

Submitted to the Canadian Transportation Agency (Form submission)

Subject: Consultation on proposed changes to strengthen the Air Passenger Protection Regulations

Name: Calgary Airport Authority

Organization: Industry

Date: 2023-08-09

The Calgary Airport Authority (The Authority) provides this submission in response to the Canadian Transportation Agency's (CTA) Consultation Paper on Proposed changes to the Air Passenger Protection Regulations (APPR).

We appreciate that the role of the APPR amendments under consideration is to 'clarify, simplify and strengthen the Canadian air passenger protection regime.' In addressing these changes, we note that the Calgary Airport Authority relies on multiple partners to ensure travellers have a smooth and efficient experience. These include airlines and our government partners – such as Transport Canada, CATSA, CBSA and PHAC. Creating positive travel experiences for air passengers involves all partners doing their part.

While everyone in the aviation sector wants to see services continue to improve and measures put in place to provide passengers with reassurance that the service they get will be held to a high standard, there are deep concerns around the need for such overbearing and potentially counterproductive changes to APPR. The impact of the enhanced regulatory regime will have broad impacts across the aviation ecosystem. We recommend that the CTA and Transport Canada be cognizant of the potential consequences of strengthening the regulatory regimes that, while intended to protect travellers, could ultimately hurt the entire sector.

Comments in Response to the Proposed changes to the Air Passenger Protection Regulations

Submitted by: The Calgary Airport Authority

August 10, 2023



Overview

The Calgary Airport Authority (The Authority) provides this submission in response to the Canadian Transportation Agency's (CTA) Consultation Paper on Proposed changes to the Air Passenger Protection Regulations (APPR).

We appreciate that the role of the APPR amendments under consideration is to 'clarify, simplify and strengthen the Canadian air passenger protection regime.' In addressing these changes, we note that the Calgary Airport Authority relies on multiple partners to ensure travellers have a smooth and efficient experience. These include airlines and our government partners – such as Transport Canada, CATSA, CBSA and PHAC. Creating positive travel experiences for air passengers involves all partners doing their part.

While everyone in the aviation sector wants to see services continue to improve and measures put in place to provide passengers with reassurance that the service they get will be held to a high standard, there are deep concerns around the need for such overbearing and potentially counterproductive changes to APPR. The impact of the enhanced regulatory regime will have broad impacts across the aviation ecosystem. We recommend that the CTA and Transport Canada be cognizant of the potential consequences of strengthening the regulatory regimes that, while intended to protect travellers, could ultimately hurt the entire sector.

Given just how disruptive COVID-19 was to the air sector, we are finally seeing passengers return to the air, and we are all adapting to meet demand. Some of the challenges we have seen in the past were indeed due to weather events, understaffing and labour issues, and health restrictions that have since been removed. From the perspective of the Authority, we have seen great improvements from our partners, including increased staffing as we all recover from the pandemic.

There is an opportunity for government and industry to work together to build on this momentum and truly improve air travel in Canada. However, we are concerned that the proposed regulations will not result in meaningful improvements and do not reflect the operational realities of the air travel system.

Through this lens, we outline our response to the proposed regulatory changes below.

Competitiveness

As a new regulatory regime injects new risks and costs into the aviation marketplace, air carriers must account for these in the ticket price. As such, it is important that Canada's APPR strike the right balance to incent high service standards and protect vulnerable travellers while not increasing costs to travellers, reducing connectivity, and impacting the competitiveness of the entire Canadian sector.

Airports have worked closely with airlines to provide the levels of connectivity and ease of access that are necessary to develop globally competitive hubs. Canadian airports are now world-class and compete with U.S. and other international airports. As such, competitive policies are needed to maintain competitiveness and to sustain the significant economic benefits that hub airports provide for our country (e.g., supporting immigration, investment, trade, FDI, tourism, etc.)

However, the proposed APPR changes are a serious risk to Canada's competitiveness as we try to attract new airlines and contend with American airports for passengers. In fact, the regulations will impose among the highest compensation levels in the world. We are concerned that this will ultimately increase the cost of travel to Canada for both passengers and airlines. It would exacerbate the trend of the leakage of air passengers to U.S. airports and favour the growth of U.S. hubs at the expense of Canadian hubs. Canada's major hubs are near U.S. competitor airports, making this threat even more pertinent in these cases. Previous studies estimated that over 5 million passengers cross the border to fly from U.S. airports each year.

The risk these new regulations pose is one where prices will inevitably increase, and our American counterparts, who do not face the same cumbersome compensation requirements, will steal market share and earn dollars that would otherwise be spent in Canada.

There is no compensation payable in the U.S. for delays and cancellations, and the level of compensation set out in the APPR are greater overall than those in Europe, in particular for short haul and domestic flights, that are key to build hub connectivity. In fact, in Europe, compensation for flights of less than 1,500 km are capped at 250 euros per passenger, but in Canada, compensation can reach up to \$1,000 CAD per passenger for certain disruptions. This will ultimately further increase the cost of travel in Canada and have a disproportionate impact in regional markets that are in large part served with shorter flights.

The added costs of the proposed changes to APPR represent an additional, significant, cost for airlines to consider when adding flights or launching new routes and could put Canadian carriers in a competitive disadvantage versus their U.S. competitors (whose hubs are in the U.S.). It would also impact foreign airlines' decisions when considering whether or not to launch or sustain a route to a Canadian airport. Many may choose to invest in routes to lower-cost markets.

Knock On Effects

Beyond the impacts the regulations will have on competitiveness, there is a concern that they do not reflect the operational realities of air travel and the complexity of Canadian air travel. For example, currently, when a delay is caused by reasons outside the control of the airline, the APPR recognizes and exempts the subsequent flights suffering knock-on effects of the delay.

However, the proposed changes to APPR set a limit of knock-on effects to a single subsequent flight. It can take airlines up to 48 hours or more to overcome the knock-on effects of delays. This is even longer in terms of significant weather events, such as the continent-wide storms seen during the holiday 2022 season, where despite best efforts, the impacts continued for days. It is simply unrealistic to believe that in these circumstances, only one flight would be impacted by knock-on impacts. Further, in order for air travel to be efficient and sustainable in Canada, aircraft and crew tend to operate several segments per day. Similarly, a wide-body overseas flight rotates at destination before its return to Canada.

It is now well understood that a delay, due to a NAV Canada GDP, for example, will impact all subsequent flights that a given aircraft is scheduled to operate. The proposed regulations would mean that airlines will now have to factor in the potential cost of compensating all subsequent flights beyond one in case of a circumstance outside their control. This is of significant concern as it would represent an undue burden on airlines, who ultimately will be responsible for compensating passengers when the root cause is outside their control. This will drive up the cost of air travel in Canada and ultimately further undermine both airlines' and airports' competitiveness.

Mechanical

All air industry partners are committed to upholding Canada's record as one of the safest air travel systems in the world. This record is a competitive advantage. As such, decisions made by any industry partner for safety reasons must never be penalized. The proposed regulation suggests imposing significant financial compensation in certain circumstances where an unexpected mechanical issue arises. This penalizes an airline for upholding their obligations, once again representing a disincentive for operating to Canada and a financial burden added to the system impacting competitiveness.

Safety should always be prioritized by airlines, and these changes disincentivize airlines and penalize them for valuing safety over the risk of potential delays. The new APPR list of exceptional circumstances (exemptions from compensation) must include exemptions for flight safety and specifically for unplanned mechanical delays where an aircraft is unfit to fly in accordance with applicable regulations and maintenance protocols.

Conclusion

In its considerations, the CTA must ensure that it does not propose regulatory measures that increase the cost burden for airports and other partners in the air transportation sector. For the sake of passengers, our competitiveness, and the future of airline investment in Canada; we urge you to challenge your officials to find an alternative that will fulfill your mission of accountability in a fairer way.

Airports across Canada, including YYC, are still recovering from the pandemic. Collectively, Canada's airports took on \$3.2 billion in new debt over the pandemic and lacked the capacity to invest in infrastructure, which has set some airports back in recovery. Any regulatory changes that increase this cost burden would significantly affect the airport's *ability* to function and compete globally.

We appreciate the opportunity to provide these comments. Should you have questions about this submission, please contact Tanis Fiss, Director, Communications & Stakeholder Relations, at 403 305 8278 or tanisf@yyc.com.

The Calgary Airport Authority (the Authority) is a critical economic generator for Calgary, Alberta, and Canada as a whole, helping to connect guests, goods and cargo. YYC Calgary International Airport (YYC) serves as a gateway to Western Canada for both international and domestic travellers and plays a crucial role as a catalyst for Canada's economy. At its peak in 2019, The Calgary Airport Authority contributed more than \$8 billion to Alberta's GDP and employed, directly and indirectly, approximately 50,000 Albertans.