

OUR RESPONSE TO THE CTA'S

AIR TRAVEL COMPLAINTS FEE PROPOSAL



Introduction

The Canadian Transportation Agency (CTA) has proposed a new fee of \$790 per closed complaint to recover operational costs from airlines under the Air Passenger Protection Regulations (APPR). However, with an 80,000-complaint backlog at the CTA, this approach risks generating \$19 million in fines for airlines (conservatively assuming one-third of complaints are valid). These additional fines exacerbate financial pressures on airlines, which may be passed on to consumers in the form of higher fares or reduced services. More importantly, this fee does not solve the underlying issues that have led to the current backlog: airlines' inefficient complaint handling systems and the CTA's capacity constraints.

At airfairness, we are laying the groundwork for cutting-edge technology that will transform the way air travel claims are processed. Leveraging insights from over a year of claims data, we are building a platform that integrates real-time commercial aviation data, machine learning models, and AI-powered automation. Our goal is to accurately filter, validate, and resolve claims faster and more efficiently than ever before. Automating key processes and streamlining communication between passengers and airlines will eliminate bottlenecks and drastically reduce the cost per claim.

Unlike the CTA's proposed \$790 per complaint, our platform will operate at a fraction of that cost by utilizing our technology and direct integration with aviation data sources. We aspire to clear the current backlog and prevent future build-ups by creating a seamless, transparent, and standardized claims process. Our vision is to redefine air passenger rights management, ensuring claims are resolved quickly, accurately, and affordably, benefiting airlines, passengers, and regulators alike.

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Background & Problem Overview

Overview of the Air Passenger Protection Regulations (APPR)

The Air Passenger Protection Regulations (APPR), introduced by the Government of Canada, are designed to protect passenger rights during air travel. These regulations establish minimum standards of treatment and compensation in events such as delays, cancellations, and denied boarding. Under APPR, passengers are entitled to reimbursement, rebooking, or compensation depending on the nature and duration of disruptions. APPR applies to both domestic and international flights departing from or arriving in Canada and covers various obligations, including communication requirements and refund policies.

Airlines must respond to passenger claims within 30 days, and if the issue remains unresolved, passengers can escalate the matter to the Canadian Transportation Agency (CTA). This regulatory framework ensures greater accountability from airlines while providing passengers with a clear path to seek redress for disruptions.

The Challenge: Airline Non-Responsiveness and Systemic Inefficiencies

While APPR creates an important structure to protect passengers, many airlines fail to address complaints adequately within the required timeframe. Airlines frequently rely on outdated or fragmented systems, making it difficult to process claims efficiently. Additionally, a lack of standardization across airlines creates inconsistency in how claims are managed, with each carrier following its own process for receiving, validating, and responding to passenger complaints.

A critical issue is that airlines are not always forthcoming about the true causes of flight disruptions. For example, airlines may initially cite “safety” or “weather” exemptions to avoid paying compensation. Airlines sometimes change their responses from denials to approvals when challenged by passengers or regulators, demonstrating a lack of transparency. This behaviour increases the burden on passengers, who must escalate their complaints to the CTA, and undermines trust in the claims process.

Systemic Issues with the Current Model

1. **Inefficient Airline Systems:** Airlines are often unresponsive to complaints because they rely on disconnected, manual, or outdated systems to manage claims. Each airline has its own unique processes for tracking complaints, lacking consistency in data collection, reporting, and resolution standards. This fragmentation complicates the ability to respond to passengers promptly and transparently, causing significant delays in claim processing.

2. **Lack of Transparency and Accountability:** Airlines do not always disclose the true reasons for delays. In many cases, they initially deny compensation by claiming delays are due to "safety" or "weather," which are exempt under APPR. However, when challenged, they may reverse these decisions, converting a previously denied claim into a valid one. This inconsistency erodes passenger trust and increases the volume of complaints escalated to the CTA, further overloading the system.

3. **Disparate Processes Across Airlines:** The lack of standardization among airlines in how they intake and process claims adds another layer of complexity. Each airline follows different formats, timelines, and communication channels, making it difficult for passengers to navigate the system. This inconsistency hinders early resolution at the airline level, forcing more complaints to be escalated to the CTA.

4. **CTA's Overburdened System:** The CTA's current system is not equipped to manage the sheer volume of complaints it receives. The operational costs are ballooning with staff focused on manual case-by-case assessments and mediation. Even with the proposed fee of \$790 per complaint, the CTA will struggle to maintain efficiency and clear its backlog, leaving passengers frustrated and airlines burdened with penalties.

Resulting Backlog and Operational Costs at the CTA

As a result of airlines' lack of responsiveness and inconsistent processes, passengers are increasingly turning to the CTA for resolution. This has created a massive backlog of over 80,000 complaints, overwhelming the CTA's capacity to process claims. Each complaint requires significant manual effort, including mediation, analysis, and decision-making by CTA personnel. According to the CTA's own data, the annual cost to process air travel complaints now exceeds \$29 million, with staffing, legal services, and administrative support accounting for most of these expenses.

In response, the CTA has proposed a \$790 fee per closed complaint, aiming to recover 60% of its total costs from airlines. However, this approach presents several challenges:

1. **Financial Strain on Airlines:** With 80,000 pending complaints, even if only a third are valid, airlines could face \$19 million in fines.
2. **Indirect Impact on Passengers:** Airlines may pass these costs to consumers through higher ticket prices or reduced services, ultimately hurting passengers.
3. **No Resolution to the Underlying Problem:** Charging airlines per complaint does not address the root cause of the backlog, which is the inefficiencies in how complaints are processed at the airline level.

Without systemic improvements to streamline the complaint process, the CTA will continue to face escalating operational costs and growing passenger frustration.

Airfairness: A Solution to Reduce Backlog and Operational Costs

Overview of Airfairness

Airfairness is a Canadian company committed to ensuring passengers receive the compensation they deserve when airlines fail to meet their obligations under the Air Passenger Protection Regulations (APPR). Our expertise lies in claim processing and customer service management, using data-driven insights and advanced technology to streamline the compensation process.

Airlines, including Air Canada, have criticized the rise of companies like ours, calling them "claim farms" and alleging that they enrich themselves at the expense of passengers, as seen in Europe. However, our existence is a symptom of a deeper issue: if airlines were consistently meeting their obligations and handling claims properly, services like airfairness would not be needed. Unfortunately, many passengers still struggle to receive compensation directly from airlines, often facing delayed responses, inconsistent reasons for disruptions, and burdensome processes. This forces passengers to escalate complaints to external parties like the CTA—and organizations like ours fill this gap by ensuring passengers aren't left without recourse.

Our mission is to bridge the gap between passengers and airlines, providing a more transparent and efficient claims resolution process. Rather than promoting unnecessary litigation, we aim to prevent it by automating and simplifying the claims process for passengers and airlines alike. With cutting-edge technology, AI-driven automation, and direct integration with aviation data, we aim to ensure accurate, fast, and affordable claim management. Far from encouraging litigious behaviour, airfairness wants to reduce friction between passengers and airlines by resolving claims fairly and efficiently before they escalate to the CTA, ultimately benefiting all stakeholders.

Our platform enables passengers to receive the compensation they are entitled to without unnecessary delays or burdensome processes. Transparency, efficiency, and accountability drive everything we do, making us a vital partner in improving the passenger experience and holding airlines accountable under APPR.

Our Approach: Transforming Claims Management

At airfairness, we propose a comprehensive partnership with the CTA, where we assume responsibility for major portions of the claims management process. We are working on creating a system that is designed to integrate directly with aviation data sources, allowing us to accurately filter valid claims from invalid ones using AI-powered automation and data-driven algorithms. Here is how we intend to execute this:

- 1. Automated Filtering and Validation:** Utilizing machine learning models to classify complaints into true positives (valid claims), false positives (invalid claims filed by mistake), true negatives (rightfully denied claims), and false negatives (legitimate claims that were incorrectly denied by airlines). This precise filtering reduces the workload by ensuring only valid cases are pursued, eliminating redundant back-and-forth communication.

2. **Direct Integration with Global Aviation Data Sources:** Our system will connect directly with airline databases and operational systems, enabling real-time data sharing and claim validation. By automating communication with airlines, we will reduce delays caused by manual processes and improve accountability through transparent reporting.

3. **Streamlined Communication with Passengers:** Airfairness will enhance the customer service experience by automating passenger communications and providing regular status updates. This will minimize frustration and ensure passengers receive timely responses without needing to escalate cases to the CTA.

4. **Flexible Collaboration with the CTA:** We offer a collaborative approach, where airfairness manages the majority of the claims, while the CTA retains oversight and governance responsibilities. This model allows us to handle the operational burden, while the CTA focuses on regulatory enforcement and policy development.

Efficiency Model: Lowering Costs and Reducing Backlog

The CTA currently proposes a \$790 fee per complaint to recover operational costs. However, this approach does not address the inefficiencies at the root of the backlog. Airfairness can process claims at a fraction of this cost by leveraging technology-driven efficiencies and automating manual processes.

By facilitating the claims management process, airfairness will potentially reduce the CTA's operational costs by up to \$20 million annually. We would propose an annual claim management fee to manage both the existing backlog and new complaints. This model:

- Avoids the \$19 million in fines that airlines would face from the backlog alone.
- Ensures predictable, manageable costs for the CTA through our fixed-fee approach.
- Reduces the financial burden on airlines, helping them avoid additional penalties and encouraging them to adopt better internal systems.

Faster Resolutions Mean Happier Passengers

With airfairness at the helm, passengers will receive faster and more reliable outcomes for their claims. Our envisioned AI-powered system ensures claims are resolved quickly and transparently, improving passenger satisfaction and reducing the need for CTA intervention. This prevents future backlogs and creates a sustainable framework for managing complaints moving forward.

A Smarter, Technology-Driven Solution

Airfairness offers the most efficient, cost-effective solution to the CTA's growing backlog and rising operational costs. Our expertise in claims management, combined with advanced technology and seamless integration with airline data, allows us to deliver faster results at a lower cost.

Our partnership model will:

- Clear the existing complaint backlog efficiently and prevent future backlogs.
- Save the CTA up to \$20 million per year.
- Relieve airlines of excessive penalties, while ensuring greater accountability and compliance with APPR regulations.
- Improve passenger satisfaction through quicker, transparent resolutions.

With airfairness facilitating claims, the CTA can focus on policy oversight and regulatory governance, creating a win-win situation for airlines, passengers, and regulators.

Value Proposition for Stakeholders

For the CTA

1. **Reduced Backlog and Operational Costs:** Partnering with airfairness will significantly reduce the complaint backlog currently overwhelming the CTA. By leveraging AI-powered tools and automated processes, we can efficiently categorize, filter, and manage claims, ensuring faster resolutions and minimizing the need for manual intervention by CTA staff. With airfairness handling the bulk of claim management, the CTA can reduce operational expenses and allocate resources to regulatory oversight and governance instead of day-to-day complaint handling.

2. **Enhanced Data Transparency and Reporting:** Our platform will integrate directly with airline systems, ensuring consistent, real-time data sharing that enables clear tracking and reporting of claims. The CTA will benefit from automated data analytics dashboards that provide insights into complaint patterns, resolution timelines, and airline compliance. This increased transparency will support better policy decisions and improve public trust in the air passenger protection system.

For Airlines

1. **Lower Penalties and an Efficient Process for Resolving Claims:** Airfairness' efficient claims management system reduces airlines' financial burden by streamlining the complaint process. With fewer complaints escalating to the CTA and faster resolutions at the airline level, airlines can avoid excessive penalties and improve customer satisfaction. Our system enables airlines to handle claims proactively, preventing issues from snowballing into larger disputes.

2. **Compliance with Data-Sharing Agreements to Prevent Future Backlogs:** Through seamless integration with our platform, airlines will be able to automate responses to passenger claims and share accurate data with regulators in real time. This transparency fosters compliance with APPR regulations and reduces the likelihood of future backlogs. By working collaboratively, airlines can streamline their internal processes and resolve disputes efficiently, eliminating the need for expensive and time-consuming escalations to the CTA.

For Passengers

1. **Faster Claim Resolutions through Streamlined Processing:** Passengers will experience faster and more transparent claim resolutions through airfairness' automated, data-driven platform. Our system would ensure that claims are validated quickly and that passengers are informed of their claim status in real-time, eliminating the frustration of long waits and unresponsive airlines. With clear communication and timely resolutions, passengers can focus on their travel plans without the stress of unresolved compensation disputes.

2. **Simplified Process and Full Compensation without Hassle:** Unlike navigating complex airline systems or waiting for CTA intervention, passengers working with airfairness will receive the full compensation they are entitled to without unnecessary delays or effort. We simplify the process from start to finish, removing the barriers that often discourage passengers from pursuing their rightful claims. Our platform would ensure that passengers get fair outcomes quickly, improving their overall travel experience and restoring trust in the compensation process.

Data Standardization and Policy Improvements

Critique of the 30-Day Response Rule

The current 30-day response rule under the Air Passenger Protection Regulations (APPR) requires airlines to respond and/or resolve passenger claims within 30 days. However, this rule is frequently misused by airlines. A common practice involves citing ambiguous reasons such as "safety" or "weather," which are exempt from compensation obligations. These justifications are often opaque and difficult to verify, allowing airlines to deny compensation without proper accountability. If challenged, airlines can later reverse their decisions, undermining the integrity of the process and forcing passengers to escalate their claims to the CTA. This practice not only erodes passenger trust but also contributes to the growing complaint backlog at the CTA.

Proposal for Stricter Rules and Penalties

To prevent airlines from misreporting or manipulating delay causes, more stringent rules or penalties should be implemented. Airlines that provide misleading or inaccurate information about flight disruptions should face additional financial penalties or other regulatory consequences. A system could also be introduced where, if an airline changes its response after initially denying a claim, additional compensation is automatically awarded to the passenger. This would create a strong disincentive for misreporting and ensure greater transparency in the process.

Importance of Standardized Data Formats for Claims

A major challenge contributing to the backlog is the different airlines' inconsistent data formats and reporting practices. Each airline operates unique claim management systems with varying formats, timelines, and standards, making tracking and managing claims difficult. To address this, it is essential to establish a standardized data format for all airlines to follow when reporting delays, cancellations, and claim statuses.

By requiring uniform data submission protocols, regulators, airlines, and claim management services like airfairness can access consistent, real-time information, improving the efficiency of the entire process. Standardized data ensures that:

- Passengers receive faster and clearer responses.
- Airlines are held accountable for their actions through transparent reporting.
- The CTA can track trends and compliance more effectively, driving better policy decisions.

Standardization also reduces the administrative burden for both airlines and regulators by automating data flows and claim verification processes. In the long run, this will prevent future backlogs and promote a more efficient, transparent, and fair system for all stakeholders involved.

Risk Mitigation and Contingency Plans

Acknowledging Potential Risks

Transitioning the management of passenger claims to airfairness introduces several potential risks. These include:

- **Initial Transition Challenges:** As with any operational handover, disruptions or delays may occur as both parties adjust to new processes and technologies.
- **Unforeseen Technical Issues:** Despite extensive testing, unexpected technical problems could arise during the integration with airline systems or the CTA's reporting infrastructure.
- **Stakeholder Resistance:** Airlines or other stakeholders may initially resist changes, especially those related to data transparency and compliance with new processes.

Recognizing these risks allows us to develop proactive strategies to mitigate them, ensuring a smooth transition and maintaining service levels throughout the implementation period.

Shared Accountability with the CTA

A collaborative approach with the CTA is essential to minimize disruptions during the transition. We propose a phased handover, where airfairness gradually assumes greater responsibility for claims management, while the CTA retains oversight and governance throughout the process. Clear lines of accountability will be defined to ensure seamless collaboration. For example:

- The CTA will remain responsible for policy oversight and legal compliance.
- Airfairness will manage the day-to-day operations of claims processing and communication with passengers and airlines.
- Both parties will conduct regular reviews and performance assessments to identify areas for improvement and ensure that goals are met.

Conflict Resolution Process

To address potential disputes between airfairness, the CTA, and airlines, we will establish a structured conflict resolution framework:

1. **Tiered Escalation Protocol:** Issues will first be resolved at the operational level, with formal escalation to senior leadership if necessary.
2. **Joint Working Group:** A working group comprising representatives from the CTA, airfairness, and airlines will meet regularly to review key issues and track progress.
3. **Mediation and Arbitration:** In cases where disputes cannot be resolved through internal processes, neutral mediation or arbitration will be used to ensure a fair and timely outcome.

This conflict resolution process ensures transparency, fairness, and accountability, fostering trust among all stakeholders involved in the partnership.

Conclusion

A partnership between airfairness and the CTA offers a smarter, more sustainable solution to the challenges of managing air passenger claims. By leveraging technology and automation, airfairness will reduce operational costs, clear the existing backlog, and improve service for passengers. This partnership will also alleviate financial and administrative pressures on airlines, ensuring better compliance and fewer escalations to the CTA.

Key benefits of this partnership include:

- **Reduced Costs:** Airfairness' efficient processing model will save the CTA up to \$20 million annually.
- **Cleared Backlog:** The complaint backlog will be addressed promptly, improving passenger satisfaction and public trust.
- **Improved Service to Passengers:** Faster, transparent claim resolutions will restore confidence in the compensation process and encourage passengers to use the system proactively.

We invite the CTA to engage in further discussions to explore the full potential of this partnership. Together, we can design a future-proof system that enhances efficiency, accountability, and service quality for all stakeholders.