

Air North, Yukon's Airline
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Re : Canada Gazette Part 1 Notice December 21, 2024
Proposed Amendments to the Air Passenger Protection Regulations

Dear Ms. Johnson:

Following are comments by Air North, Yukon's Airline with respect to the proposed changes to the Air Passenger Protection Regulations as published in the Canada Gazette Part 1 Notice dated December 21, 2024. We have also reiterated previous comments which have not been accounted for in the current APPR's or in the proposed changes.

Introduction

Air North, Yukon's Airline is a small northern based carrier providing regional turboprop service within the Yukon and gateway jet service between the Yukon and southern gateway cities. We are one of the largest private sector employers in the Yukon and are 100% Yukon owned with almost one in fifteen Yukoners holding an equity stake in the airline, including the Vuntut Gwitchin First Nation, who hold a 49% interest. Our business model is simple. We strive to provide safe, reliable, and affordable air transportation. We can't control the weather or the actions of others in the supply chain, but we do our best to operate on time, and we cancel flights only when necessary. If we must cancel a flight, passengers may choose to re-book, receive travel credit, or receive a full refund. We take pride in our ability to avoid and solve travel challenges instead of creating them. We also remember what air travel in the north was like before we started our jet service. People could travel "outside" only once or twice per year because airfares were so high. With our affordable airfares, more people can afford to fly, and people can afford to fly more often, and we can see the impact of price stimulated travel on our market, which has almost quadrupled since we started our jet service in 2002. We provide a superior product at a fair price with an industry-leading free baggage allowance and complimentary meals and snacks on all

flights. We are concerned that the APPR's have the potential to disrupt our business model, by making it more difficult for us to offer low fares and connectivity with large carrier route networks.

We appreciate having this opportunity to provide our comments on proposed changes to the APPR's. While we recognize that some effort has been made to account for the unique operating challenges faced by small airlines serving northern and remote communities, we also feel that the current regulations, along with the proposed changes, do not reflect sufficient understanding of the operating challenges faced by all airlines, especially northern, and regional airlines. Before moving ahead with any changes to the APPR's, we feel that the CTA needs to better acquaint itself with northern and regional operating realities.

The Canadian air travel network is a complex system with many moving parts, many participants, and many influences, most notably weather, which are beyond airline control. While airlines and air travelers would like to see the system function with the efficiency of a European railroad, this is simply not realistic in a Canadian environment. The Canadian carrier on time performance of 65% relative to 75% for airlines in the rest of the world, cited in the CTA CG1 publication, speaks more to the unique geographical, weather, infrastructure and other challenges in Canada than it does to the competency or skill of Canadian air carriers. Air travel disruptions are generating much political and media attention and in response to this, Government seems motivated to hold airlines accountable for all the challenges faced by industry. There is plenty of data to show that accountability for system failures and infrastructure shortcomings should not rest with airlines. It is disappointing that Government has not sufficiently acknowledged the role that participants, other than airlines and including the Government themselves, play in ensuring that Canada has a safe, affordable, and efficient air travel network.

Air travel disruptions are the problem and air traveler complaints are the symptom. The root cause of the problem is periodic system breakdowns and infrastructure and other shortcomings in the Canadian air travel system. The APPR's are directed at the symptoms but do nothing to address the problem or its root cause. Data from the CTA cost benefit analysis shown below confirms this assertion as it projects an overall increase in flight disruptions over the next ten years despite the changes proposed to the APPR's.

CTA Projected Air Travel Disruptions (Canadian carriers)										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
# Pax Denied Boarding	68,000	70,000	71,000	73,000	75,000	76,000	78,000	80,000	81,000	83,000
# Flts Departure Delays	440,000	450,000	460,000	470,000	480,000	491,000	501,000	504,000	513,000	535,000
# Flts Arrival Delays	321,000	328,000	336,000	343,000	350,000	358,000	366,000	374,000	382,000	391,000
# Flts Cancellations	24,000	25,000	25,000	26,000	26,000	26,000	27,000	28,000	28,000	29,000
Denied Boarding Pax %	0.076%	0.077%	0.076%	0.076%	0.077%	0.076%	0.076%	0.077%	0.076%	0.076%
Departure Delays/Flt %	40.00%	40.91%	41.82%	42.73%	40.00%	40.92%	41.75%	42.00%	39.46%	41.15%
Arrival Delays/Flt %	29.18%	29.82%	30.55%	31.18%	29.17%	29.83%	30.50%	31.17%	29.38%	30.08%
Cancellations/Flt %	2.18%	2.27%	2.27%	2.36%	2.17%	2.17%	2.25%	2.33%	2.15%	2.23%

The effect of the APPR's is to legislate a transfer of revenue from airlines back to airline consumers and it is no surprise that the cost/benefit analysis shows this as a win for consumers. Similar results would be expected if we performed the same exercise with other industries, like banks, public utilities, or even governments, but we don't do this with other industries, so why airlines? We estimate that the "guilty unless proven innocent" approach and the "lottery style" advertising associated with the current and the proposed changes to the APPR's could potentially skyrocket compensation claims resulting in annual costs to our own operation of more than \$5 per passenger or more than 3% of our annual passenger

revenue. The largest cost centres are expected to be administrative costs, missed connection costs, CTA proposed claims costs, and accommodation costs. These are discussed in further detail below.

The effect of APPR initiatives is to effectively create a form of mandatory air travel insurance. While Government seems to think this is what consumers want, we are not so sure. This would be easy to test by simply making the APPR protection optional. In our own operation, I am confident that, faced with a \$30 surcharge for full APPR-protected travel insurance, most of our customers would opt for the non-insured and less expensive airfare.

Customer care should be the primary focus of any changes to the rules. It is entirely appropriate to expect that delayed passengers should be fed, housed (if necessary) and re-accommodated or refunded, but it is not appropriate to provide punitive damages. This does not happen in any other business, transportation or otherwise and it will only serve to increase the cost of air travel. In general, the proposed changes to the APPR's are being marketed to the public in a manner that is politically appealing but very misleading with respect to the true cost of the proposal. We have worked hard during the past twenty years to ensure that travel costs within, from, and to the Yukon are very affordable and in doing so have made the Yukon a better place to live and work. The proposed changes to the APPR's have the potential to undo some of this progress.

Specific areas of Concern

Following are some specific concerns with the current APPR's and the proposed changes:

- i) There needs to be an appeal process for CTA decisions before a judicial review. This would benefit both airlines and consumers. We have had five decisions to date and two of them were erroneous. That is a 40% error rate. Accountability cuts both ways, and the CTA needs to ensure that adjudicators have sufficient aviation knowledge to make correct decisions and that they take the time to seek clarification if they don't understand something. We understand that there is a backlog of cases, and the adjudicators are new to the job and that mistakes will be made, but there must be a review process to ensure that mistakes can be identified and corrected before a final decision is rendered.
- ii) The cost/benefit analysis assumes that, for a re-booking on another carrier, that carrier will provide transportation at the same fare as the original carrier. In the absence of mandatory and appropriately structured interline agreements, there is no guarantee of this. Similarly, the requirement to re-book to complete an itinerary in the event of a missed connection is unclear and could be costly to regional carriers in the absence of mandatory and appropriately structured interline agreements. Third party providers will often build a travel "itinerary" involving multiple carriers who provide their portion of the "itinerary" independently and with no knowledge of preceding or ongoing travel with another carrier.
- iii) The assumption that only 50% of passengers will ask for hotel accommodation because they live in the point of origin is flawed. The way it is advertised, everyone will be asking for accommodation or cash in lieu. In addition, the proposed new "net" for assistance is too large, especially for travel to our northern destinations, which have limited infrastructure

and are prone to weather delays as a result. It would not take too many weather delays for us to end up paying our passengers to fly. Hotel accommodation should only be applicable for travelers required to overnight at a point other than their origin or destination and where accommodation is available.

- iv) The penalty tariff seems to assume a homogeneous mix of air travelers and we know this is not the case. Traveler compensation needs to bear some relationship to what the passenger actually paid for their travel. One of the erroneous Air North decisions referred to earlier has us compensating passengers almost five times what they paid for their travel. Air carriers will have only limited tolerance for this with the result being higher airfares for the most price sensitive travelers. A simple alternative to the APPR tariff is shown below.

Delayed Flight Compensation (Small Carrier)		APPR	Alternative
	Refund	\$ 125	> 3 hrs
	> 3 hrs and < 6 hrs	\$ 125	20%
	> 6 hrs and < 9 hrs	\$ 250	35%
	> 9 hrs	\$ 500	50%

- v) The denied boarding compensation tariff needs to be adjusted to distinguish between large and small carriers.
- vi) With respect to knock-on impacts, we do appreciate the accommodation for small carriers, but the proposed changes are still missing the mark for large carriers. The unfortunate accident on February 17 at Toronto Pearson provides a good illustration where delays and cancellations continue to cascade one week after the accident. Furthermore, linking the cascade eligibility to one aircraft is too prescriptive as aircraft swaps often provide the fastest recovery.
- vii) The playing field needs to be levelled, and the advertising needs to be toned down. The Pearson accident provides another good illustration as the media and the public have shown unprecedented focus on their own flight disruptions rather than on the accident that very nearly resulted in many deaths. The APPR's and their marketing are creating unrealistic expectations from the public and this is not a desirable outcome.
- viii) The notion of charging air carriers for CTA costs associated with processing claims provides incentive for passengers to file frivolous claims in the hope that airlines will find it easier to pay than to fight. This is grossly unfair.

Thank you for your consideration of the foregoing comments.

Joseph Sparling, President
Air North, Yukon's Airline

