Sault Ste. Marie Airport Development Corporation

August 9, 2023

Canadian Transportation Agency

Consultation: Proposed changes to clarify, simplify and strengthen the Air Passenger Protection Regulations

Canadian Transportation Agency,

The Sault Ste. Marie Airport Development Corporation (SSMADC) owns and operates the Sault Ste. Marie Airport, in Sault Ste. Marie Ontario. In Canada we are the only commercial passenger carrying airport between Sudbury 4 hours to the east and Thunder Bay 8 hours to the west, so we serve a fairly large catchment area. However, Chippewa County Airport in Michigan, USA, is only about 30 minutes south and attracts many Canadians to fly from. Additionally, Detroit Airport, in Detroit Michigan is only about 5 hours south of here.

Prior to the pandemic we had roughly 215,000 passengers per year using the airport, in the past year we flew 153,000 passengers. Prior to the pandemic Air Canada flew 6 to 8 daily flights to Toronto, currently we see 2 or 3 daily flights with Air Canada. Porter previously flew 3 daily flights to Toronto; we are currently at 2 daily flights. Bearskin Airlines also serves Sault Ste. Marie with multiple flights daily to Thunder Bay and Sudbury. In the winter season we previously had Sunwing Airlines providing service to different southern locations each year, however, with the new 5G regulations and not being a protected from 5G airport, Sunwing will likely no longer be able to service Sault Ste. Marie. Overall, the airport supports roughly 430 FTE jobs and approximately $39.3 Million in GDP impact

While we are fully supportive of the goal of improving the air passenger experience in Canada, there are a number of proposed changes that will ultimately negatively impact air travel and connectivity to and from Canada, in particular in regional markets across the country.

In many regional communities, such as ours, airports are an economic anchor in their regions. Air service brings a significant source of well-paid direct and indirect jobs, supports local businesses and creates a number of economic spin-off effects through all the third-party services required to run an airport and beyond. For any of this to be possible, however, regional airports need airlines to offer routes to and from these airports. As such, there is a need for a balanced approach to passenger rights that allows routes to be financially viable, will not undermine airlines' competitiveness and still supports a more efficient, affordable, and inclusive air travel system in Canada.

The most significant concerns with the proposed changes for regional airports include:

1. ***Implications for Competitiveness and new services***

The Airport faces stiff competition from the US market with many airports located within a short 3 hours or less drive from Sault Ste. Marie, Chippewa, Pelston, and Traverse City to name a few. Chippewa Airport is well subsidized by the US government doing to being a smaller airport and hence can provide many services i.e., car parking at much lower levels then we can. Due to the ever-increasing size of aircraft being used in Canada it is very difficult to attract new service to Sault Ste. Marie, and in fact as noted above due to the pilot/crew shortage it has been extremely difficult to even get our old flight schedule back. The large 737 aircraft using airlines will not enter our market, so no WestJet, no Flair, etc.

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The proposed changes to the APPR will be significantly more punitive than regimes in other jurisdictions, like the EU. In Europe, for example, 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, regardless of distance 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 and more infrequent flights.

Moreover, many US carriers who previously operated to airports outside major Canadians hubs have not been returning to these markets, with many of these airlines citing the uncompetitive cost structure in Canada for these business decisions. While there is an unrestricted ability for U.S. carriers to operate transborder flights, in the past 10 years, US carriers have decreased their number of flights by 45% and their seat capacity by 29%. In 2013, U.S. carriers flew to 24 points in Canada, however today, they serve only 11. Imposing such a punitive system on top of existing competitiveness challenges will only further exacerbate this trend, further impacting connectivity and direct air service throughout Canada's regional communities.

2. *Earlier Flight Disruptions (Knock-On Effects)*

Airlines that serve regional airports often operate many short-haul segments with multiple turnarounds in a single day in order to be able to serve these markets efficiently. In fact, aircraft at Canada's regional airlines often fly six or more flight segments in a day.

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 from certain obligations including compensation. However, the proposed changes to APPR arbitrarily set a limit of knock-on effects to a single subsequent flight after the initially disrupted flight. In reality, it can take airlines up to 48 hours or more to overcome the knock-on effects of delays. Recovery time is even longer in the event of significant weather events, which can impact regional airports more significantly than larger hubs.

Given the realities of airline operations, one delay will have knock-on effects on all subsequent flights that the original aircraft or crew impacted may operate. By only exempting one subsequent flight in the event of a disruption outside of airline control, airlines may be inclined to simply cancel more flights that face a disruption rather than incurring the subsequent delays in order to seek a quicker recovery and reduce their compensation liability. In most cases, this would have a significant impact on regional airports and the flights to our regions. This may also make certain routes to regions with more challenging weather environments, with less demand, or not as financially viable less appealing for airlines to continue operating, and could limit essential air connectivity as the risk for increased costs to air carriers would be substantially increased.

3. *Safety and Unplanned Mechanicals*

All air industry partners are committed to upholding Canada's record as one of the safest air travel systems in the world. As such, decisions made for safety reasons must never be punished.

For this reason, unexpected air safety events, in particular an unplanned mechanical malfunction of an aircraft, have always been treated in various aviation regulations as an uncontrollable event exempt from the ambit of passenger compensation regimes. However, the proposed new APPR regulation ordering significant financial compensation in such circumstances would unduly penalize airlines for safety-related decisions that are in the best interest of all parties throughout the ecosystem.

The need to factor in these financial considerations would change the economics of regional routes, and risks airlines favoring routes to larger airports instead with more mechanical support operations and opting against serving remote and regional communities where recovery from mechanical issues would take longer, ultimately resulting in higher compensation and impacts from the newly proposed knock-on effects.

As such, 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.

4. Reprotection and Duty of Assistance

The proposed changes to the APPR would require airlines to rebook passengers within 9 hours instead of the current 48-hour requirement, which should be maintained. Should a carrier be unable to rebook on their own carrier or a partner, they will be obligated to purchase a ticket on a competing airline. This too will disadvantage smaller airports that have less frequencies and volumes offered than larger airports. In fact, some frequencies at smaller airports are only offered once a week, making reprotection on these routes difficult.

In addition, it is proposed to expand some duty of assistance requirement in exceptional circumstances such as a significant weather event. However, sudden mass hotel, restaurant, or ground transfer bookings, in particular at remote or distant locations at all hours of the day or night, would represent a significant cost and operational burden on airlines. In fact, such amenities may be extremely limited or not available altogether in the numbers required in certain regional communities.

These obligations would therefore make it even harder for smaller airports to attract large carriers to operate flights outside their hubs, in particular to popular routes to sun destinations.

The most appreciable improvements to the air passenger experience in Canada would come from a greater level of government investment in airports. Given the debt levels incurred throughout the pandemic, a number of critical infrastructure investments have been postponed. Other countries have acknowledged the benefits that such infrastructure investments would have, not just on the air travel system, but on their wider economies. The US, for example, has announced over $40 Billion in airport infrastructure investments since 2020.

The prudent way to ensure Canadians have positive experiences with the air transportation sector is to allocate increased federal government funding for airport infrastructure development and support for regional connectivity. Regional airports across the country continue to struggle financially due to debts accrued during the COVID-19 pandemic as well as the loss of flight volumes. Important critical infrastructure investments have been on hold. Financial supports, such as the Regional Air Transportation Initiative (RATI), had a finite timeframe that does not cover the current period where regional airports still require a level of assistance. It is worthwhile to consider the impacts on short-haul flights and the affordability of regional air travel when penalties are placed on important participants of the Canadian aviation ecosystem.

As such, we encourage government to ensure that regulations are developed that will mitigate these concerns and to increase investment in airports. These actions will improve the air travel system and have wider benefits on the Canadian economy.

Yours Sincerely,

Terry Bos

Terry Bos
President & CEO