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Subject: Comments on Proposed Amendments to Canada's Air Passenger Protection Regulations (APPRs)

Dear Sir/Madam,

On behalf of PAL Airlines, a proud member of the Exchange Income Corporation family of airlines, we appreciate the opportunity to submit our comments regarding the proposed amendments to Canada's Air Passenger Protection Regulations (APPRs) through the Canada Gazette process. As a regional airline based in St. John's, Newfoundland and Labrador, with over 40 years of experience serving Eastern Canada and Quebec, PAL Airlines has built a reputation on safety, reliability, and exceptional customer service.

While we recognize the intent behind the proposed regulatory changes, PAL Airlines respectfully submits that these amendments, as drafted, will have significant unintended negative consequences for Canadian air operators and travellers alike.

First, as a regional air operator, we understand the complexities of establishing and maintaining sustainable service to small, rural, and remote communities. The proposed regulatory changes do not properly recognize the resource limitations inherent to those destinations, where third party resources at the airport required to maintain or recover aircraft operations (e.g.: snow clearing, security services, NAV Canada) do not match those at major Canadian airports, where hotel accommodations are minimal or may not be available, where food and restaurant options are limited or may not exist, where options to arrange passengers' safe travel to and from the airport may not be in place and where there may be multiple days between scheduled flights.

As a result, the regulations as drafted will increase operational expenses, discourage competition, drive up consumer costs, reduce demand, and ultimately threaten the viability of air service in certain regions. This runs counter to the Government of Canada's objectives of promoting affordability, fostering competition, and restoring regional services post-pandemic. It also threatens the viability of the communities we serve, driving up the expense of travel for residents and creating an unintended barrier

to economic development, to accessing government services, to essential medical treatment and to educational and training opportunities.

These regulatory amendments come at a time when the aviation industry is still recovering from the pandemic's impact, navigating supply chain disruptions, labour shortages, and elevated costs due to inflation. Imposing additional burdens through revised APPR regulations will further hinder Canada's efforts to promote internal trade and tourism while undermining the competitiveness of the airline sector. Notably, other jurisdictions, such as Australia and the United States, have recently taken steps to limit airline compensation obligations or halt the introduction of new regulations altogether, putting Canada at a further disadvantage globally.

Furthermore, the proposed regulations will not simplify the travel experience or the complaint resolution process for Canadian passengers. The communications obligations outlined do not adequately consider the challenges of operating in rural and remote areas with limited infrastructure, the complexity of the global air travel ecosystem, or the time required to determine the cause of disruptions.

The increased communication requirements present several concerns:

- Communicating entitlement to compensation as described by the proposed regulations is unworkable, particularly for passengers transferring between airlines, as no system exists for carriers to share delay-related information.
- Multiple causes of delay often exist, leading to potentially conflicting communications that could confuse passengers rather than clarify their situation.
- Real-time communication requirements do not account for operational complexities at smaller airports with limited infrastructure, increasing the likelihood of misinformation and false expectations.

Additionally, allowing passengers to file compensation claims with any airline involved in their itinerary is impractical, as no mechanism exists for one carrier to verify another's delay cause or prevent duplicate claims.

During a delay or disruption to our operations, our primary focus as an airline is on the safe restoration of our service so that we can get our customers to their destinations or connecting flights as quickly as we can. While PAL Airlines recognizes the value of and is committed to clear, timely communication with our passengers, the communication obligations as outlined in the proposed regulations are so onerous as to require a shift in focus away from operational recovery in favour of adhering to processes that will ultimately frustrate passengers and prolong delays.

In addition, the requirement for airlines to obtain a preferred communication method at check-in is impractical, especially in regional and remote areas where check in kiosks do not exist and access to remote check-in technologies may be limited and will cause significant delays. The ability to select a preferred communication method already exists at the time of booking, and the responsibility for maintaining accurate contact information should rest with the passenger.

In determining the cause of delays or cancellations, the development an exhaustive list of exceptional circumstances fails to recognize the inherent unpredictability of aviation and stands in contradiction to an airline’s obligation to make operational decisions on a “safety first” basis.

Instead, regulations should recognize the priority of safe operation and provide airlines with the ability to demonstrate that a disruption was beyond their control to qualify for an exemption. Airlines must retain the ability to make final judgments regarding flight safety without unnecessary regulatory constraints.

Moreover, the amendments do not account for additional regulatory changes from Transport Canada—such as de-icing and crew duty day regulations—which further complicate operations in smaller markets.

The cost-benefit analysis (CBA) provided for these regulations significantly underestimates the true financial impact on both industry and consumers. Key concerns include:

- The analysis only considers costs to Canadian airlines and passengers, ignoring potential impacts on foreign carriers and travellers.
- The estimated costs of accommodations, meals, and transportation fail to reflect the significantly higher expenses in remote areas.
- When accounting for inflation, cost assumptions are lower than those used in the CBA for the 2018 regulations, with no explanation provided.
- The absence of an elasticity assessment disregards the negative impact that higher fares will have on overall travel demand, particularly in price-sensitive regional markets.
- The analysis fails to account for the proposed \$790 “cost recovery” fee for claim processing, which would drive airfares higher and fundamentally distort the CBA altogether.

Finally, the proposed tenfold increase in maximum monetary penalties, from \$25,000 to \$250,000, is disproportionate and disconnected from the economic realities of operating in regional, rural, and remote markets. This substantial financial burden will inevitably impact the feasibility of existing routes greatly hinder any hope of either increased competition or expansion into new destinations.

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*Note, the previous paragraph should be considered commercially confidential and should not be released publicly.

PAL Airlines urges the Canadian Transportation Agency to reconsider the proposed amendments and engage in further consultation with regional air operators to develop a regulatory framework that supports both consumer rights and the sustainability of air travel in Canada.

Thank you for considering our concerns. We welcome the opportunity to further discuss these matters and work towards a balanced regulatory approach that benefits all stakeholders.

Sincerely,



Calvin Ash

President, PAL Airlines