR regime and pass-through assumption (mppa)



Note: Figures correspond to estimated round trip passengers, which have been estimated by taking half the stated passengers for each O/D pair.
Source: Oxera.

In the following section, we present the economic impacts associated with this potential additional traffic.

5 The economic impacts of Air Passenger Protection Regulations

5.1 Introduction

This section presents the total potential impact on economic activity associated with:

(i) the current APPR regime;
(ii) the implementation of the proposed APPR amendments (APPR 2.0).

Our analysis captures a wide range of economic benefits expressed in monetary benefits, GDP contributions, and FTE employment across both the aviation sector and the broader Canadian economy. The scope of economic benefits assessed is the same as that examined in section 3 of this report, and is explained further below.

For the APPR 2.0 scenario, we estimate the fare and traffic impacts assuming APPR 2.0 has been fully implemented (with both 50% and 100% pass-through), as detailed in section 4.3. Our analysis presented in the remainder of this section therefore estimates the economic costs if APPR 2.0 were implemented.

5.2 Direct, indirect and induced footprints

This section presents our estimates of the economic activity affected by APPR-related costs, based on the scenarios set out in section 4.3. It assesses the direct, indirect and induced economic footprints associated with lower air traffic due to the additional costs imposed by APPR. The figures below summarise these footprints for each scenario analysed.

If APPR-related costs were reduced, this would translate into lower fares, higher air travel and, ultimately, a potential increase of between $0.85bn and $4.45bn in GDP, alongside the creation of between 6,540 and 34,230 additional jobs.

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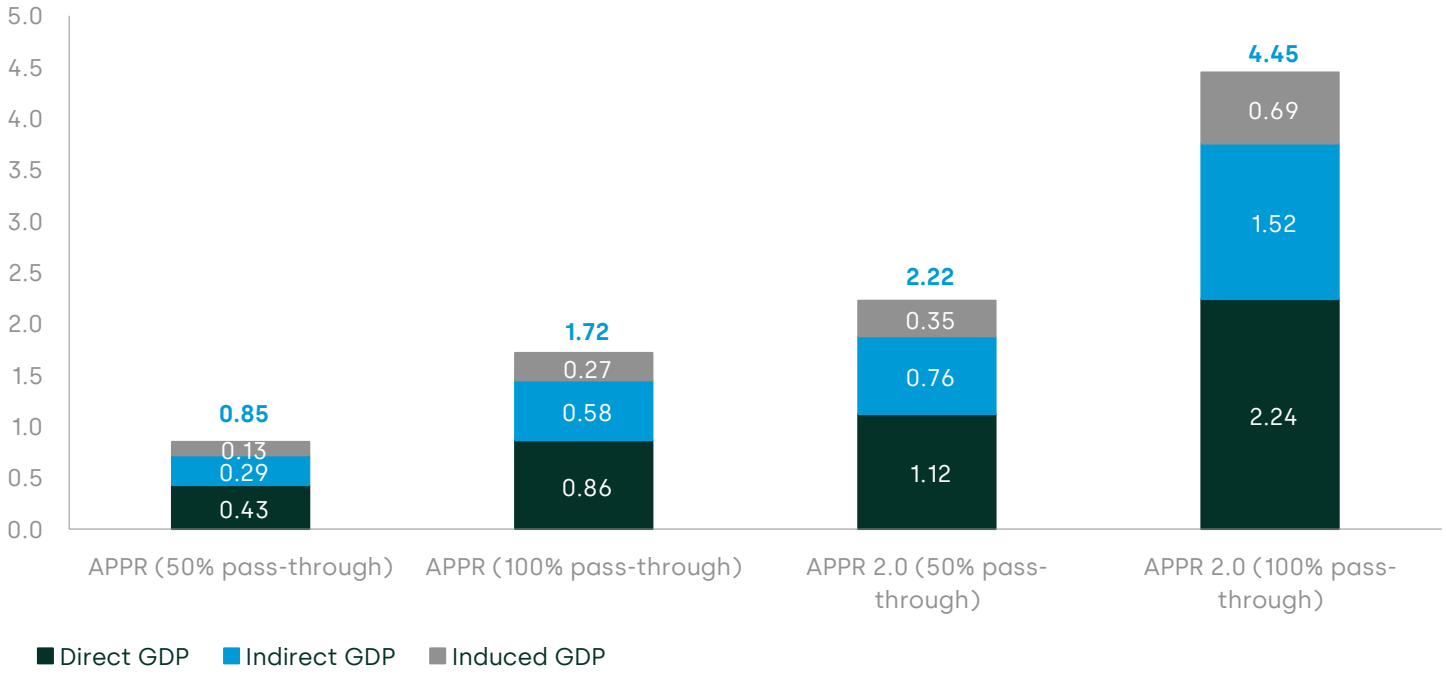
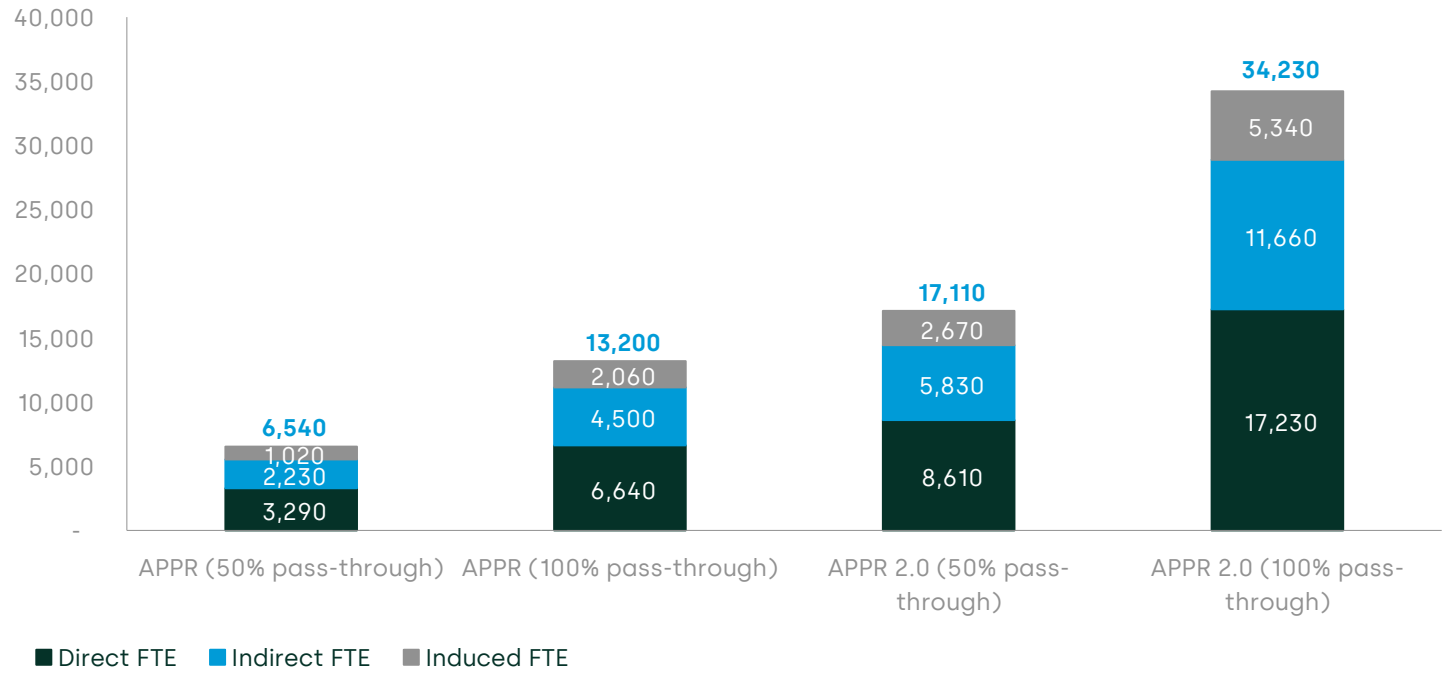
Figure 5.1 Direct, indirect and induced GDP footprint of reduction in APPR-related costs ($bn)



Note: GDP figures are presented in 2024 prices.
Source: Oxera.

Figure 5.2 Direct, indirect and induced employment footprint of reduction in APPR-related costs (FTE)

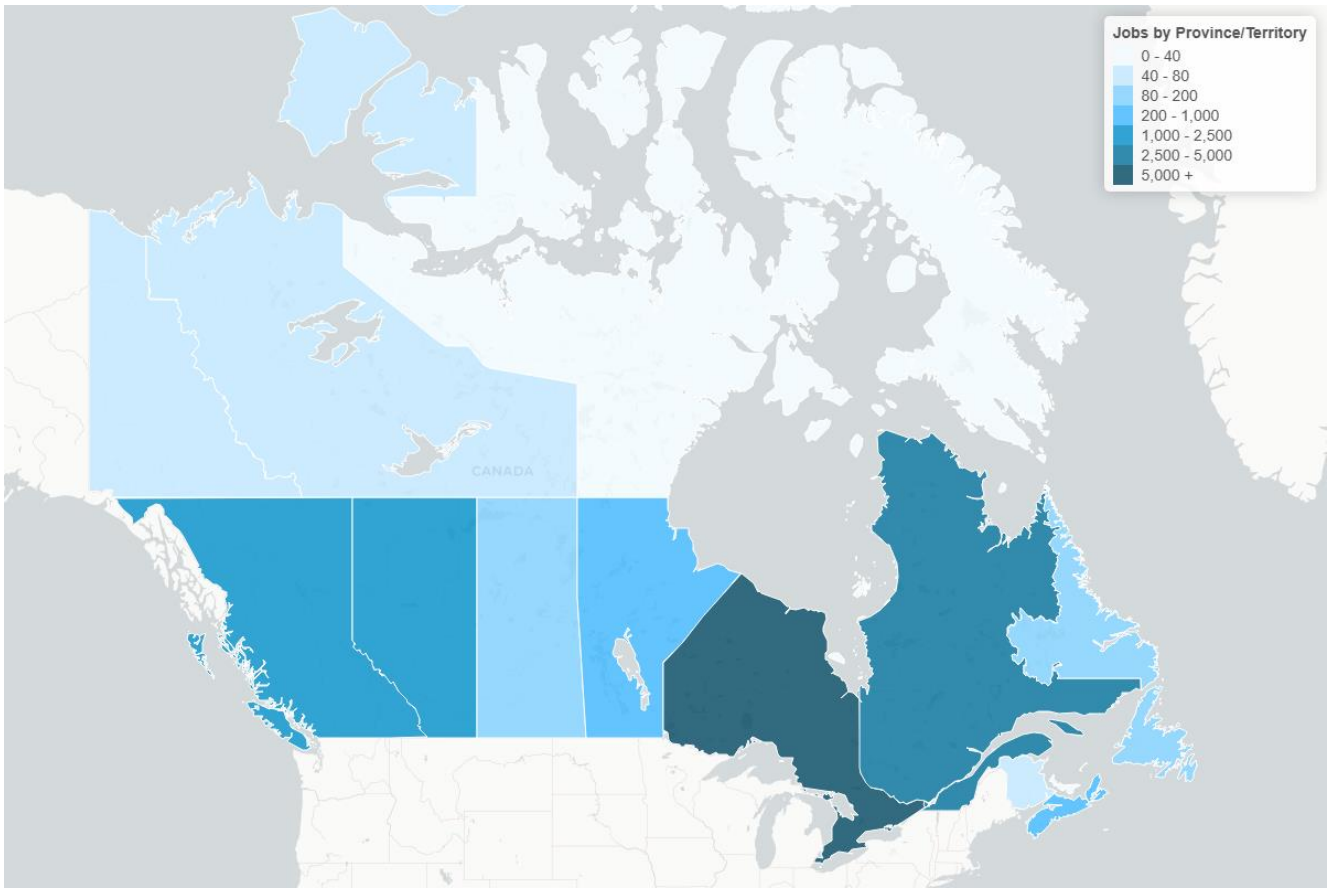


Note: Employment figures are rounded to the nearest 10 FTEs.
Source: Oxera.

Of the total economic footprint presented above, approximately 91% of the GDP impact is concentrated in Alberta, Quebec, Ontario and British Colombia. This reflects the significantly higher air traffic volumes in these provinces relative to the rest of the country. Nonetheless, all provinces and territories benefit from a reduction in APPR-related costs. While smaller provinces generate lower absolute impacts due to their lower traffic, the gains are meaningful, particularly as improved cost-competitiveness strengthens regional connectivity and supports the viability of routes serving smaller communities.

Figure 5.3 illustrates the geographic distribution of the potential employment footprint associated with reducing APPR-related costs under the current regime. Additional detail on the economic footprint estimates by province and territory is provided in Annex A6.

Figure 5.3 Employment footprint associated with the reduction in APPR-related costs under the current regime



Note: The map illustrates the total FTEs supported across direct, indirect and induced channels as a result of the reduction of APPR-related costs. These figures assume a 100% cost pass-through. As the legend shows (top right-hand corner), darker shading indicates that more employment is generated within a given province or territory. The full set of impact estimates for FTEs by province and territory is set out in Annex A6.

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To further illustrate the potential impact of the APPR regime on routes serving smaller communities, we have undertaken a case study focused on regional connectivity, as presented in Box 5.1.

Box 5.1 Economic footprint of APPR on regional connectivity

As part of our analysis we consider the potential impact of reducing APPR costs on flights from/to Canadian Class 2 and Class 3 airports (e.g. Charlottetown or Fort McMurray)—i.e. regional and smaller Canadian airports.[63] In this case study, we have considered all flights from/to these airports, including domestic flights between Class 1 airports and these airports, and any international flights from/to these airports. This analysis is intended to capture the potential impact of the APPR regime (current regime with 100% pass-through) on regional demand and the local economy.

The economic impact of APPR on regional connectivity indicates that a reduction in APPR costs could potentially result in:

- **$412m GDP** in economic footprint, comprising $208m direct, $141m indirect and $64m induced GDP;
- **3,200 FTE employment**, comprising 1,600 direct FTE, 1,100 indirect FTE and 500 induced FTE.

Source: Oxera.

5.3 Catalytic tourism impact

The catalytic impact refers to the additional economic activity generated across the Canadian economy from the increase in air traffic due to the lower fares from reduced APPR-related costs.

As discussed in section 3.3, air travel allows visitors to reach destinations throughout Canada, which can meaningfully support local economies. Consequently, tourism activity sustains considerable

[63] Class 2 airports are Canadian airports listed under Schedule 2 of the Canadian Aviation Security Regulation, 2012. These airports have one or more of the following characteristics: annual passenger traffic in excess of 200,000 people; a medium threat/risk potential; whether the primary airport is in a provincial/territorial capital; or whether there is a transit stop for international flights bound for Class 1 or 2 airports. Class 3 airports are listed under Schedule 3 of the Canadian Aviation Security Regulation, 2012.
For a list of the aerodromes classified as Class 1, Class 2, and Class 3 airports, see Canadian Aviation Security Regulations, 2012:

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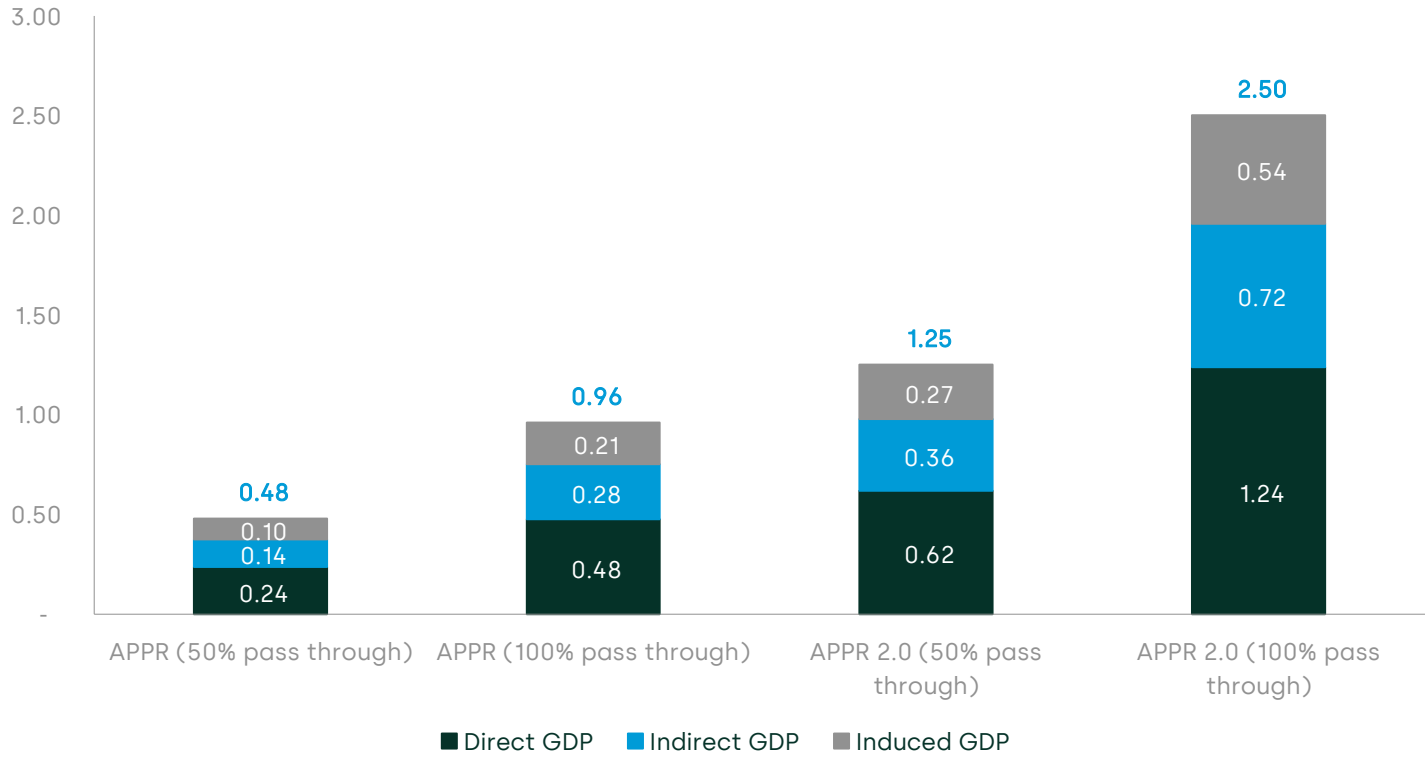
employment and supports a wide range of local businesses across multiple sectors.

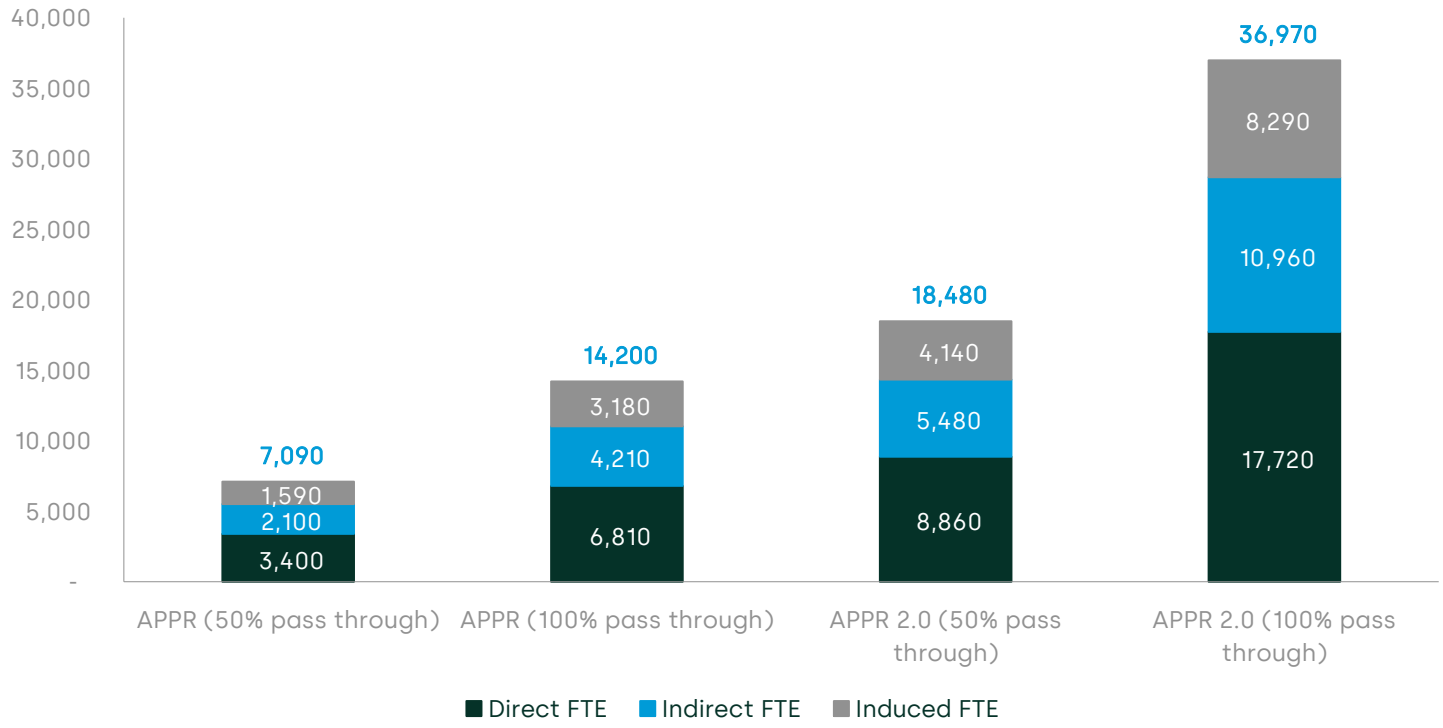
Figure 5.4 and Figure 5.5 below illustrate the potential economic footprint (direct, indirect and induced) of tourism that would arise from the reduction in APPR-related costs in each scenario. Overall, the additional tourism supported is expected to generate between 7,090 and 36,970 jobs and contribute between $0.48bn and $2.50bn GDP in Canada. These estimates reflect a significant proportion of the catalytic effect of reduced APPR-related costs—although other catalytic benefits are quantified in section 5.4 below.

Figure 5.4 Direct, indirect and induced GDP footprint of tourism associated with reductions in APPR-related costs ($bn)



Note: GDP figures are presented in 2024 prices. Impact estimates disaggregated by Canadian province/territory are presented in Annex A6.
Source: Oxera.

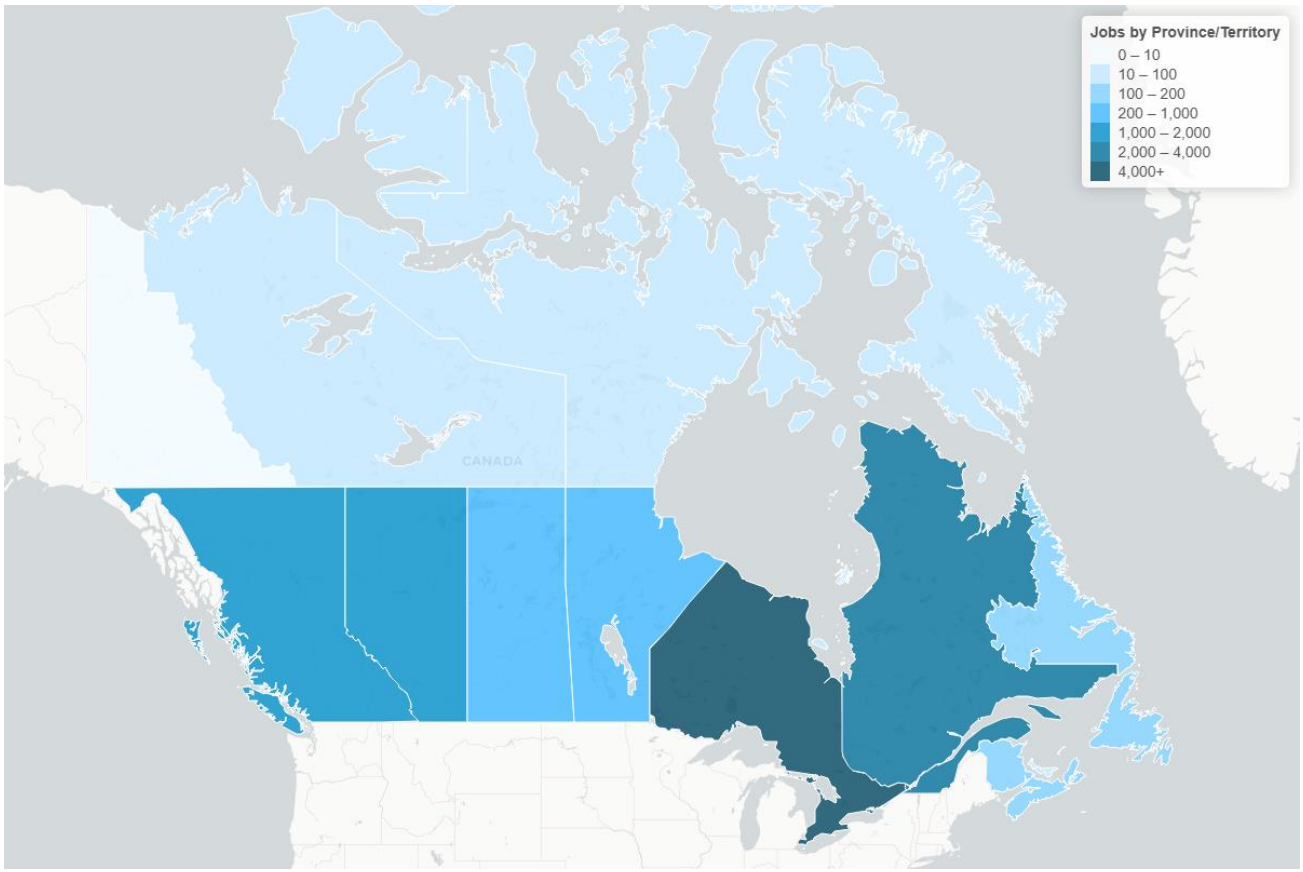
Figure 5.5 Direct, indirect and induced footprint of tourism associated with reduction in APPR-related costs (FTE)



Note: Employment figures are rounded to the nearest 10 FTEs. Impact estimates disaggregated by Canadian province and territory are presented in Annex A6.
Source: Oxera.

Figure 5.6 below presents the geographic distribution of the potential tourism employment that would be supported by the reduction of APPR-related costs.

Figure 5.6 Employment footprint of tourism supported by the reduction of APPR costs



Note: The map illustrates the total FTEs associated with tourism across direct, indirect, and induced channels that could potentially be supported by the reduction of APPR costs. These figures assume 100% cost pass-through. As the legend shows (top right-hand corner), darker shading indicates that more employment is generated within a given province or territory. Impact estimates disaggregated by Canadian province and territory are presented in Annex A6.

All provinces stand to benefit from these changes, as improved regional connectivity will enhance accessibility and create economic opportunities across the country, including in smaller markets that currently face higher barriers to air travel. For instance, in Nova Scotia, we estimate that Case 2 impacts would generate a 13% increase in catalytic employment. However, as for previous estimates, the impact is particularly concentrated in provinces with substantial air traffic and tourism-related economies, such as Alberta, Quebec, British Columbia and Ontario, which together account for 90% of the total tourism employment generated.

To further illustrate the potential impact of the APPR regime on routes serving smaller communities, see the case study presented in Box 5.2 below.

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Box 5.2 Catalytic tourism footprint of APPR on regional connectivity

As in Box 5.1, this analysis considers the potential impact of reducing APPR costs on flights from/to Canadian Class 2 and Class 3 airports (e.g. Charlottetown or Fort McMurray).[64] In this case study, we have considered all flights from/to these airports, including domestic flights between Class 1 airports and these airports, and any international flights from/to these airports. This analysis is intended to capture the potential impact of APPR (current regime with 100% pass-through) on regional travel demand and the local economy.

The potential economic impact associated with reducing APPR related costs on regional connectivity is:

- **$255m GDP** of catalytic tourism footprint, comprising $126m direct, $73m indirect and $56m induced GDP.
- **3,800 catalytic FTE employment**, comprising 1,800 direct FTE, 1,100 indirect FTE and 800 induced FTE.

Source: Oxera.

5.4 Wider economic impacts

5.4.1 Overview

As noted in section 3.4, the economic benefits derived from enhanced air connectivity extend beyond the aviation and tourism sectors. Improved accessibility generates productivity gains, supports international trade, attracts foreign investment, and creates employment opportunities across the Canadian economy.

In the following subsections, we examine the channels through which reduced APPR-related costs, and the resulting increase in air traffic, can generate broader economic impacts in Canada, and quantify those impacts.[65] However, when interpreting these wider impacts, it is important to note that they cannot be added to the impacts already

[64] For the list of aerodromes classified as Class 1, Class 2, and Class 3 airports, please see for reference Canadian Aviation Security Regulations, 2012 available here : https://laws.justice.gc.ca/eng/regulations/SOR-2011-318/

[65] The methodology used is provided in Annex A7A7.

estimated, nor can they be summed together, as doing so would risk double-counting.

5.4.2 Trade impacts

Improved air connectivity supports international trade and foreign direct investment by facilitating business relationships and market access. As discussed in section 3.4.2, international trade is enabled by the movements of people and freight. An increase in connectivity triggered by lower airline costs and lower fares could therefore make Canadian businesses more competitive and boost trade. Additionally, while we do not measure impacts on foreign direct investment due to the absence of a robust methodology, the same economic channels that generate trade benefits would also generate FDI benefits for the Canadian economy.

Figure 5.7 below presents the estimated trade impacts for each APPR-related fee reduction case. Changes to this regime would increase Canada's total trade (exports and imports) by between $17bn and $85bn (an increase of up to 6.7% on the 2024 level of Canadian trade).

Importantly, this increased trade itself does not represent additional GDP, rather it serves as an indicator of enhanced business access to international markets, improved supply chain connectivity, and stronger commercial relationships—factors that generate economic benefits and welfare gains.

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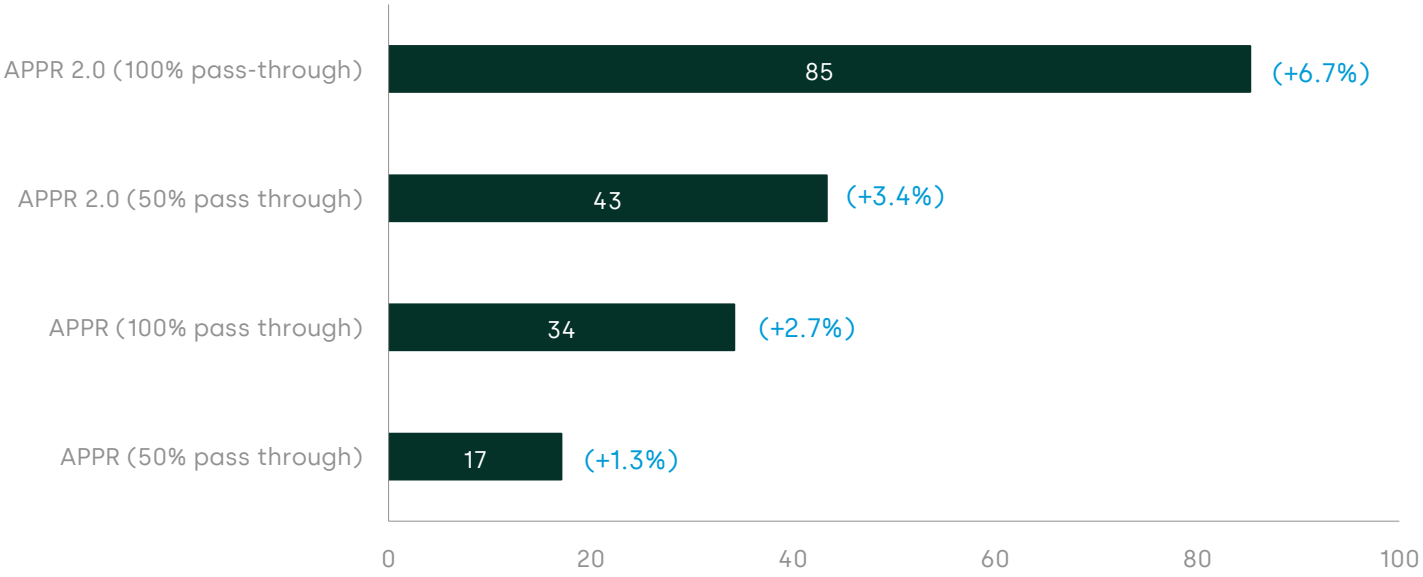
Figure 5.7 Impact on total value of trade: percentage change from total value of trade in Canada in 2024 ($bn)



Note: Figures rounded to nearest $bn.
Source: Oxera.

5.4.3 Productivity impacts

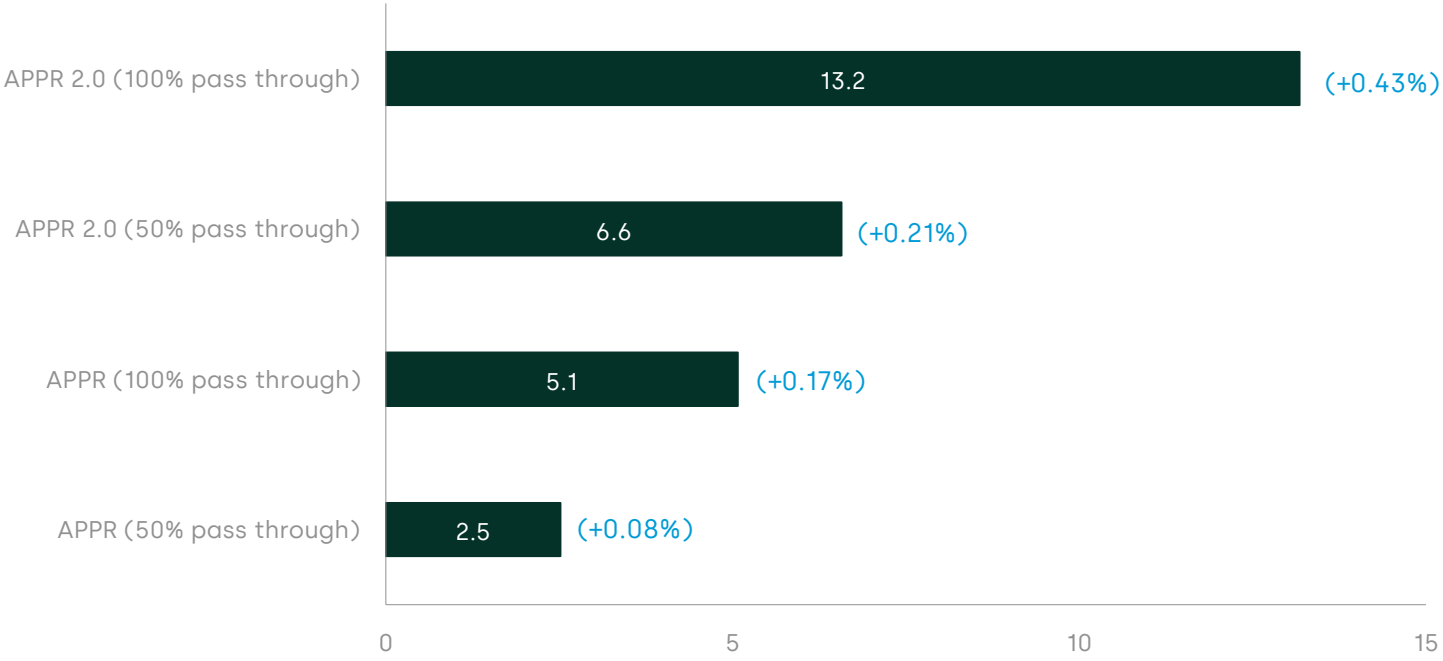
By expanding access to markets, resources and talent, aviation supports 'agglomeration' effects which facilitate greater research activity, a more diverse industrial base and stronger economic growth.[66]

Productivity impacts are estimated using an economy-wide approach that draws on existing literature linking connectivity improvements to GDP growth. However, as explained, this estimate should be interpreted separately from the other impact figures in this report, as it may implicitly incorporate elements of the economic footprint, catalytic tourism effects and trade impacts.

Figure 5.8 below presents the estimated productivity impacts, measured as additional GDP, for each APPR fee reduction case. The results indicate that the total potential impact of reducing APPR-related costs could range from $2.5bn to $13.2bn (an increase in GDP of up to 0.43%), depending on the scenario analysed.

[66] Aitbihiouali et al. (2020).

Figure 5.8 Potential change in GDP through productivity impacts ($bn)



Note: These estimates represent the total economic impact that could be associated with the reduction of APPR costs.
Source: Statistics Canada (2025), 'Gross domestic product, expenditure based, Canada, quarterly', November. Impact elasticities from Aitbihiouali et al. (2020).

5.4.4 Government revenue impacts

Reductions in APPR-related costs will also have an impact on government revenues. The productivity gains quantified in the previous subsection generate additional tax revenue as higher GDP per employee translates into higher wages (subject to personal income tax) and increased business profits (subject to corporate income tax). The broader economic activity also generates consumption tax revenues from increased tourism and business spending.

Figure 5.9 below presents the potential government revenue impact for each scenario. These changes to the APPR regime would increase Canada's government revenues by between $0.9bn and $4.5bn (an increase of up to nearly 1%).

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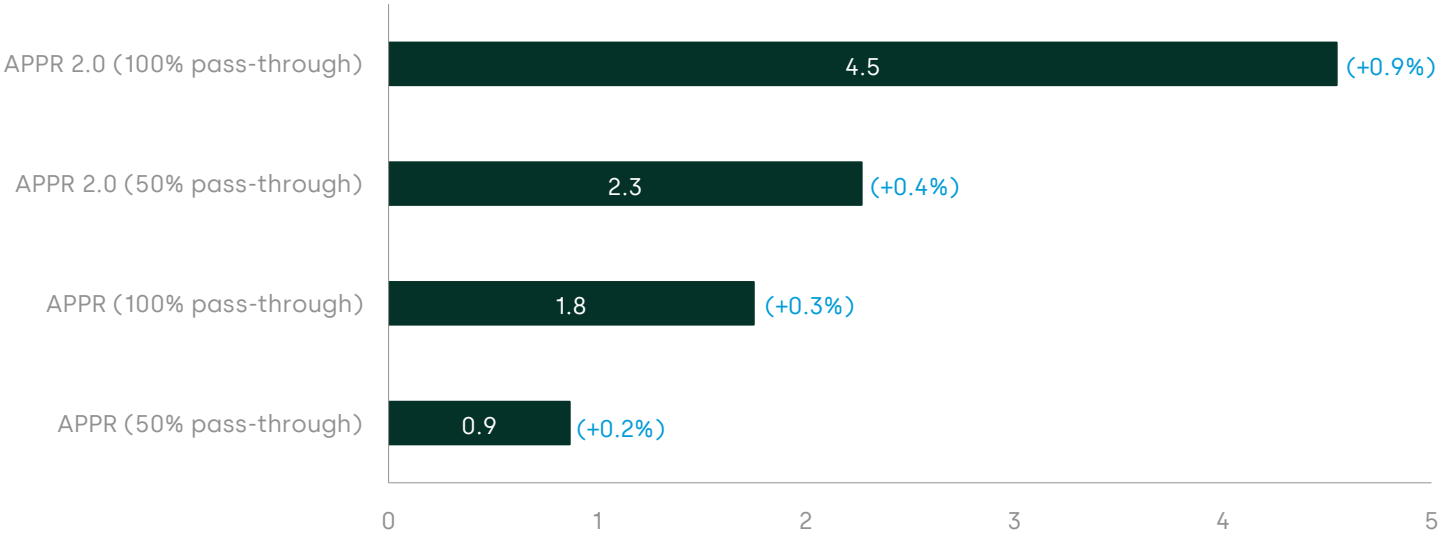
Figure 5.9 Potential change in government revenues through productivity impacts ($bn)



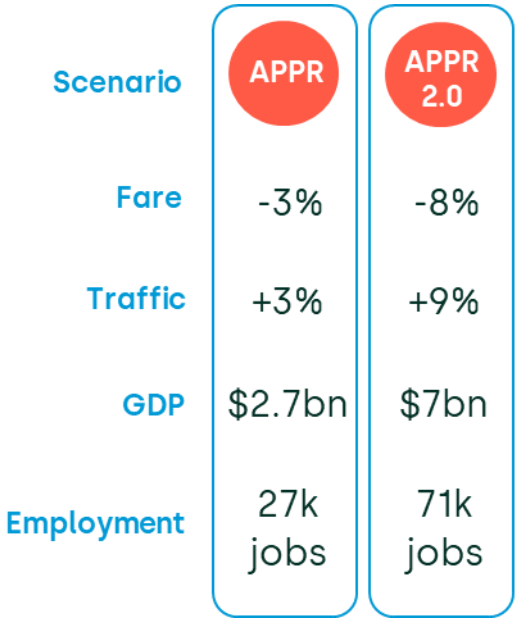
Note: Percentage increases presented as a proportion of federal government revenues, which were recorded at $511 billion in the 2024-25 Annual Finance Report.
Source: Department of Finance Canada (2025), 'Annual Financial Report of the Government of Canada 2024-25', November.

5.5 Conclusion

This section has assessed the potential economic impact of reductions in APPR-related costs to illustrate what could be achieved: more affordable air travel, stronger demand for air travel and wider economic benefits across Canada.

The figure below presents the total economic impacts across the scenarios, combining the direct, indirect and induced effects from greater aviation activity with the catalytic tourism impacts from additional visitor spending.

Figure 5.10 Summary of modelled impacts from reductions in APPR-related costs



Note: The values presented correspond to the 100% pass-through scenario.
Source: Oxera.

Reductions in APPR-related costs have the potential to generate significant economic activity through reductions in fares and increases in passenger traffic. Whether this is through the reductions in existing APPR-related costs, or avoiding the costs of APPR 2.0, the economic impacts quantified can be significant. For example, under the scenario in which the costs related to the APPR regime are reduced, the combined direct, indirect, induced and catalytic tourism impacts generate approximately $2.7bn in GDP and support 27,000 jobs across the Canadian economy.

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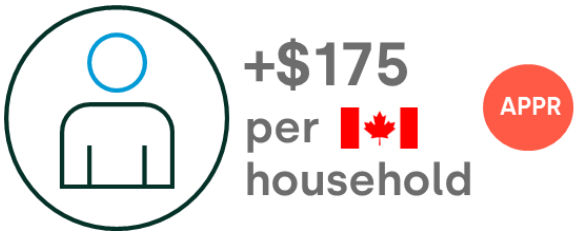
To put these figures in context, the $2.7bn GDP impact is equivalent to approximately $175 per household if spread evenly across Canada's 15.3m households.[67]

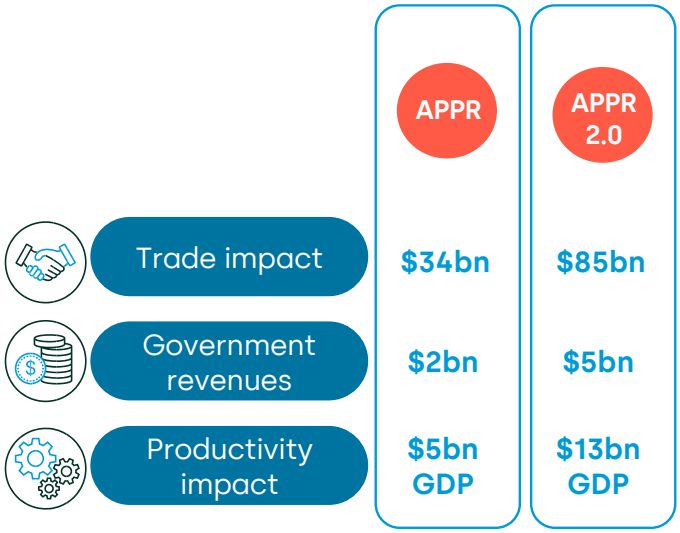


Wider economic impacts

In addition to the direct economic footprint from increased aviation activity and tourism, reductions in APPR-related costs could generate wider economic benefits through three addition channels: productivity impacts, government revenue impacts, and trade impacts.

Although the impacts presented are not additive due to the risk of double-counting, productivity benefits to the national economy can be considered as an upper bound for the benefits captured in this assessment. For example, the $5bn productivity impact would be indicative of the maximum benefit expected under a reduction in the current APPR costs.

Figure 5.11 Wider economic impacts of reductions in APPR-related costs



Note: The values presented correspond to the 100% pass-through scenario.
Source: Oxera.

[67] GlobalData (2021), 'Total Households in Canada (2010–2021, Million)'.

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A1 Overview of fee reduction cases

This annex presents the rationale for each fee reduction case analysed in this report. The cases are designed to explore various scenarios for reducing third-party fees at Canadian airports, and range from moderate reductions based on historical levels to reforms based on international comparators, to more ambitious reforms.

The cases are intended to demonstrate the potential economic gains from making Canadian air travel more affordable, without pre-judging the specific fiscal measures or budgetary trade-offs required to achieve this goal. The adoption of any of these cases would ultimately depend on wider policy choices and structural reforms to Canada's aviation funding framework.

Case 1: Return to 2019 levels

Case 1 evaluates a moderate reduction in select third-party fees, benchmarked using historical fees. Specifically, it considers reductions in the AIF, ATSC, and ANS fees. Table A1.1 presents the reduction in third-party fees reflected in this case, together with the rationale.

Table A1.1 Proposed reduction in third-party fees in Case 1

Fee	Proposed reduction	Rationale
ATSC	30%	ATSC levels remained unchanged from 2008 to May 2024, when they increased by 32.9% across domestic, transborder and overseas segments.[68] A 30% reduction would therefore restore the charge to pre-2024 levels, which at the time (e.g. pre-COVID in 2019) were sufficient to fund aviation security operations at passenger traffic volumes comparable to current levels. From an operational perspective, this could be achieved through improved cost efficiencies in security operations or through alternative funding mechanisms for security services, as employed in some other jurisdictions.

[68] Government of Canada's website, 'Table A5: Air Travellers Security Charge (ATSC), 2002–2023'.

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Fee	Proposed reduction	Rationale
AIF	25% for Class 1 airports[1]; 15% for other airports	These reductions are estimated based on the proportion of the AIF that is represented by airport rent obligations to the federal government. On average, Class 1 airports currently spend the equivalent of around 25% of their AIF revenue on rent, while other airports spend around 15%.[69] From a financial perspective, a hypothetical elimination of, or reduction in, airport rent would reduce airport revenue requirements by these proportions, enabling corresponding reductions in AIF while maintaining existing levels of infrastructure investment and operations. As Class 1 airports bear higher absolute and proportional rent burdens, this translates into larger potential AIF reductions at these airports.
NAV CANADA	20%	Between 2019 and 2024, NAV CANADA charges increased by approximately 23%. A 20% reduction would restore charges closer to 2019 levels, which were sufficient to fund air navigation services at passenger traffic volumes comparable to current levels.

Note: [1] Toronto (YYZ), Montreal (YUL), Calgary (YYC), Edmonton (YEG), Halifax (YHZ), Winnipeg (YWG), Ottawa (YOW) and Vancouver (YVR) airports.
Source: Oxera analysis based on engagement with NACC airlines, the financial statements of Canadian airports, NAV CANADA (2019), 'NAV CANADA announces changes to customer service charges', August; NAV CANADA (2020), 'Notice of revised service charges', May; and Government of Canada's website, 'Table A5: Air Travellers Security Charge (ATSC), 2002–2023', accessed November 2025.

Case 2: Sweden

Case 2 considers the fees levied in Sweden, a European jurisdiction with similarities to Canada (e.g. a sizeable domestic aviation market due to lack of alternative options to air travel) that provides a useful comparator for assessing alternative approaches to aviation charges.[70]

Our analysis focuses on the following third-party fees: the Aviation Security Charge, which serves as Sweden's ATSC; an AIF-equivalent component derived from total airport charges; and ANS charges levied by Sweden's ANSP.

Table A1.2 outlines the Swedish fees used in this case.

[69] Oxera analysis based on the financial statements of Canadian airports.
[70] Important contextual differences nevertheless exist. Sweden's aviation market operates within the broader European aviation system, with different regulatory frameworks, market structures and cost drivers.

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Table A1.2 Third-party fees in Sweden

	Value ($)	Methodology
Security charge	6.79 per departing passenger	Levied directly on airlines by the Swedish Transport Agency (*Transportstyrelsen*) to cover the costs of security screening for passengers and baggage at airports. Airlines pass this cost through to passengers via ticket prices.
AIF-equivalent (capital investment component of airport charges)	5.5 per departing passenger	Sweden does not levy an explicit passenger-based charge equivalent to Canada's AIF. Instead, airport capital expenditure (CAPEX) and operating expenditure (OPEX) are both funded through total aeronautical charges levied on airlines. To derive an AIF-equivalent value, we isolate the CAPEX share of total airport costs using Swedavia's financial statements for 2019 and 2022–24. The investment component represents on average 25% of total airport costs (calculated as depreciation plus return on operating capital as a proportion of total costs).[1]
Air navigation service charges	Unchanged	Sweden levies ANS charges through its ANSP, similar to NAV CANADA's charges but using a different rate structure. In this case, these charges are held at Canadian levels rather than modelled separately. Both Canada and Sweden apply a user-pays, cost-recovery approach, under which charges reflect national circumstances such as geography, traffic volumes and the share of overflights. Given this shared approach, it is reasonable to expect that applying Sweden's framework to Canada would yield broadly similar results to current Canadian levels of charges.

Note: [1] To calculate the AIF-equivalent value, we assume that: (i) airport charges generally reflect costs; (ii) the CAPEX share of total costs can be isolated from financial statements (calculated as depreciation plus return on operating capital as a proportion of total costs including OPEX, depreciation and return on operating capital); and (iii) this CAPEX share represents the corresponding share of airport charges attributable to capital investment. Swedavia does not operate under a regulatory asset base (RAB) framework; accordingly, we use the reported rate of return on operating capital. The investment share of costs averaged 25% across 2019, 2022–2024, yielding an average capital investment-related component of SEK 37 ($5.50) per departing passenger.
Source: Swedavia Airports (2025), 'Airport charges & conditions of services', January.

Case 3: USA

Case 3 applies the third-party fees in the USA, Canada's most important aviation market and a key comparator given the integrated nature of North American air travel. Fees in the USA can be mapped to those in Canada, though they differ in structure, application and level.

Our analysis focuses on the following third-party fees:

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- **September 11th Security Fee:** similar to the ATSC, this funds aviation security operations and is levied by airports on airlines;
- **Passenger Facility Charge (PFC):** similar to the AIF, the PFC generates revenue for airport infrastructure development and operational projects, and is levied by individual airports on airlines;
- **ANS charges:** unlike Canada, the USA does not impose ANS charges directly on flights arriving at or departing from US airports. As a result, ANSP charges are assumed to be zero in this case.

The USA also levies other fees on international arrivals, including the Immigration User Fee, Customs User Fee, Animal and Plant Health Inspection Service Fee, and an aviation fuel tax. Comparable fees exist in Canada, although they are typically incorporated into airport charges and therefore passed through to passengers in airline base fares (i.e. fares absent any taxes or third-party fees). To avoid double-counting these charges, we do not separately model these arrival-based and fuel-related charges.

Table A1.3 outlines the fees applied in this case.

Table A1.3 Third-party fees in the USA

	Value ($)
September 11th Security Fee	7.83 per departing passenger
PFC	6.29 per itinerary for all departures from US airports
ANS charges	No charge

Source: Oxera based on Transportation Security Administration website, 'Security Fees'; Federal Aviation Administration website, 'Passenger Facility Charge (PFC) Program'; and FAA website, 'GEN 4.1 Fees and Charges'.

A substantial portion of US aviation infrastructure and security costs is funded directly from general government revenues through the Airport & Airways Trust Fund, rather than through user fees. This means that passenger-facing fees are lower in the USA as the total cost of the aviation system is partially funded through general taxation rather than being fully recovered from users. Our analysis captures the difference in passenger-facing fees between the two systems.

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Case 4: Elimination of fees

Case 4 is an illustrative case in which the ATSC, AIF and ANS charges are eliminated entirely (100% reduction).

This case is intended to provide an upper bound of the potential economic impact of third-party fees. It illustrates the maximum additional air traffic and economic activity that could be generated if all such charges were removed.

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A2 Airport Improvement Fee per departure airport

AIFs vary across Canadian airports based on factors such as airport size and capital requirements. Table A2.1 presents the AIF applied at each departure airport which has been used in calculating the fee reductions analysed in this report.

Table A2.1 AIF per departure airport

City	Province	Airport code	Amount ($)
Bagotville	Quebec	YBG	25.00
Baie Comeau	Quebec	YBC	10.00
Bathurst	New Brunswick	ZBF	40.00
Brandon	Manitoba	YBR	15.00
Calgary	Alberta	YYC	35.00
Campbell River	British Columbia	YBL	10.00
Castlegar	British Columbia	YCG	25.00
Charlo	New Brunswick	YCL	40.00
Charlottetown	Prince Edward Island	YYG	30.00
Comox	British Columbia	YQQ	7.50
Cranbrook	British Columbia	YXC	3.00
Deer Lake	Newfoundland & Labrador	YDF	25.00
Edmonton	Alberta	YEG	35.00
Flin Flon	Manitoba	YFO	30.00
Fredericton	New Brunswick	YFC	30.00
Ft. McMurray	Alberta	YMM	42.00
Ft. St. John	British Columbia	YXJ	18.00
Gander	Newfoundland & Labrador	YQX	35.00
Gaspe	Quebec	YGP	15.00
Goose Bay	Newfoundland & Labrador	YYR	20.00
Grande Prairie	Alberta	YQU	25.00
Halifax (travel outside Nova Scotia)	Nova Scotia	YHZ	35.00
Halifax (travel within Nova Scotia)	Nova Scotia	YHZ	22.00

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City	Province	Airport code	Amount ($)
Hamilton	Ontario	YHM	30.00
Kamloops	British Columbia	YKA	15.00
Kapuskasing	Ontario	YYU	11.00
Kelowna	British Columbia	YLW	28.00
Kitchener/Waterloo	Ontario	YKF	7.50
Lethbridge	Alberta	YQL	20.00
London	Ontario	YXU	25.00
Moncton	New Brunswick	YQM	29.00
Mont Joli	Quebec	YYY	13.00
Mont Tremblant	Quebec	YTM	25.00
Montreal	Quebec	YUL	40.00
Montreal-Mirabel	Quebec	YMX	15.00
Moosonee	Ontario	YMO	12.00
Nanaimo	British Columbia	YCD	15.00
Ottawa	Ontario	YOW	35.00
Prince Albert-Glass Field Airport	Saskatchewan	YPA	17.50
Prince George	British Columbia	YXS	35.00
Prince Rupert	British Columbia	YPR	46.00
Quebec City	Quebec	YQB	40.00
Red Deer	Alberta	YQF	10.00
Regina (travel outside Saskatchewan)	Saskatchewan	YQR	30.00
Regina (travel within Saskatchewan)	Saskatchewan	YQR	5.00
Rouyn-Noranda	Quebec	YUY	20.00
Saint John	New Brunswick	YSJ	42.00
Sarnia	Ontario	YZR	25.00
Saskatoon (travel outside Saskatchewan)	Saskatchewan	YXE	26.00
Saskatoon (travel within Saskatchewan)	Saskatchewan	YXE	6.00
Sault Ste Marie	Ontario	YAM	30.00
Smithers	British Columbia	YYD	30.00
St. John's	Newfoundland & Labrador	YYT	42.00
Stephenville	Newfoundland & Labrador	YJT	25.00
Sudbury	Ontario	YSB	30.00
Sydney	Nova Scotia	YQY	35.00

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City	Province	Airport code	Amount ($)
Terrace-Kitimat	British Columbia	YXT	15.00
The Pas	Manitoba	YQD	20.00
Timmins	Ontario	YTS	20.00
Toronto City Centre	Ontario	YTZ	29.00
Toronto Pearson (originating passengers)	Ontario	YYZ	37.00
Toronto Pearson (connecting passengers)	Ontario	YYZ	8.00
Val D'Or	Quebec	YVO	20.00
Vancouver (travel outside British Columbia or Yukon)	British Columbia	YVR	25.00
Vancouver (travel within British Columbia or to Yukon)	British Columbia	YVR	5.00
Victoria	British Columbia	YYJ	25.00
Windsor	Ontario	YQG	20.00
Winnipeg	Manitoba	YWG	38.00
Yellowknife (travel outside Northwest Territories)	Northwest Territories	YZF	20.00
Yellowknife (travel within Northwest Territories)	Northwest Territories	YZF	10.00

Note: For airports with dual AIF values for flights within and outside the province, the AIF applied was differentiated according to the type of route studied—i.e. the 'within province' AIF was used for within-province flights.
Source: Air Canada, 'Airport Improvement Fee (AIFs): Canadian Destinations'.

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A3 Estimation methodology for industry level APPR costs

Box 4.1 outlines the estimated industry level APPR costs. In this section we provide further details on how these estimates were created.

We obtained information from NACC airlines on the costs they incurred in financial year 2023 (FY23) to comply with the APPR regime.[71, 72, 73] This included the following cost categories:

- compensation costs;
- passenger care costs;
- labour costs;
- rebooking costs;
- refunds.

The costs for both the existing and (estimated) proposed APPR regimes were then expressed for a one-way passenger trip for each NACC airline. For non-NACC airlines, we used the weighted average APPR costs from NACC airlines as a proxy for costs faced by other carriers under the existing and proposed APPR regimes. The industry total estimate reflects a combination of data from NACC airlines and estimated costs for non-NACC airlines.

[71] FY 2023 represented the most recent period for which APPR-related costs were finalised (i.e. no outstanding liabilities remained).
[72] These costs include direct compensation for delays, cancellations, denied boarding and ticket refunds; expenditure on vouchers and reimbursement for hotel accommodation, meals and transportation resulting from disruptions; administrative costs associated with processing claims (including recovery proceedings from the CTA); and the costs of rebooking flights with partner airlines.
[73] These costs represented direct expenditure related to APPR claims and their processing in FY23. However, airlines can also incur upfront costs associated with minimising APPR claims and streamlining claims processing. For simplicity, we have excluded these additional costs from our analysis, meaning that our estimate of the APPR's impact on fares is likely to be conservative.

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A4 Estimation methodology for the economic footprint of third-party fees and APPR

This annex outlines the methodology used to estimate the potential economic activity generated (in 2024) if:

(i) fees were reduced according to the cases presented in this report; and
(ii) the current (or proposed) APPR regimes were amended and airlines did not incur such costs.

Specifically, it sets out the methodology for estimating the direct, indirect, induced and catalytic economic impacts of forgone air traffic resulting from higher airfares caused by third-party fees and APPR-related expenses in Canada.

A4.1 Direct, indirect and induced footprints

Table A4.1 presents the methodology employed to estimate the direct, indirect and induced footprints of third-party fees and APPR-related costs in Canada.

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Table A4.1 Estimation methodology for the economic footprint of third-party fees and APPR costs

Economic footprint	Description	Methodology
Direct footprint	The direct footprint represents the economic activity that is directly associated with the traffic impact of third-party fees and APPR-related costs (e.g. employees of airlines and airports). It is measured in terms of direct employment and direct GDP.	We first establish (in sections 2.4 and 4.3) the relationship between the estimated increase in air traffic volumes and the economic contribution of the air transport industry in Canada.[74] This involves determining how GDP and employment scale with passenger throughput. We calculate the relationship between passenger traffic and output in the air transport industry in 2024, using data from Statistics Canada.[75] We then apply this relationship to the incremental traffic estimates estimated in the main body of the report, assuming that the same unit relationship between traffic and economic output holds for the additional passengers generated by the reduction in airfares due to a reduction of third-party fees or in APPR-related costs.[76] This yields estimates of the change in direct economic output associated with each intervention. We use national statistics on GDP per output and GDP per job in the air transport industry to estimate the direct GDP and employment supported by the additional air traffic resulting from the reduction of third-party fees or APPR costs.[77]

[74] Statistics Canada does not capture the air transport industry within a single sector. In our analysis, we draw on data from three sectors: air transportation [BS481]; support activities for transportation [BS488]; and aerospace product and parts manufacturing [BS3364]. Because not all activities within BS488 and BS3364 are exclusive to commercial air transport, and due to the absence of available data, we consider the proportion of the activities that should be included in our analysis. From the aerospace product and parts manufacturing sector, we include 50% of the reported output, employment and GDP based on the various activities included in this category. This is based on our judgement of the likely proportion of output that could be relevant for air transport. For support activities for transportation, we estimate the share attributable to air transport using Statistics Canada data on the number of businesses by employee size in the support activities for the air transportation subsector. We multiply the business counts by the midpoint of each employee-size band, assuming 1,000 employees for firms in the '500+' category. This employment-based estimate provides an indication of the subsector's relative size within the broader support activities for transportation sector, from which we infer corresponding output and GDP values. Government of Canada website, 'Businesses - Canadian Industry Statistics'.
[75] Statistics Canada (2025), 'Labour productivity and related measures by business sector industry and by non-commercial activity consistent with the industry accounts', May. We estimate economic output for the air transport industry in 2024 by applying the 2023 output per job ratio to the number of air transport jobs in 2024, as industry-level GDP data for 2024 is not available at the time of the study. Statistics Canada (2025), 'Symmetric input-output tables, detail level (x1,000)', April.
[76] This approach assumes that productivity levels remain unchanged, such that any increase in traffic translates proportionally into higher direct output in the air transport industry.
[77] Statistics Canada (2025), 'Labour productivity and related measures by business sector industry and by non-commercial activity consistent with the industry accounts', May. We estimate GDP for the air transport industry in 2024 by applying the 2023 GDP per job ratio to the number of air transport jobs in 2024, as industry-level GDP data for 2024 is not available at the time of the study. Statistics Canada (2025), 'Symmetric input-output tables, detail level (x1,000)', April.

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Economic footprint	Description	Methodology
Indirect footprint	The indirect footprint represents the employment and GDP supported across Canada through the supply chains serving airlines and airports. It captures the economic activity generated by suppliers such as ground-handling providers, catering companies, fuel suppliers, maintenance firms, and other businesses whose output would have increased had the air traffic lost as a result of higher third-party fees and APPR-related costs materialised.	The indirect output is calculated using the direct output, estimated above, and input–output (I/O) tables, which describe how primary inputs and products are used to produce further products and outputs for final consumption in Canada. Multipliers derived from these tables are then applied to the direct output to estimate the additional supply chain output generated when aviation activity increases.[78] In other words, the multiplier indicates how much extra economic activity is created across supplier industries for each Canadian dollar of direct output. Once the total indirect output is calculated, the indirect GDP and employment are then estimated using national statistics on GDP per output and GDP per job for the air transport services industry.
Induced footprint	The induced footprint is an estimate of the employment and GDP supported in Canada by the spending of wages earned by those employed directly and indirectly in aviation and its supply chains. This captures the additional jobs and GDP created in sectors such as retail, restaurants and personal services as these employees spend their income in the wider economy.	Similar to the indirect footprint, the induced footprint is estimated using I/O analysis. However, the I/O tables are amended to account for the compensation of employees and final consumption expenditure by households. This is intended to account for the fact that a bigger air transportation sector would generate additional income (i.e. more wages through additional employment) and additional spending (i.e. more spending through the additional income generated) in other sectors (e.g. at local grocery shops).[79] The induced GDP and employment are then calculated using the estimated induced output and national statistics on GDP per output and GDP per job for the air transport services industry.

Source: Oxera.

[78] We apply 2019 I/O indirect multipliers as the most recent ones available from Statistics Canada (for 2021) are likely to have been affected by post-COVID supply chain dynamics. Statistics Canada (2024), 'Input-output multipliers, detail level', November.
[79] For the same reason as above, we apply 2019 I/O induced multipliers.

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We also estimate these impacts at the provincial and territorial levels. Our O/D-level traffic analysis enables us to aggregate the traffic impact at this level. We use the relationship between provincial/territorial air industry output and traffic in 2024 to estimate the additional output associated with the increased traffic in each province. [80] Provincial and territorial statistics on GDP per unit of output and GDP per job in the air transport industry are then applied to estimate the additional direct GDP and employment supported in each province or territory.[81]

To estimate provincial and territorial indirect and induced economic impacts, we then apply within-province output multipliers to the direct output. The resulting distribution of impacts across provinces and territories is used to apportion the total national indirect and induced effects, on the assumption that the within-province multipliers are representative of the distribution of national economic impacts.[82]

A4.2 Catalytic tourism impact

Table A4.2 below presents the methodology for estimating the direct, indirect and induced footprint of tourism that could be generated by additional air traffic as a result of a reduction of third-party fees or APPR-related costs, measured in terms of GDP and employment.

[80] Statistics Canada's latest data on provincial and territorial output and GDP by sector are for 2021, a year affected by the COVID-19 pandemic. We therefore applied each province's 2019 share of national output and GDP to our 2024 national estimates to derive provincial-level values. Provincial employment by sector was available for 2024. Statistics Canada (2024), 'Labour productivity and related measures by business sector industry and by non-commercial activity consistent with the industry accounts', May; Statistics Canada (2024), 'Output, by sector and industry, provincial and territorial (x 1,000,000)', November; and Statistics Canada (2025), 'Symmetric input-output tables, detail level (x1,000)', April.
[81] In the case of domestic flights, we apportion the GDP and employment impact evenly across the provinces of the O/D airports.
[82] We apply 2019 I/O multipliers, as the most recent ones available from Statistics Canada (for 2021) are likely to have been affected by post-COVID supply chain dynamics. Statistics Canada (2024), 'Input-output multipliers, provincial and territorial, detail level', November. We do not use the outputs from within-province multipliers as these capture supply chain and induced effects within the same province only and exclude interprovincial links, thereby understating total national economic impacts.

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Table A4.2 Estimation methodology for the economic footprint of tourism

Economic footprint	Description	Methodology
Direct footprint of tourism	The direct footprint of tourism represents the economic activity that could be directly generated by the spending of additional tourists under the modelled reductions in third-party fees or in APPR-related costs. This footprint is measured in terms of direct catalytic employment and GDP, reflecting the contribution of tourist-related expenditures to local economies across Canada.	To estimate this direct tourism footprint, we first obtain data from Statistics Canada on average tourist spend per arrival in Canada for domestic and international visitors.[83] We then compile information on domestic and international tourist arrivals using the same source.[84] Next, using the traffic impacts estimated in sections 2.4 and 4.3, we calculate the number of additional tourists who would have travelled to Canada under the modelled reductions in third-party fees and APPR-related costs, assuming that the increase in tourist numbers is proportional to the overall modelled increase in leisure passenger traffic.[85] By applying the average spend per tourist to this additional demand, we estimate the incremental direct catalytic output, representing the total additional tourism expenditure. This incremental expenditure is then allocated across tourism sectors based on 2024 data detailing the share of spending in different categories, such as accommodation, food and beverage services, and local transportation.[86] Using national statistics on GDP per unit of output and GDP per job for each industry, we convert the direct catalytic output for each sector into estimates of direct catalytic GDP and employment.[87]

[83] Statistics Canada (2025), 'Trips, nights and spending for visitors to Canada, by residency, trip purpose and mode of transport (x 1,000)', August. For domestic travellers, we calculated a weighted average spend per overnight trip using the number of overnight domestic trips in each quarter as weights. For international travellers, we calculated a weighted average spend per trip by weighting the expenditure of transborder and overseas visitors according to their respective shares of total international trips. Statistics Canada (2025), 'Travel by Canadian residents in Canada and abroad by trip purpose (x 1,000)', August.
[84] International tourist arrivals were sourced directly from the Statistics Canada website: 'Frontier Counts: Interactive Dashboard'. Domestic tourist arrivals were derived from data on the number of domestic travellers by air in 2024 and the share of total air travellers that stated to travel for 'holiday, leisure or recreation' purposes. Statistics Canada (2025), 'Air passenger traffic at Canadian airports, annual', July.
[85] We adopt this proportional assumption due to the lack of empirical evidence on the precise relationship between air traffic increases and tourism volumes in Canada. This approach reasonably reflects that leisure travel is the primary driver of tourism activity, making tourist arrivals closely tied to leisure passenger traffic growth.
[86] Statistics Canada (2025), 'Tourism demand in Canada, constant prices (x 1,000,000)', September. We allocate tourism expenditure across the following categories: passenger rail transport, interurban, charter and tour bus transport, vehicle rental, vehicle repairs and parts, vehicle fuel, other transportation, accommodation, food and beverage services, recreation and entertainment, and other products. These categories can be mapped to industries within the North American Industry Classification System.
[87] Statistics Canada (2025), 'Labour productivity and related measures by business sector industry and by non-commercial activity consistent with the industry accounts', May; and Statistics Canada (2025), 'Symmetric input-output tables, detail level (x1,000)', April.

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Economic footprint	Description	Methodology
Indirect footprint of tourism	The indirect footprint of tourism activity represents an estimate of the employment and GDP that would be supported in Canada through the supply chains associated with tourism spending by the additional passengers generated under the modelled reductions in airfares.	As with the indirect and induced footprints estimated above, this footprint is derived using I/O analysis for the sectors of the Canadian economy that support tourism.[88] These include accommodation, food and beverage services, recreation, and local transportation. The indirect GDP and employment is then estimated using the estimated indirect output and national statistics on GDP per output and GDP per job for the relevant tourism sectors.
Induced footprint of tourism	The induced footprint of tourism is an estimate of the employment and GDP that would be supported in Canada through the spending of wages by direct and indirect employees in the tourism sector under the modelled reductions in airfares. This includes additional jobs and GDP created in local businesses, such as retail shops, due to the expenditure of employees working for restaurants, hotels or other tourism-related industries.	This induced footprint is estimated using I/O modelling as above, adjusted to account for employee compensation and final consumption expenditure by households. As described in the section above, this methodology accounts for the extent to which an increase in GDP in one sector (e.g. accommodation or food and beverage services) generates additional income and spending in other sectors of the economy.[89]

[88] I/O indirect multipliers for the different industries that constitute tourism were used. We apply 2019 I/O indirect multipliers, as the most recent ones available from Statistics Canada (for 2021) are likely affected by COVID supply chain dynamics. Statistics Canada (2024), 'Input-output multipliers, detail level', November.
[89] I/O induced multipliers for the different industries that constitute tourism were used. We apply 2019 I/O indirect multipliers, as the most recent ones available from Statistics Canada (for 2021) are likely affected by COVID supply chain dynamics. Statistics Canada (2024), 'Input-output multipliers, detail level', November.

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To estimate provincial indirect and induced economic impacts, we allocate the national catalytic direct impact across provinces based on the value of goods and services produced for tourism in each province.[90] We then apply province-specific output multipliers to the direct tourism output calculated. The resulting distribution is used to apportion total national indirect and induced effects, assuming that within-province multipliers reasonably reflect the distribution of national economic impacts.[91]

[90] We use 2019 data on the value of goods and services produced for tourism as the most recent data available from Statistics Canada is likely to have been affected by post-COVID supply chain dynamics. Statistics Canada (2023), 'Provincial and territorial tourism supply and expenditure (x 1,000,000)', February.

[91] We apply 2019 I/O multipliers, as the most recent ones available from Statistics Canada (for 2021) are likely to have been affected by post-COVID supply chain dynamics. Statistics Canada (2024), 'Input-output multipliers, provincial and territorial, detail level', November. We do not use the outputs from within-province multipliers as these provide an underestimate of regional economic impacts because they capture the supply chain and induced effects occurring within the same province only. Impacts that would occur in other provinces as a result of interprovincial links are not included, which means that the total national impact of additional tourism or aviation activity may be understated.

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A5 Case study: The case for reinvesting airport rents

In this case study, we consider the economic impact of a partial reduction in the AIF while maintaining planned airport infrastructure investment and all other fees at current levels. This is intended to isolate the impact of changes to airport financing structures as a result of, for example, reinvesting rent amounts or reinvesting all or part of sales taxes collected from the industry into compensating for a reduction in the AIF of up to 25%, and to estimate the potential economic impact from such reforms.

Our case study finds the following economic impact of a targeted reduction in the AIF:

- increase of 1.2m passengers relative to the baseline (+2%);
- increase of $1.3bn GDP of economic footprint, comprising $0.65bn direct, $0.45bn indirect and $0.2bn induced GDP;
- increase of 9,720 FTE, comprising 4,890 direct FTE, 3,310 indirect FTE, and 1,520 induced FTE;
- increase of $0.6bn GDP of catalytic economic footprint, comprising $0.3bn direct, $0.20bn indirect, and $0.10bn induced GDP;
- increase of 8,830 catalytic FTE, comprising 4,230 direct FTE, 2,620 indirect FTE and 1,980 induced FTE.

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A6 Estimates of the economic impact by province and territory

A6.1 The economic impact of third-party fees

A6.1.1 Direct, indirect and induced economic footprint

Table A6.1 and Table A6.2 present the GDP and employment footprint (direct, indirect and induced) associated with the reduction in third-party fees, broken down by province and territory.

Table A6.1 Total GDP footprint of third-party fees by province and territory ($m, % change relative to baseline)

Province	Case 1: Return to 2019 levels		Case 2: Sweden		Case 3: USA		Case 4: Elimination of fees	
	£m	%	£m	%	£m	%	£m	%
Newfoundland and Labrador	20.7	4.6%	54.7	12.1%	75.4	16.7%	101.3	22.4%
Prince Edward Island	8.6	5.0%	22.0	12.8%	29.7	17.2%	41.0	23.7%
Nova Scotia	42.1	5.9%	100.9	14.2%	128.7	18.1%	173.0	24.3%
New Brunswick	10.2	4.3%	27.5	11.5%	35.8	15.0%	48.9	20.5%
Quebec	602.0	3.8%	1,563.1	10.0%	1,919.5	12.2%	2,451.0	15.6%
Ontario	837.9	4.5%	2,112.4	11.3%	2,603.9	13.9%	3,413.3	18.3%
Manitoba	131.9	5.7%	317.7	13.8%	404.7	17.6%	539.3	23.4%
Saskatchewan	11.9	4.4%	30.2	11.3%	40.5	15.1%	56.7	21.2%
Alberta	349.1	5.1%	912.9	13.3%	1,194.6	17.5%	1,602.2	23.4%
British Columbia	342.8	4.3%	722.4	9.1%	1,019.1	12.8%	1,456.4	18.3%
Yukon	4.2	3.1%	3.3	2.5%	10.6	7.9%	17.9	13.3%
Northwest Territories	11.2	3.1%	20.2	5.6%	33.7	9.3%	51.2	14.2%
Nunavut	2.5	2.1%	2.9	2.5%	6.5	5.6%	10.2	8.7%

Note: The provincial and territorial estimates may not sum to the national-level figures due to rounding.
Source: Oxera.

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Table A6.2 Total employment footprint of third-party fees by province and territory (FTE, % change relative to baseline)

Province	Case 1: Return to 2019 levels		Case 2: Sweden		Case 3: USA		Case 4: Elimination of fees	
	FTE	%	FTE	%	FTE	%	FTE	%
Newfoundland and Labrador	120	4.5%	320	12.1%	440	16.6%	595	22.4%
Prince Edward Island	50	5.2%	125	12.9%	165	17.1%	230	23.8%
Nova Scotia	395	5.9%	945	14.1%	1,210	18.1%	1625	24.3%
New Brunswick	55	4.1%	155	11.7%	200	15.1%	270	20.3%
Quebec	4,220	3.8%	10,955	10.0%	13,450	12.2%	17,175	15.6%
Ontario	7,275	4.5%	18,340	11.3%	22,605	13.9%	29,630	18.3%
Manitoba	920	5.7%	2,220	13.8%	2,825	17.6%	3,765	23.4%
Saskatchewan	180	4.4%	460	11.3%	615	15.1%	860	21.2%
Alberta	3,610	5.1%	9,440	13.3%	12,350	17.5%	16,565	23.4%
British Columbia	1,530	4.3%	3,220	9.1%	4,545	12.8%	6,495	18.4%
Yukon	45	3.1%	35	2.4%	115	7.9%	195	13.4%
Northwest Territories	50	3.0%	95	5.7%	155	9.3%	235	14.1%
Nunavut	35	2.2%	40	2.5%	90	5.6%	140	8.8%

Note: FTE estimates have been rounded to the nearest 5. The provincial and territorial estimates may not sum to the national-level figures due to rounding.
Source: Oxera.

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A6.1.2 Catalytic tourism footprint

Table A6.3 and Table A6.4 below present the GDP and employment footprint associated with the increase in tourism that would be enabled by the reduction in third-party fees in each case, broken down by province and territory.

Table A6.3 Total GDP footprint of tourism, by province and territory ($m, % change relative to baseline)

Province	Case 1: Return to 2019 levels		Case 2: Sweden		Case 3: USA		Case 4: Elimination of fees	
	£m	%	£m	%	£m	%	£m	%
Newfoundland and Labrador	10.6	3.7%	30.3	10.6%	40.1	14.0%	52.5	18.3%
Prince Edward Island	2.3	4.0%	5.9	10.5%	7.9	13.9%	10.7	19.0%
Nova Scotia	21.8	5.5%	52.8	13.3%	67.0	16.9%	89.3	22.5%
New Brunswick	14.3	3.8%	39.5	10.6%	50.8	13.7%	68.5	18.4%
Quebec	211.6	4.5%	520.4	11.0%	668.7	14.1%	885.8	18.7%
Ontario	512.9	5.1%	1,252.2	12.3%	1,594.2	15.7%	2,134.3	21.0%
Manitoba	34.2	5.2%	82.9	12.7%	105.6	16.1%	139.0	21.2%
Saskatchewan	30.4	4.1%	77.7	10.5%	104.3	14.0%	144.0	19.4%
Alberta	174.4	4.9%	448.2	12.7%	593.8	16.8%	794.1	22.5%
British Columbia	127.4	4.4%	265.7	9.1%	382.4	13.1%	546.5	18.7%
Yukon	0.5	2.2%	0.5	2.2%	1.4	6.0%	2.1	9.0%
Northwest Territories	0.9	2.4%	1.7	4.5%	2.9	7.6%	4.1	10.9%
Nunavut	0.6	1.9%	0.9	2.6%	1.8	5.4%	2.6	7.5%

Note: The provincial and territorial estimates may not sum to the national-level figures due to rounding.
Source: Oxera.

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Table A6.4 Total employment footprint of tourism, by province and territory (FTE, % change relative to baseline)

Province	Case 1: Return to 2019 levels		Case 2: Sweden		Case 3: USA		Case 4: Elimination of fees	
	FTE	%	FTE	%	FTE	%	FTE	%
Newfoundland and Labrador	155	3.7%	445	10.6%	590	14.0%	770	18.3%
Prince Edward Island	35	4.2%	85	10.3%	115	13.9%	155	18.7%
Nova Scotia	320	5.5%	775	13.3%	985	16.9%	1,315	22.5%
New Brunswick	210	3.8%	580	10.6%	745	13.6%	1,005	18.4%
Quebec	3,125	4.5%	7,690	11.0%	9,880	14.1%	13,085	18.7%
Ontario	7,590	5.1%	18,535	12.3%	23,600	15.7%	31,595	21.0%
Manitoba	500	5.2%	1,220	12.7%	1,550	16.1%	2,045	21.2%
Saskatchewan	445	4.1%	1,140	10.4%	1,530	14.0%	2,115	19.4%
Alberta	2,575	5.0%	6,615	12.7%	8,760	16.8%	11,720	22.5%
British Columbia	1,880	4.4%	3,920	9.1%	5,645	13.1%	8,065	18.7%
Yukon	5	1.5%	5	1.5%	20	6.0%	30	9.0%
Northwest Territories	15	2.7%	25	4.5%	40	7.2%	60	10.8%
Nunavut	10	2.0%	15	3.0%	25	5.0%	35	7.0%

Note: FTE estimates have been rounded to the nearest 5. The provincial and territorial estimates may not sum to the national-level figures due to rounding.
Source: Oxera.

A6.2 The economic impact of APPR

A6.2.1 Direct, indirect and induced economic footprint

Table A6.5 and Table A6.6 present the GDP and employment footprint (direct, indirect and induced) associated with the reduction in APPR-related costs, broken down by province and territory.

Table A6.5 Total GDP footprint of third-party fees by province and territory ($m)

Province	APPR (50% pass-through)	APPR (100% pass-through)	APPR 2.0 (50% pass-through)	APPR 2.0 (100% pass-through)
Newfoundland and Labrador	7.4	15.0	19.4	38.8
Prince Edward Island	3.4	6.8	8.7	17.4
Nova Scotia	12.6	25.3	32.8	65.6
New Brunswick	4.0	8.0	10.3	20.5
Quebec	209.6	422.6	539.5	1,078.9
Ontario	299.5	603.2	782.2	1,564.4
Manitoba	34.3	68.6	90.9	181.7
Saskatchewan	3.9	7.8	10.4	20.9
Alberta	106.4	212.9	284.1	568.1
British Columbia	138.6	277.2	362.2	724.4
Yukon	2.4	4.9	6.3	12.5
Northwest Territories	4.7	9.4	12.2	24.4
Nunavut	1.3	2.6	3.3	6.7

Table A6.6 Total employment footprint of third-party fees by province and territory (FTE)

Province	APPR (50% pass through)	APPR (100% pass-through)	APPR 2.0 (50% pass-through)	APPR 2.0 (100% pass-through)
Newfoundland and Labrador	45	90	115	230
Prince Edward Island	20	40	50	95
Nova Scotia	120	240	310	615
New Brunswick	20	45	55	115
Quebec	1470	2960	3780	7560
Ontario	2600	5235	6790	13580
Manitoba	240	480	635	1270
Saskatchewan	60	120	160	315
Alberta	1100	2200	2935	5875
British Columbia	620	1235	1615	3230
Yukon	25	55	70	135
Northwest Territories	20	45	55	115
Nunavut	20	35	45	90

Note: FTE estimates have been rounded to the nearest 5. The provincial and territorial estimates may not sum to the national-level figures due to rounding.
Source: Oxera.

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A6.2.2 Catalytic tourism footprint

Table A6.7 and Table A6.8 below present the GDP and employment footprint associated with the increase in tourism that would be enabled by the reduction in airfares due to a reduction in APPR-related airline costs, broken down by province and territory.

Table A6.7 Total GDP footprint of third-party fees by province and territory ($m)

Province	APPR (50% pass through)	APPR (100% pass-through)	APPR 2.0 (50% pass-through)	APPR 2.0 (100% pass-through)
Newfoundland and Labrador	3.9	8.0	10.6	21.1
Prince Edward Island	0.9	1.8	2.4	4.8
Nova Scotia	6.4	12.8	16.6	33.2
New Brunswick	5.7	11.4	14.7	29.5
Quebec	73.0	146.7	187.5	375.0
Ontario	164.3	330.4	428.7	857.4
Manitoba	8.8	17.7	23.4	46.8
Saskatchewan	9.8	19.5	26.2	52.3
Alberta	49.6	99.4	132.5	265.0
British Columbia	47.8	95.7	125.2	250.3
Yukon	0.3	0.6	0.8	1.6
Northwest Territories	0.4	0.8	1.1	2.1
Nunavut	0.4	0.8	1.0	2.0

Note: The provincial and territorial estimates may not sum to the national-level figures due to rounding.
Source: Oxera.

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Table A6.8 Total employment footprint of third-party fees by province and territory (FTE)

Province	APPR (50% pass-through)	APPR (100% pass-through)	APPR 2.0 (50% pass-through)	APPR 2.0 (100% pass-through)
Newfoundland and Labrador	55	115	155	310
Prince Edward Island	15	25	35	70
Nova Scotia	95	190	245	490
New Brunswick	85	170	215	435
Quebec	1,080	2,165	2,770	5,540
Ontario	2,430	4,890	6,345	12,690
Manitoba	130	260	345	685
Saskatchewan	145	285	385	770
Alberta	735	1,465	1,955	3,910
British Columbia	705	1,410	1,845	3,695
Yukon	5	10	10	25
Northwest Territories	5	10	15	30
Nunavut	5	10	15	30

Note: The provincial and territorial estimates may not sum to the national-level figures due to rounding.
Source: Oxera.

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A7 Estimation methodology for wider economic impacts

This annex describes the methodology used to estimate wider economic impacts from additional air traffic generated by lower fares following reductions in third-party fees and APPR-related costs. These include trade, productivity and government revenue impacts.

A7.1 Trade impacts

To quantify the trade impacts of reduced third-party fees, we apply empirical findings from the academic literature on the relationship between air connectivity and international trade.[92] We use an elasticity of 0.76 to the percentage change in connectivity (a 7.6% trade increase per 10% connectivity increase).[93]

We use the connectivity definition from the referenced study, which calculates connectivity based on passenger data by converting total passengers into weekly outbound flights per O/D pair, normalised on a per-capita basis.[94] By applying the elasticity to the observed change in connectivity, we derive the corresponding percentage change in trade value. Finally, we multiply this percentage change by Canada's total trade (exports plus imports) in 2024 to estimate the resulting absolute increase in trade. [95]

A7.2 Productivity impacts

The productivity impact is estimated using an economy-wide approach that draws on existing literature linking connectivity improvements to GDP growth, providing an indicative measure of the economic impacts associated with enhanced connectivity. To quantify these effects, we draw on robust empirical evidence showing that a 10% increase in air passengers is associated with a 0.51% rise in GDP per employee, and apply this elasticity to the additional air traffic generated under the

[92] The study employs panel data econometric methods using data from European countries to estimate the relationship between air connectivity and international trade. SEO Amsterdam Economics (2024), 'The economic and social impact of airports and air connectivity in Europe', prepared for Airports Council International Europe, October, p. 35.
[93] The study finds that a 10% increase in direct connectivity per capita (measured as direct weekly outbound flights per 100,000 inhabitants) leads to a 7.6% increase in trade value (exports plus imports).
[94] Specifically, connectivity is derived from passenger data by calculating: (i) total flights per O/D pair (passengers ÷ 80% load factor ÷ aircraft seat capacity); (ii) outbound flights (total flights ÷ 2); (iii) weekly outbound flights (outbound flights ÷ 52); and (iv) connectivity per capita (total weekly outbound flights ÷ Canadian population × 100,000).
[95] Statistics Canada (2025), 'Canadian international merchandise trade by country and by product section, customs-based, annual (x 1,000) ', August; and Statistics Canada (2025), 'International transactions in services, by selected countries, annual (x 1,000,000)', November.

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airfare reductions modelled in this report.[96] To translate this into total economic impact, we identify the GDP and employment base over which to apply the productivity increase. The economic impacts estimated earlier (direct, indirect and induced impacts) reflect *gross* GDP and job creation from higher aviation activity. However, some of this activity may be displaced from other sectors, which means that they do not represent *net* additions to GDP and employment.

In contrast, productivity effects capture *net* efficiency gains across the economy—i.e. the ability of the existing workforce to produce more output. To avoid overstating these gains, we apply the estimated increase in GDP per employee to baseline Canadian GDP and employment in 2024. This conservative approach recognises that, even without higher overall GDP and employment, increased air traffic can raise productivity through improved labour mobility, knowledge exchange and business connectivity.

A7.3 Government revenue impacts

To quantify these tax impacts, we estimate the additional tax revenue from productivity-driven GDP increases by applying Canada's tax-to-GDP ratio. According to Statistics Canada, this ratio was approximately 34.5% in 2024 across all levels of government.[97] Applying this ratio to the projected productivity-related increase in GDP provides an estimate of the associated tax revenue. This captures revenue from higher wages earned by the existing workforce. This is a conservative estimate as it assumes zero net additional employment and therefore no additional income taxes from any net new jobs.

This approach yields the net additional government revenue associated with reducing APPR costs, and the gross government revenue impact associated with changes to third-party fees.

For the fee-reduction cases analysed in section 3, we also incorporate the direct fiscal impact of reduced airport rent that could hypothetically compensate for a reduction in AIF. Based on 2024 financial data from

[96] Aitbihiouali et al. (2020), op. cit., provide robust econometric evidence on this relationship using a worldwide panel dataset covering 264 areas over the period 1990–2017. Their analysis employs both fixed effects and instrumental variable methods to address endogeneity concerns and establish causal relationships between air traffic and economic productivity. The study finds that a 10% increase in air passengers is associated with a 0.51% increase in GDP per employee in Europe/Central Asia when using fixed effects estimation. We use the Europe/Central Asia estimate as it is more representative of a mature aviation market similar to Canada's.
[97] Statistics Canada (2025), 'Fiscal Burden as a percentage of nominal gross domestic product, 2020 to 2024', November.

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Canadian airports, this forgone rent is estimated at $528m.[98] We subtract this amount from the productivity-related tax gains to calculate the net government revenue effect of reducing third-party fees.

[98] Oxera analysis of NAS airports' financial accounts. Department of Finance Canada (2025), 'Annual Financial Report of the Government of Canada 2024-25', November.

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