



Submission by the Airport Management Council of Ontario (AMCO) to the Canadian Transportation Agency (CTA) on Proposed Air Travel Complaints Fee — Deadline: 21 October 2024

Who We Are

As the senior advocate of airport owner and operator organizations in Canada, the Airport Management Council of Ontario (AMCO) is a provincial organization committed to the sustainability of airports nationally. Incorporated on October 18, 1985, AMCO's aims are to represent the interests of the owners and/or operators of airports and aerodromes in the province of Ontario; and, to promote the safe and efficient operation of those airports.

Discussion

The Airport Management Council of Ontario appreciates the continued movement towards improving the Canadian air passenger experience so that there is sense of trust and transparency between the public and all entities engaged in the aviation ecosystem in Canada. Nonetheless, there are significant, deep, and potentially unconsidered concerns over possible implications to Canadian regional connectivity if the suggested air travel complaints fee framework is instituted.

While some of the busiest airports across the country have announced their “full recovery” from the COVID-19 pandemic shock, the same cannot be said for regional airports across Canada. These important sites of connection continue to encounter difficulties in financing their operations as the number of flights that they once served in pre-pandemic times have not yet returned due to internal factors with commercial carriers. Recently, this conversation reached the national level more fervently, as The Canadian Press reported, *'On the brink': Airlines flee small cities, cutting key links to rest of the country'*¹ on 11 August 2024 only to be consequently followed by Canadian Broadcasting Corporation (CBC) reporting that *Air travel recovery skips northern Ontario as regional airports face service cuts and rising costs*² on 14 August 2024.

Certainly, due to commercial carriers shifting their assets and energy towards wider markets, regional airports remain concerned over any new policies that may hamper the return of service to their areas. Regional routes are vital routes; therefore, affected airports wish to see a robust market in which air carriers seek to expand service, rather than focus on matters of unforeseen costs and increased risk.

It is with these concerns that AMCO requests that the CTA critically analyze the potential effects on regional passenger service if the proposed air travel complaints fee goes ahead. Both potential cost increases for regional routes as well as the increase of risk for airlines need to be considered.

Concerns

Amount of Fee

It is understandable that the CTA would pursue a fee for each eligible complaint processed as such procedures require staffing commitments to reach a resolution; however, the figure of \$790 is debateable.

¹ See The Canadian Press through Global News: <https://globalnews.ca/news/10693309/airlines-canada-small-cities/>

² See Canadian Broadcasting Corporation (CBC): <https://www.cbc.ca/news/canada/sudbury/regional-airport-recovery-northern-ontario-1.7294386>



A perusal of domestic and trans-border ticket prices reveal that many routes cost less than the \$790 air travel complaints fee proposed. This element subsequently leads one to ponder the calculations behind such a sum as it outdoes some rates charged by an airline — a number that already includes cost recovery and a level of profit. While not all air fares sold will find themselves as part of a complaint process, and thus not come under comparison of this fee, it is generally worth examining why the fee has been set at such a disproportionate level.

It may be a worthwhile endeavour for the CTA to review its processes internally, including overhead costs and administrative inefficiencies for the processing of APPR claims, rather than focusing on an outside solution that has the potential to negatively impact previously unconsidered stakeholders in the aviation sector.

Potential Financial Impacts

In the case that the air travel complaints fee is mandated, it is common business sense that commercial carriers will seek to recuperate the costs, and this will ultimately find its way to the passengers that this policy seeks to protect, one way or another.

It has been widely publicized that regional routes across Canada are costlier and occur less frequently than similar distances in other markets. Less frequently means delays or cancellations affect the flight schedules of passengers when there is a disruption — a financial consideration of commercial carriers already through the Air Transportation Air Passenger Protection Regulation (APPR). As operational costs continue to rise, commercial carriers will be compelled to charge higher rates to make regional flights profitable, and it is rational to hypothesize that additional fees will compound this issue.

The need to recuperate any expenditure required through the payment of the \$790 fee on each eligible complaint processed by the CTA could result in increased regional route ticket prices for Canadian travelers. This is yet another element that compels Canadians to seek other modes of transportation which negatively affects the numbers of passengers served by regional airports, consequently affecting their financial sustainability.

Airlines need to consider regional connectivity as a financially advantageous pursuit for any expansion of scheduled service to occur; therefore, additional fees ultimately levied on passengers will have the opposite effect as they will be dissuaded from travelling from their regional airports. Fees or penalties do not foster an environment of growth that is direly needed in regional markets across the country.

Risk Assessment

Commercial carriers must determine appropriate levels of financial risk when planning schedules and whether it is worth the investment to expand services to regional airports. It has been demonstrated here that regional routes are costlier to run and that they have an inherent level of risk insofar that delays have knock-on effects during disruptions. Regional routes are imperative to maintain as they link Canadians to economic, educational, health care, and social connections that are key aspects of the Canadian standard of living; however, risk in serving these markets exists when carriers focus on financial outcomes.

Knock-on effects from disruptions lead to prospective complaints through the APPR system. If a complaint is eligible, the \$790 fee charged on top of reimbursements from the APPR consequently augment the overall penalty to be paid by an airline, potentially leading the entity to question the financial viability of maintaining regional routes. Air carriers may determine that the risk is not worth the financial investment in sustaining a regional route.



There is a distinct possibility that even more regional routes could face cancellation, not be reinstated, or be overlooked for expansion if the risk is deemed too high. In turn, indispensable points of critical infrastructure like regional airports miss increasing a crucial source of income.

Conclusion

The plight of regional airports is understood nationally. Any potential solutions offered by an independent regulator and quasi-judicial tribunal like the Canadian Transportation Agency should prioritize the connectivity of Canadians and not create any type of oppositional conditions that could potentially hamper the expansion of service when it is greatly needed. All stakeholders should be fostering an atmosphere focused on improving the air sector in Canada.

It is prudent to evaluate how the proposed air travel complaints fee will be absorbed by the commercial carriers that would be liable to pay and critically analyze how it would affect any future intent to reinstate and/or expand scheduled services. Any financial outlook tied to potential expansion of service will ultimately consider if routes are financially viable and worth the adoption of accompanying risk.

In conclusion, please consider how charging air carriers a \$790 fee per eligible complaint of the APPR will have wider repercussions, particularly on regional connectivity across the country, and the income generation of regional airports through unforeseen consequences. These market factors may have been unconsidered when this approach was in development.