

April 12, 2019

Via email to: [secretaire-secretary@otc-cta.gc.ca](mailto:secretaire-secretary@otc-cta.gc.ca)

Secretary  
Canadian Transportation Agency  
Ottawa (Ontario)  
K1A 0N9

**Re: Consultation on the requirement to identify a basic fare**

This is in response to the Canadian Transportation Agency's (the "Agency") call for submissions from interested stakeholders regarding the basic fare requirement, including circumstances in which an air carrier should be exempted from identifying a basic fare in their tariff. Air Canada is pleased to provide the following that we trust will be taken into consideration as part of this review, and we thank the Agency for the opportunity to provide input.

It is our view that the Agency, should not permit exemptions to this basic fare requirement for certain business models as it creates an unbalanced regulatory environment that is unpredictable and confusing for the travelling public. It is also our position that the Agency, should remove the basic fare obligation requiring carriers to provide a fare with no restrictions and reasonable baggage on all routes under sections 55 and 67 (1) (b) of the *Canada Transportation Act* (the "Act").

(1) A fair and balanced regulatory environment

A Canadian regulatory environment in which only certain carriers must maintain obligations while other competing carriers do not, creates confusion for the travelling public and an unbalanced playing field.

Consideration should not be dependent on the particular business model adopted to provide air services to the public, as this approach distorts the competitive landscape by maintaining regulatory requirements for one entity or business model, while taking a hands-off approach with another. Failing to maintain a consistent approach across the board will ultimately cause disruption and confusion in the market, favouring one business over another, as competitors follow different rules.

In Determination no. A-2019-14 (the "Determination"), the Agency stated:

*"in the specific context of the ULCC's business model—which is particularly characterized by dynamic price setting, non-refundable fares with restrictions on changes, and the unbundling of fares so that travellers select the services for which they want to pay—the obligation to include such a basic fare in the tariff would appear to have no material benefit to passengers and to impose an unnecessary administrative burden.*

In Air Canada's view, by making specific reference to a different business model as one of the reasons for allowing an exemption creates a negative precedent for the next carrier that also has a slightly different business model to also seek an exemption in order to suit its particular needs. Carriers should not gain unreasonable competitive advantage in the marketplace in light of their unique business models.

(2) Removal of the basic fare obligation

To avoid further confusion and to ensure consistency with regard to the basic fare regime, it is Air Canada's view that the Agency should remove this obligation for carriers to provide a fare with "no restrictions" and "reasonable baggage" on all routes under sections 55 and 67 (1)(b) of the Act.

Dynamic price-setting and the unbundling of fares so that travelers select the services for which they want to pay as described in the Determination here above, is not specific to the ULCC business model and is in fact a growing trend in the airline industry. This trend is based on customers desire to have greater flexibility and selection in their choice of fares. Removing this obligation to maintain a basic fare with reasonable baggage on all routes would allow carriers the flexibility to respond to market forces as well as being consistent with the intent of the National Transportation Policy contained in section 5 (a) of the Act, which states:

*"It is declared that a competitive, economic and efficient national transportation system that meets the highest practicable safety and security standards and contributes to a sustainable environment and makes the best use of all modes of transportation at the lowest total cost is essential to serve the needs of its users, advance the well-being of Canadians and enable competitiveness and economic growth in both urban and rural areas throughout Canada. Those objectives are most likely to be achieved when*

**(a) competition and market forces, both within and among the various modes of transportation, are the prime agents in providing viable and effective transportation services;**

In light of this growing demand for flexibility, Air Canada does not see the effectiveness or benefit to the travelling public to continue to impose on carriers an obligation to maintain a basic fare with reasonable baggage or any other services associated to it. Therefore, Air Canada advocates for the restoration of a fair and balanced regulatory regime with the removal of the basic fare obligation.

Once again, Air Canada appreciates the opportunity to provide this input, and we remain available to Agency staff should any clarification be required.

Sincerely,



David Waugh  
Senior Director, International Affairs and Facilitation