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Chair

Mr. Merv Tweed

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• (1530)

[English]

The Chair (Mr. Merv Tweed (Brandon—Souris, CPC)): Good afternoon, everyone. Welcome to meeting number 17 of the Standing Committee on Transport, Infrastructure and Communities.

Our order of reference from September 21 is Bill C-11, an act to amend the Canada Transportation Act and the Railway Safety Act and to make consequential amendments to other acts.

Today we're joined by Mr. Fred Gaspar of the Air Transport Association of Canada.

I think we have a quorum. I know we have another set of witnesses coming forward, so I will ask you to proceed.

Mr. Fred Gaspar (Vice-President, Policy and Strategic Planning, Air Transport Association of Canada): Thank you very much.

Mr. Chairman and honourable members, good afternoon. Thank you for inviting me here this afternoon to speak with you on the matter of Bill C-11.

Let me first take a few moments to familiarize you with our organization. The Air Transport Association of Canada was founded in Ottawa in 1934 as the national voice of Canada's fledgling aerospace and aviation industry. ATAC today is composed of a membership of over 200 companies of all sizes that collectively account for over 95% of commercial aviation revenues in Canada. We would like to address this committee, however, from the passenger's perspective, for it is the passenger's interests that ought to be at the heart of everything we do.

In Bill C-11 we see a bill that ostensibly deals with many issues related to passengers' concerns: air travel complaints, reviewing mergers and acquisitions, airfare advertising, and the use of airline data and passenger information. The sad reality, however, is that none of these measures actually address any of the real issues of concern to our passengers. You know yourselves what those are. You travel by air more than most Canadians. You know that what passengers want more than anything else from their air travel experience is safety, efficiency, and the right balance in the price and service mix. So that is the proper perspective from which to view these measures.

Indeed, it is a perspective that casts this bill in a less than flattering light, not for what it addresses, but for what it does not. It purports to introduce measures that are friendly to consumers, but does not

actually help to lower costs, does not help to improve efficiency, and does not help to improve value.

For more than a few years now, ATAC and its members have been pleading with successive governments on behalf of our passengers to reduce the crippling effect of government ground rents due by passengers at airports. Established in the mid-1990s in conjunction with the development of airports, these rents have contributed approximately \$300 million annually, and \$2 billion since their inception, to general government coffers. The total contribution has already exceeded the net worth of those facilities at the time of their transfer, which was approximately \$1.5 billion, a figure, by the way, which in no way accounted for the significant upgrades to those facilities, since most of them were practically falling apart.

Transferring the airports allowed the government to offload that cost to the local authorities, which recouped the investment costs from the users, namely, airlines and passengers. In short, it is a misnomer to label these payments as rent. They are actually a simple but brutal tax on flying, and they make the system about \$300 million a year more expensive than it needs to be or ought to be. We respectfully submit that if Parliament is truly interested in pursuing the best interests of passengers, it should first and foremost occupy itself with this pressing matter.

Still, we are presented with a series of measures in this bill that require our scrutiny. It is probably fair to say that the most high profile of these measures is the proposal to fold the activities of the air travel complaints commissioner into those of the broader Canadian Transportation Agency mandate. From our perspective, this is a sensible move, insofar as the existence of that office represented little actual value for taxpayers' money. This has been an institution that stands out from other sectors in its purpose and role. There is no complaints commissioner for other modes of transportation, nor is there such an office for practically any other sector of the economy. The reason is self-evident. Clearly, there can be no better arbiter of the consumer interest than a healthy and highly competitive aviation sector.

Let's recall that when the office was created, it was in an era of much hand-wringing about the future state of competition in this industry. Air Canada had just completed its acquisition of Canadian Airlines in 2000, and many observers, including many parliamentarians at the time, expressed significant concerns about Air Canada's potential dominance in the market.

Despite this industry's assertions at the time that the marketplace would in fact provide the appropriate level of service and competition demanded by consumers, the office was established, among a series of other measures, in an attempt to create by legislation a regulatory framework that would protect consumer interests in the perceived absence of competition. But as we said it would, the marketplace did in fact return to a level of providing competitive service that responded to the demands of consumers. Anyone doubting that assertion need look no further than the fact that WestJet's market share today, for example, is at approximately 40%, higher than any level previously achieved by Canadian Airlines.

While there will always be some level of service disruption in our industry from time to time, we respectfully submit that a careful analysis of the role and value of the complaints commissioner since the position has existed clearly demonstrates that a healthy and competitive marketplace, and not another layer of government bureaucracy, can best respond to the need of consumers.

Similarly, the proposed authority granted to the minister to review mergers and acquisitions in all sectors of transportation is another example of a legislative tool introduced during the hysteria of 1999-2000 that has little, if any, practical value for passengers. Unlike the previous measure, however, this one actually does offer very real harm to the interests of passengers.

Nearly all stakeholders in commercial aviation, from consumer groups to infrastructure service providers to airlines, support lowering the barriers to investment in this sector.

We all recognize that ours is a very highly capital-intensive business, with large start-up and operational costs that are required to support, ultimately, a low-yield business climate. If a healthy, competitive aviation sector is the goal, why put in place regulations that cast doubt on Canada's openness to investment in this sector?

• (1535)

Moreover, this authority vested in the minister runs counter to the stated principles of the CTA, including those that say that "competition and market forces are, whenever possible, the prime agents in providing viable and effective transportation services".

As with the previous measure discussed, since this was a tool introduced to deal with a perceived problem that never materialized, parliamentarians should rightly be asking themselves: what is this for and what does it do for consumers?

As to the matter of empowering the minister to regulate airfares, we encourage parliamentarians to remember where this came from and to ask themselves what value it represents to passengers. Indeed, some of our own members may tell you it has some value. Carriers who primarily distribute their tickets through provincially regulated tour operators and travel agencies, for instance, may see some value in a federal standard that would apply throughout Canada, while others who market their services directly to consumers question the need for this measure in the first place.

Certainly we are all united by the common interest of ensuring that consumers are fully and directly informed as to the makeup of their ticket cost. ATAC's concern with this proposal in regulating airfares advertising simply rests with the potential for abuse. As you

well know, the final average cost of a discounted airline ticket in this country is comprised of anywhere between 25% and 40% in additional various government and government-created monopolies' taxes, fees, and charges. I don't think it would be fair to consumers in any way to hide information from them as to who is getting their travel dollar. They have a right to know.

While we take no specific view as to the propriety of this measure, we question the focus on disclosing the full price when the real focus should be on helping to reduce it. After all, shouldn't we be more concerned with making a \$99 fare to Toronto more sustainable in the long run than wringing our hands about whether or not that \$99 fare includes all the various government fees and charges?

In a similar vein, this proposal also purports to empower consumers by giving the CTA the authority to regulate the display of its terms and conditions for international services on the carriers' websites. We would certainly agree with the notion of ensuring that consumers are fully informed of the terms of carriage, which is why we clearly state the restrictions applicable on any ticket prior to the completion of a sale. We would caution the committee, however, to seek clarification on the meaning of this measure.

As some members may know, the full tariff is a legal contract consisting of thousands of lines of detailed text, spelling out every travel eventuality and arrangement known. The full text of a tariff rule can run over a hundred pages. We respectfully submit that it is in keeping with the spirit of the legislation to clarify this clause in order to provide consumers with practical and clear information as to the terms of carriage, rather than a requirement to publish the full text of the tariff itself.

As to the matter of sharing aviation data between government agencies, our industry takes no specific view as to the merits of these provisions. This is a broader social question, which is not limited to the commercial interests of airline service providers. From our members' perspective, our limited concern rests with the integrity of that data, which rightfully belongs to our passengers. We urge government to proceed cautiously when sharing data information and to do so only to the extent necessary, and to ensure the integrity of our databases by limiting any data-fishing exercises.

Finally—and to be fair—this legislation proposes a few house-keeping measures, which the industry can support. It contains clauses to require that persons acquiring an air service from another licensee must themselves hold an unsuspended licence. It exempts operators of seasonal service from the obligations of providing notice when suspending a service, for obvious reasons. And several other sections are also amended to provide the CTA with greater flexibility in making its determinations on a number of regulatory matters. The industry, by and large, supports these measures in principle.

So while this legislation is not entirely without merit, I return to my opening statement about assessing the bill from the passengers' perspective. If we can agree, more than anything, that passengers want safety, efficiency, and value in their travel experience, we have to ask ourselves what, if anything, this bill accomplishes from that perspective. Sadly, the answer is very little.

Ultimately, motherhood statements about airfare advertising rules, air travel complaints, and reviewing mergers and acquisitions do nothing to lower the costs at airports or improve the travel experience for passengers.

As some parliamentarians may recall, this bill is the third incarnation of this legislation. For some strange reason, Transport Canada keeps focusing on these measures that offer words in place of action to actually address the cost structure of this industry and the interests of passengers.

With that, I can only conclude by saying that the aviation industry in Canada is disappointed in this legislation but looks forward to discussing issues of meaningful reform, including those contained in the Canada Airports Act. Also, we hope to finally see some meaningful airport rent reductions for our industry and passengers.

Thank you. I look forward to your questions.

• (1540)

The Chair: Thank you, Mr. Gaspar.

Mr. McGuinty.

Mr. David McGuinty (Ottawa South, Lib.): Thank you, Mr. Chairman.

Mr. Gaspar, it's good to see you. Thanks for coming in and thanks for your concise and on-the-mark presentation. It's always helpful for me and my colleagues, I'm sure, to hear the industry address the most salient parts of a bill that affects their businesses and their concerns.

I want to put to you two questions I put to the Canadian Transportation Agency yesterday. They deal with Bill C-11. In my view, I didn't get a satisfactory answer to either question. I confirmed yesterday with the Transportation Agency that the minister would be empowered under this bill to instruct the CTA to determine airline airfare clarity regulations—clarity regulations I think is the specific wording in the bill—and when they would be deemed to be necessary. I asked the CTA what might constitute necessary. Would it be a certain amount of evidence, a trend, a particular abuse, an incident of some kind? They were not able to answer. So I put that to you, from an airline perspective.

. I know you spoke moments ago about \$99 fares and let's work on the sustainability of \$99 fares rather than the sustainability and clarity of advertising. For a lot of Canadians, I think they are confused. For a consumer who travels and for my colleagues and their families who travel, we can sometimes be very misled by advertising. Can I put that question to you, first of all, on clarity regulations? In your mind, when might they be deemed to be necessary?

Mr. Fred Gaspar: I think that's a very fair question. From our perspective, we think it would be an entirely reasonable public policy pursuit when and if parliamentarians were faced with an industry that was attempting to hide its profitability. If our industry were attempting to market a fare very cheaply because they didn't want to make it obvious as to how much money they were making off a fare, then that might be a very legitimate pursuit. But while it may certainly be true that some passengers are confused by their air

ticket, in fact that confusion is a result of the myriad layers of fees and charges that apply from different contributors.

I remember having this discussion with a family member of mine who expressed their frustration. He said, "When I see a \$99 fare, I expect that's what I'm going to pay." I told him that the reason an airline advertises \$99 is because that's how much money they're actually putting in their pocket. The rest of it's going to the airport, the navigation system, or the government through the GST, or taxes through the security charge. So from our perspective it's a matter of letting the consumer know who's getting your dollar for what service. It improves accountability.

Mr. David McGuinty: Okay.

The second question I want to put to you is around the air travel complaints commissioner in the office. I put the same question in three or four different ways yesterday to the acting president of the CTA. I was trying to get a sense of whether there was a difference in having an independent commissioner with an independent office. We know that before, it was a temporary measure to oversee the particular trials and tribulations of AC's acquisition of Canadian Airlines, but now this notion of burying the air travel complaints commissioner's office to a certain extent and operationalizing it, mainstreaming it in the CTA, concerns me.

When Mr. Hood left his position and since then a number of CTA officials have been on record as saying that one of the wonderful roles the commissioner's office played was to track trends, as opposed to isolated events—to track trends. So if there are 16, 18, or 22 instances of, say, food poisoning—you know this better than I do, as the industry representative—do you think that by placing the commissioner's office and the process inside the CTA we're going to lose some of the arm's-length aspect, the third party type of relationship that a commissioner can have? Don't you think the airline industry would say it's great, let's have third party scrutiny and let's have a race to the top?

• (1545)

Mr. Fred Gaspar: I don't think we'd lose it, because it's not a unique legislative tool. The airline travel complaints commissioner had a particular mandate, but in terms of authority granted to it, it's not an authority that wasn't available elsewhere. For instance, Transport Canada has quite a significant aviation data operations department. They might not focus on particular trends, particular data elements that you may be referring to, but there's no reason they can't. There's no reason that you couldn't call the minister before this committee and say you'd like the department to start following X, Y, and Z. Similarly, even within the context of the CTA, there is nothing in terms of this move that prevents the CTA from continuing to track that.

To your point about whether there is any marginal value in having an independent officer report back and have that create a race for the top, we don't in fact see that. The reason is that there really is no evidence to that effect. History has shown throughout this industry, nationally and in North America and indeed worldwide, that the best tool for modernizing the delivery of services and for improving the efficiency and effectiveness of this sector is a healthy and competitive sector, because that's when different investors come in and differentiate services. Really, we think that's where Canadians' minds are most focused. They want to see a better climate for investment and services.

Mr. David McGuinty: Are you suggesting, then, that the moral suasion and the public embarrassment function and the powers and drivers of a commissioner—an environment commissioner, a bilingualism commissioner—are going to be available to the CTA the way they were to Mr. Hood?

Mr. Fred Gaspar: Certainly I can't comment on the other commissioners, but in terms of this commissioner, absolutely, because the shift simply says that the function is going to be subsumed within the CTA. Nothing prevents the CTA chairman or new president, when they come in, from deciding that this is going to be an element that they are going to pay special attention to.

Moreover, to your point about public embarrassment, I'd encourage you as well to look at it from the other perspective, which is that when you create a specialized, independent, offset office, oftentimes they get disproportionate attention paid to them, which may or may not be warranted. We had instances in the past, not most recently, where raw numbers were thrown out about there having been x number of diverted bags last year. Politicians know this better than anybody, how a big screaming headline can often be misleading, because in fact, when you get down to that number, you realize that what they were talking about is less than one percent of all bags carried.

Does that mean that any misdirected bag is acceptable? No; we always work to improve. But I think when you look at things contextually, this industry has nothing to be ashamed of and everything to be very proud about in terms of how it has improved its customer service, in the last five to ten years especially.

The Chair: Thank you.

Monsieur Carrier.

[Translation]

Mr. Robert Carrier (Alfred-Pellan, BQ): Hello, Mr. Gaspar.

Mr. Fred Gaspar: Hello.

Mr. Robert Carrier: I missed part of your presentation. I usually understand English, but in this case you were speaking too fast.

Mr. Fred Gaspar: I feel the same way about French.

Mr. Robert Carrier: From what I gather, you have a number of reservations about this bill.

Until now, the complaints commissioner governed, in a way, transportation. Based on your experience, was this an effective way to address issues of consumer dissatisfaction?

[English]

Mr. Fred Gaspar: I guess I approach that question from a perspective of value for money. Is there any value whatsoever in having someone else, a fresh set of eyes, take a look at a complaint or an issue? Possibly, but if you look at it in a value for money perspective, you have to ask, "Was it really worth it?" While there were certainly very good, professional, competent people who worked in that office, ultimately what happened was that they received a complaint, they ensured that the passenger had exhausted all possible avenues of appeal with the carrier, they took a fresh set of eyes and looked at the issue, and then they made recommendation to the carrier and the passenger.

I guess the question you have to ask yourselves is, at the end of the day, what has been gained by that? Isn't the better gain to ensure that we have a healthy climate, a healthy, financially sustainable industry that encourages investment? That actually addresses consumer need for choice.

• (1550)

[Translation]

Mr. Robert Carrier: You are aware of the fact that due to back-to-back elections, this bill is being introduced in the House for the third time. The objective here is to meet the needs of the public, in terms of obtaining additional detail on transportation fees.

Given the fact that this is a request from the public which we must address and given the bill at hand, could you indicate to us, although you are not entirely in favour of this bill, which amendments could be made to make it more acceptable to you?

[English]

Mr. Fred Gaspar: To be fair, we haven't gone through the process of trying to itemize specific changes, primarily because we do see these as broad issues.

To your point, for instance, that Canadians are telling you that they want this function, I really don't see that. Depending on how you ask any survey question, you might certainly get an answer that yes, I might like a complaints commissioner; but if you tell me how much it's going to cost and how much actual change they're going to effect, I might think twice about that. That's why I encourage you to look at the details of how this office worked.

As to your question whether there is anything of value in the legislation, as I said at the end, there are some matters of value in some of the changes to the powers of the CTA, with respect to the transferring of licence between licensees, that we see as being a worthwhile pursuit. But by and large, to your point in saying consumers want this, the question we ask is what is the pressing need in this particular sector? If there's a broad societal view that there needs to be oversight of consumer complaints, why isn't it approached through all industries? What is the particular need in this sector? Do the data bear it out? Is the percentage of complaints relative to the percentage of customers carried, whether you measure it through a persons or a dollar value perspective, higher than other sectors? I don't know that that research has even been done, so why are we doing this?

Let's recall that we did this initially in 1999-2000 because there was a lot of hysteria about what the fallout from the Canadian Airlines and Air Canada merger was going to be. In fact, that worst case scenario fallout didn't happen. Our industry today is healthier and better than it was then and offers more choice for consumers.

[Translation]

Mr. Robert Carrier: There has been some mention of the authority vested in the agency regarding the regulation of airfare advertising. Under current legislation, the agency may proceed through regulations and these regulations would be established by the Department of Transport.

Are you satisfied with this process or would you prefer to have the agency making its own determinations as to advertising?

[English]

Mr. Fred Gaspar: We really haven't gone into the reasons for deciding which of the two of them is better positioned to do it. We do take the broad view that if that measure is to pass, you ought to establish some pretty clear benchmarks as to what are going to be the thresholds or the triggers for these kinds of rules. I think that's a pretty fair and standard request, but as I mentioned at the outset, there's no unanimity within our organization on this issue of the need for standardized advertising rules. Depending on how you distribute your tickets, it may or may not be advantageous to you.

However, I do again offer the broad view that in anything this committee proposes to do in its particular interest in transport issues, it should keep in mind why there is a need to do it in this particular sector, in this particular industry. In terms of advertising fares from a clarity perspective—and not to pick on another sector, which I know is provincially regulated—I bought my car last year, and after the advertised fare I had to pay \$1,100 for a pre-delivery inspection. There's no need to regulate the advertising of those costs, but there's somehow a need to regulate the advertising of these costs. Why?

Our advertising standards meet the best standards that are out there. The only costs we don't include in our base ticket prices are those that we can't control: airports, navigation systems, CATSA, and other government fees and taxes.

• (1555)

[Translation]

Mr. Robert Carrier: Thank you.

[English]

The Chair: Mr. Julian.

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thank you very much, Mr. Chair.

Thank you for coming and for your presentation. I think we've all heard your comment around ground rents, but I see them as an issue separate from the issue of Bill C-11 itself. But those comments were valuable, and I think that issues is something we, as a transport committee, could certainly look into in the coming weeks.

I'd like to come back to Bill C-11, because, like my colleagues, I have some concerns about your comments both around the issue of the clarity of air fares and the air travel complaints commissioner. You seem to indicate that, within your association, there are two points of view on the regulation of advertising around air fares.

Would that be fair to say? Some of the carriers, some of your members, support that idea.

Mr. Fred Gaspar: Yes, except I don't want to leave the impression of it being a 50-50 debate. There are different views.

Mr. Peter Julian: So some of the carriers believe this would be a healthy move forward for the consumer, but other carriers would disagree with that.

Mr. Fred Gaspar: Yes, but not necessarily for the consumer. They take the view of those carriers who distribute their tickets through provincially regulated travel agencies or tour operators and see a tremendous efficiency in their operating costs by having one set of rules as to how these things are marketed, as opposed to having to market them under the Quebec law, the B.C. law, the Nova Scotia law. It's more from that perspective.

Mr. Peter Julian: I think it's fair to say that generally consumers would like to have that clarity and that standard right across the country, in order to understand the playing field and understand what their costs are not only for the actual ticket itself, but as is increasingly happening, for the on-board travel fees that people are required to pay to get something to eat, to have a blanket, to have a pillow, to watch television. That's an increasing, creeping aspect of air travel that folks like me, from British Columbia, experience. I travel in economy most of the time, and that's what we have to put up with. Do we have enough money to buy a sandwich on board for a five-hour flight, and sometimes an eight-hour flight if it's through Toronto?

It would seem to me that the air industry would support having that clarity for people to know what the actual cost is, in the same way that when you go to a grocery store and you pick up that item, you know what the cost is going to be, plus the tax.

Mr. Fred Gaspar: That makes a lot of sense. I would encourage you, however, to look at it from the other perspective as well. As long as we're talking about the consumers' interests, isn't it in the consumers' interest to know exactly who is getting their dollars and exactly what service they're providing in return?

Our concern isn't so much how this rule might be applied today, because frankly we're quite confident that there isn't a need for it today and that the minister probably wouldn't impose it. Our concern is about the potential for future abuse. We don't want to get to a situation, and I don't think you would want to get to a situation, whereby government says, geez, we're collecting a heck of a lot of money through this security charge and it's making us look bad; let's make the airlines bury it in their base advertising. We think it's only fair for our passengers to know who's getting their dollars.

If I may, to conclude, you borrowed the example of the grocery store and that it's fair to say that when you buy a bottle of water, you know exactly what the cost is. But let's imagine an environment where the regulation around the grocery store was such that it was charged a separate fee for the monitoring the Canada Food Inspection Agency does of the quality of those products. Let's assume it was charged a separate fee for occasional security checks that police do at night, as applies in the air industry. In those cases I bet you the grocery stores would want to recoup some of those costs that it was charged.

We are an industry that is charged by multiple layers of government for the services provided "purposeful". We just think it's important for our passengers to know what those costs are.

Mr. Peter Julian: I don't want to put words in your mouth, but what I hear you saying is that it's not the principle of having regulation around airfares, so that everyone is working from the same framework and can compare apples to apples. That's not the issue. The issue is more you're concerned about where the regulation would go and that the regulation might not include some of the additional fees that are put on by airports, so that companies would have to eat those fees.

Mr. Fred Gaspar: I don't mean to sound difficult, but that isn't entirely true. It's more that we are not commenting on the earlier matter because there isn't unanimity within our organization. Because there's a variety of opinions, we don't propose to comment on the broad principle. However, we do just raise as a general concern that this not lead us down the path whereby governments wish to bury fees and charges that they are responsible for in our marketing exercises. We think that's the public policy goal that should be protected here.

• (1600)

Mr. Peter Julian: Okay, I understand your comments then.

I'd like to go on to the issue of the air travel complaints commissioner. You did talk about WestJet's share of the market, but overall, of all the routes that are represented by your organization, how many of them are only serviced by one national carrier?

Mr. Fred Gaspar: Unfortunately I don't have those figures.

Mr. Peter Julian: My point is that yes, there are a number of main destinations, Vancouver being one of them, where there's a very competitive marketplace, but this country is vast, and many smaller cities in this country are only served by one national carrier. Given that, would it not be a good idea to have an air travel complaints commissioner who can work in those areas where people don't have options? If the airline is not meeting their need, it's not as if they can go somewhere else or they can travel by road six hours to get to another city that's served by another airline.

Mr. Fred Gaspar: Yes, but the thing to bear in mind is in those cases where there is a single provider on a route, that provider isn't there because it's mandated to be there. It is a free market here in domestic services, as in all other services, and a carrier is serving the market because it thinks it can do it in a profitable way. Therefore, I don't think it makes a lot of sense to suggest that in the case of complaints a government body can best address those issues.

What would best serve the residents of that small town? I would suggest to you that it would be a healthy and competitive aviation

sector, particularly when it comes to small regional carriers. And I think they're the ones that are primarily interested in these cost issues related to airport rents, fuel excise taxes, and security charge, because they're trying to deliver low-cost targeted regional services, but they have to pay the same price, their share, as everybody else does. And if we provided real cost relief, you might actually see more competition, which is the more sustainable way to improve level of services in those kinds of communities.

Mr. Peter Julian: How much time do I have? I ran out.

The Chair: Mr. Fast.

Mr. Ed Fast (Abbotsford, CPC): Thank you, Mr. Chair.

Thank you, Mr. Gaspar, for appearing before us, and thank you for making time earlier to meet with me personally. It's very helpful.

I'd like to follow up on Mr. Julian's comments and questions. I am a little puzzled still why the whole issue of disclosure and how airfares are advertised is such a big issue for you. Quite frankly, I get frustrated myself when I see airfares advertised and then you get a disclaimer at the end that you can't even understand because they read it so quickly, which is typical for many industries, including the automobile industry. I think there's a general mood in the public that more disclosure and more forthright disclosure is good. I think politicians are finally understanding that as well, and I'm not sure you're going to make that a hill to die on for your industry.

Mr. Fred Gaspar: No, because we agree with disclosure. As a matter of fact, that's the standard we follow.

Going back to the \$99 example, when you buy a ticket online from any one of our member carriers' websites, you will see, before you hit the final submit button, the breakdown figures, of \$99 plus the \$10 or \$12 NavCanada—

Mr. Ed Fast: Understood.

Mr. Fred Gaspar: Our disclosure is there. We're not trying to hide anything. We just want to make sure that government doesn't try to hide, right?

Mr. Ed Fast: No, no, it's how the disclosure is done that I think is as much the concern.

The advertising that you see in newspapers highlights the base price. A lot of people, when making comparisons, will try to compare the prices they see highlighted in bold in newspapers. I, of course, do most of my bookings on the Internet, and there you're absolutely correct. But if it were one price, including all costs and taxes, it would still be difficult for the government to hide additional costs, because you still have the ability to disclose that. There's nothing preventing you from providing further details on costs.

I think the public wants just an easy way to understand what the bottom line is for them.

Mr. Fred Gaspar: Maybe I didn't characterize it fairly, but I think this is why...

If parliamentarians ultimately decide that this is really important, you're right, it's not a hill we're going to die on. It's not that big a deal. Our perspective is just that, at the end of the day, this really doesn't do anything to do address the real needs of consumers. If you agree with me that what people really want is the right mix on the service and price equation—they want safety and they want efficiency in their travel experience—then you have to ask yourself, “Does this measure do anything about that?” It doesn't.

We take the perspective that we don't think it makes a lot of sense, but if you want to do it, that's fine; we've got nothing to hide. We just take the view that it's pretty ineffectual relative to what's important.

• (1605)

Mr. Ed Fast: Let me focus on something that's probably a little more important to you, and that's the whole issue of mergers and acquisitions, and the role that the minister and the agency will now play whenever there is, let's say, proposed acquisitions.

You have serious concerns about it. Canadians, of course, have serious concerns, but it's on the other end, which is that Canada should exercise sovereignty, in some cases perhaps more sovereignty. We should ensure some basic level of Canadian ownership in Canadian industries, including the airline industry.

I'd like you to explain a little bit more why you objected as strongly as you did earlier to that portion, I believe clause 13 of the bill.

Mr. Fred Gaspar: This is a power that the airline sector has been subject to since 2000. If I understand this legislation correctly, originally Bill C-26 proposed to extend it to other modes as well.

Our opposition to it, again, just comes back to that principle of trying to look at the customer's perspective: “What does this do to help lower the cost of travel, help improve the efficiency of my travel, and offer me choice?” Nothing.

Certainly I apologize if I made it sound like it's a much more dramatic measure than it probably is. In terms of the practical effect to our industry since 2000, it's had a minimal one. Taking the big-picture view, I would encourage parliamentarians, as part of their broader deliberations, to consider that in an industry that is very capital-intensive, with a lot of money to do start-up and to just keep the day-to-day operations going, it is very low-yield on the revenue side. Does it make a lot of sense to create a climate that sends out a message that limits the investment potential in this sector? If you're trying to improve service, if ostensibly you're trying to improve levels of competition, this doesn't do that; it has the opposite effect.

Certainly your concerns about foreign ownership are very legitimate public policy considerations, which we don't propose to comment on. We just say that if you keep the interests of the passenger at the forefront of your considerations, it might give you a different perspective.

Mr. Ed Fast: So what you're saying is that cost and service will suffer as a result of the CTA and the minister having a role to play in mergers and acquisitions.

Mr. Fred Gaspar: No, what I said is that the investment climate will suffer. It does send out a message that the investment climate for commercial aviation in Canada is more restrictive than it otherwise is in other jurisdictions. Is that a message we want to send out?

In terms of what the ultimate impact is going to be on cost and service, I'm certainly not an economist or a prognosticator, and I can't presume to know.

Mr. Ed Fast: You will notice from the bill itself that the actual involvement of the minister and the agency in a merger or acquisition process doesn't mean that we're going to prohibit that from happening, and a company or purchaser that was subject to this has the ability to come forward and say why it's in the national interest to approve this. If in fact cost and service are a critical component of that, I would expect the minister and the agency would give full consideration.

Mr. Fred Gaspar: I completely agree with your characterization; I think you're right, and, again, this is not a hill I'm prepared to die on, such as it is.

Mr. Ed Fast: I'm pleased to hear that.

Mr. Fred Gaspar: I'm just saying it doesn't really do anything for the real needs of the consumer today.

Mr. Ed Fast: Thank you for your clarification.

The Chair: Thank you.

Mr. Bell and Mr. McGuire are next. I'm told they're going to share their time.

Mr. Don Bell (North Vancouver, Lib.): Thank you.

Mr. Gaspar, this is a follow-up on an issue that has been discussed fairly extensively. That's the issue of pricing and your concerns about it.

I understand that the industry's response to the issue is to say they would develop a voluntary code.

Mr. Fred Gaspar: That had been the case.

Mr. Don Bell: Is that no longer the case?

Mr. Fred Gaspar: Well, there was a different climate. The fuel surcharges you see today are significantly lower than they were back when oil first started to spike two or three years ago; the climate has changed for our sector, and it's a highly competitive one today, so we just don't see the need for it.

• (1610)

Mr. Don Bell: In other words, you don't want any regulations, but you're not going to.... In other words, you're not going to come up with self-regulation either. You just don't see any need for regulations at all.

Mr. Fred Gaspar: In other words, I guess what I'm saying is we see the need to be treated like any other industry.

Mr. Don Bell: Is there not an issue...? Your issue is you want to know who's getting a fee. It might be likened to the gasoline situation. In the gasoline industry, there's one price when you pay at the pump, and that includes federal and provincial taxes, but the price a consumer pays is whatever it is, \$1.03 or \$1.04 a litre in my area. They, the consumers, don't know....The gas companies have chosen to put a little sticker on sometimes, indicating where the money is, because they companies don't want the public to think that somehow they're getting rich by getting this amount of money.

Is having one price not for the simplicity of the traveller? I presume you agree it makes it easier to compare. There's nothing that would stop your members from listing a breakdown and showing a price of \$4.99 and saying it's \$4.25 plus this for the AIF and this for whatever else, is there? In other words, you could do what the gas companies do; the retail automobile gas industry is an industry that does do that, so I would appreciate your comments.

Mr. Fred Gaspar: I think you're absolutely right; there is nothing to prevent us from doing that. Ultimately, at the end of the day, if that's where Parliament wants to go, that's where we'll go. We would just first respectfully offer this perspective: does it make a lot of sense to treat one industry differently from other industries?

Second, are you really serving consumers' interests? Are you really serving consumers' interests when you advocate simplicity, to use your words, and in fact bury everything in the price?

There's a reason we have all these mechanisms to give people information in place throughout society. We have an Information Commissioner. We also believe in the concept of disclosure. We believe people have a right to know what's happening. We have a right to know what's getting our dollar.

Is it a total showstopper for us? Is it a horrible, horrible thing if it happens? No. We'll deal with it. We'll learn to deal with it. Ultimately, it's giving consumers what they want that's most important. We just don't think it makes a lot of sense in the broader perspective of giving consumers what they actually want, which is access to lower costs and to the right mix of service and price.

Mr. Don Bell: I can understand the concern. I guess the danger is that whichever system you choose to use, if there isn't some degree of regulation, then it really.... No airline is going to offer the all-in-one price, because it makes their price look higher, so it's an economy....

To what degree does international competition play a role? One of the backgrounder pieces indicated it was the competition from fares from international carriers, carriers that wouldn't be bound by the same regulations.

Mr. Fred Gaspar: That's a very good point, which we haven't had a chance to discuss, and I'm not sure the extent to which it is exempted or included in the legislation, to be perfectly frank. But there is, as you can well imagine, a level of complexity in international airfare marketing that really suggests a need to move in lockstep with our major trading partners internationally. You've all had the experience that you buy a fare that might be marketed by Air Canada but the metal you're flying on might be Lufthansa and you might buy your ticket when you're in France but your ticket involves six stops in Canada. The level of coordination in terms of what the rules are.... We're adding costs to the system, is what I'm getting at.

The more we try to micro-manage the marketing of costs, the marketing of fares, what we're essentially doing is we're creating more jobs for bureaucrats and less real savings for passengers. Is that what we're really interested in?

Mr. Don Bell: But are we really adding costs, or are we just identifying them or rolling them in?

The final comparison I would give you is not a retail thing, but this is something the public is familiar with. I don't know what it is in other provinces, but in British Columbia for municipal taxes, they pay one tax. That tax includes school tax, for example. It might include a regional district tax. It could include a hospital tax or a transportation authority tax. All they know is they pay \$2,500.

What some municipalities have chosen to do is what your carriers could do, and that is break out, on the notice they send out, like the gas companies do on the pumps, that half of that is only what goes to the municipality; the other half goes to the school, and 10%, for example, goes to the regional authorities. So there are areas the public is familiar with where they get an all-in-one price but they get a breakdown as well.

• (1615)

Mr. Fred Gaspar: That point's very valid, and ultimately, Mr. Bell, as I said, if that's obviously what's passed, obviously we will comply. We want to do right by our passengers. I look forward to getting the same level of enthusiastic support from all members around this table when we come back and talk about issues of cost reduction, lowering airport rents, the things that really drive choice for consumers and really drive costs.

Mr. Don Bell: You'll get no argument from me on that point.

Mr. Fred Gaspar: Thank you.

The Chair: I'm sorry, your time is up.

Mr. Lussier, please.

[Translation]

Mr. Marcel Lussier (Brossard—La Prairie, BQ): Mr. Gaspar, if I understand correctly there's never been any consensus amongst the members of your association with respect to this bill. On some issues there is no agreement.

That being said, what are the strengths of this bill which would encourage carriers to support it?

[English]

Mr. Fred Gaspar: What motivates Transport Canada to support this bill?

[Translation]

Mr. Marcel Lussier: I'm referring to your association.

[English]

Mr. Fred Gaspar: Sorry. What are the elements we support. The elements we support, as I mentioned at the outset, are some of the less high profile ones, the ones related to introducing efficiencies at the CTA. For instance, they've introduced some clarifying language to make it clear that when there's a sale of a licence between licensees, the person who is purchasing it must have a valid and unsuspended licence. This is the kind of thing that makes sense to do.

Let me go back to my text, because I didn't memorize them, but there is a clause that exempts seasonal air service providers, so if you have a tourist service that flies to the north only in the summer months, you don't have to go through the onerous notice provisions of when you're cancelling a service to the CTA. It makes sense. It's well known that you're only flying there in the summer, that kind of thing. So those kinds of housekeeping items are some of the ones we see some value in.

[Translation]

Mr. Marcel Lussier: Would you be prepared to recommend amendments to this bill?

[English]

Mr. Fred Gaspar: Certainly if it comes to that we would be quite happy to. Are we ready to do that today? No, but only because we see most of our recommendations as being fairly broad, as opposed to technical in nature. So I can certainly tell you today what I'd like to get rid of, but in terms of trying to work with you to identify a half measure on the advertising thing, it's certainly something we're very open to and we would love to engage the committee in discussions on, and we'll be prepared to do so if you choose to invite us back.

[Translation]

Mr. Marcel Lussier: I would like to know how you go about consulting your association's membership. Is it by phone or through personal contacts? Do you meet with members on several occasions? How do you come up with this type of report?

[English]

Mr. Fred Gaspar: At the risk of sounding flippant, the answer to your question is yes, to all of the above. We have a formal structure, which is a committee structure, so we have different committees of our association focused on different topics in the industry and we meet on a fairly regular basis depending on the intensity of the issues. Then in addition they've all got my number, and when a particular member has a particular issue they have a concern with, they let us know about it. We source the views of our other members and we proceed accordingly.

So we both have formal and informal channels.

[Translation]

Mr. Marcel Lussier: More specifically, I would like to know what type of consultations, in terms of their nature and frequency, were held for you to complete this brief. Is it a matter of 2, 10 or 60 hours?

[English]

Mr. Fred Gaspar: It really depends. On this one, it didn't take that long. Like I said, it's the third incarnation of what essentially is the same legislation, so our membership had a pretty good

understanding of what the basis or the thinking was. But for a brand-new piece of legislation that hits us out of the blue and is pretty large, you're normally talking about a process that takes months.

Mr. Marcel Lussier: Thank you.

[Translation]

Le président: Mr. Blaney.

Mr. Steven Blaney (Lévis—Bellechasse, CPC): Thank you, Mr. Chairman.

Mr. Gaspar, I listened to your presentation. I think I understood your point of view on this bill, however, I do not think I fully share it. I consider myself a client, and from that perspective, I have reservations regarding a possible connection between Quebec and Sept-Îles. If there were to be only one air carrier for that flight, tariffs would be very high. People would then say something which we hear quite frequently, in other words that the flight from Quebec to Sept-Îles is more expensive than that from Quebec to Miami. You may say that, in this case, there are more passengers, but as legislators, it is important for us to give organizations control mechanisms to ensure that there is competition. In that regard, I would say that your arguments were not compelling to me.

That being said, as my colleague said earlier, gas falls under federal jurisdiction. It costs 87¢ a litre, and that includes everything. Some may choose to kindly point out that three quarters of that cost are due to taxes. Further, it would be good for people to know that a ticket will cost \$172.50 rather than \$99. I think we have to be fair to the client. That what they expect from legislators.

Moreover, when there is a merger between two carriers within one airline, I think it is incumbent on the legislator to defend the public interests and make sure that there is some control over tariffs. It is possible we may see an increase in mergers. We have to make sure that they remain competitive, or at the very least, that profits remain reasonable.

I could take you out in the field. You would most probably enjoy the experience. But for the time being, I believe that this bill has merits and I hope we will be able to bring it to fruition rather quickly.

You referred to airport tariffs. Perhaps you find there are some aspects missing from the bill. I would invite you to apprise the committee of that, if the committee is willing.

• (1620)

[English]

Mr. Fred Gaspar: Actually, you may be surprised to hear that we don't disagree as much as you think we do. I actually agree with your perspective in terms of routes where there's only one service provider. To borrow the Quebec Sept-Îles example, you mentioned that if there's only one carrier flying in there, there's a lot of concern about whether the right level of service is being provided and whether the fares are too high relative to other routes. I guess the question to ask is what you ultimately think is the best way to ensure that the fares aren't too high, to ensure that the service levels in fact reflect the actual demand.

I would suggest to you that the history of this industry in this country shows that the market is really the best way to do it. If you make it cheaper for someone to start an airline, they will. Warren Buffett had the famous line that someone should have shot down the Wright brothers, because this industry just has a history of losing money.

People start businesses in this industry even when there are minimal prospects of making money, so I would suggest to you that if you want to improve choice and service in Quebec's Sept-Îles, irrespective of the fact that it's actually probably pretty good compared to where it is in other comparable markets, I would suggest to you that the best way to do so is to make the industry a lot more affordable to operate.

I'm not trying to be disingenuous in terms of the merits of the legislation, I'm just trying to say that if we want to address these issues, we need to be courageous and really deal with the cost drivers in this industry: the cost of the airports there and the cost of the fuel excise tax every time a person fills up their plane. If you make it cheap for someone to start an airline, they will, and then your issues will be addressed.

To your concern about the ability to review mergers, people have a genuine and reasonable right to understand what the effect of a proposed merger is going to be on fees and fares. I think that's absolutely right, but the question I again ask you is one of efficiency. Doesn't that already exist? We have a competition bureau in this country. Certainly, if there is a merger that is proposed that will have a dramatic serious and negative effect on the level of competition in this sector, you can bet your bottom dollar that they will be commenting on that.

I just come back to the efficiency of this measure. Is this something that really adds any new value? Really, is it something that empowers consumers to a level at which they don't currently already have it?

These are things that I would suggest are window dressing elements that look good on the surface of it, and that's why I understand why some people are very much in favour of them. But the more you peel away the layers of the onion, the more you realize there really isn't that much there.

The Chair: Mr. McGuire, for one brief comment and question.

Hon. Joe McGuire (Egmont, Lib.): I'll be very brief.

I'm wondering how a company like Ryanair can be so successful, and CanJet can't make it.

Mr. Fred Gaspar: I'd go back to CanJet's own press release, when they ceased their scheduled operations. They talked about the cost structure in the sector.

How does it vary specifically from Britain? I can point you to their airport structure, for instance. They have a rule that says when a British airport wants to raise fees and charges on a carrier, it must do so under a strict formula that is a certain percentage under the consumer price index. They actually force airports to operate in a cost-effective and efficient manner, because they know that affordable and efficient infrastructure drives investment at the service provider level.

In Canada we've created a superstructure that says, "Airports, you guys are businesses. Airlines, you guys are businesses. NavCanada, you guys are a business." That's all well and good, except these other businesses—airports, NavCanada, and CATSA—are monopoly service providers. They can set whatever fees and charges they want to set. What right do we have? We get a right to stand in front of them and say, "Please don't do that. It will hurt us."

I would encourage you to look at broad reform of the sector to really encourage the viability of regional upstarts.

• (1625)

Hon. Joe McGuire: Mr. McGuinty said it was Irish, not British.

Mr. Fred Gaspar: It is, you're absolutely right. Nonetheless, the majority of the profits are in the U.K.

Mr. David McGuinty: I was going to say, Mr. Chair, I think Ryanair is particularly successful because it's an Irish company.

The Chair: With a name like Tweed, I'd have to agree.

Thank you, Mr. Gaspar. We appreciate your attending and providing the committee with some valuable information.

Mr. Fred Gaspar: Thank you for your time.

The Chair: Thank you.

Committee, we'll prepare for the second presentation. Joining us now are Michael Pepper, Michael Janigan, Christiane Th  berge, and Marie-H  l  ne Beaulieu.

You've all been advised as far as your presentations are concerned. Whoever wants to go first, may. We'll get through the presentations and then go to the questions of the committee.

Mr. Michael Pepper (President and Chief Executive Officer for Travel Industry Council of Ontario, Travellers' Protection Initiative): Good afternoon. Thank you for allowing the Travellers' Protection Initiative the opportunity to make a submission today.

My name is Michael Pepper. I'm the CEO of the Travel Industry Council of Ontario, which is known as TICO. We are responsible for regulating travel agents and travel wholesalers in the province of Ontario. There are over 2,500 registered travel agencies, which generate over \$7 billion in gross sales per year.

The Travellers' Protection Initiative is an alliance of several organizations. Our goal is to persuade the Minister of Transport to make necessary changes and amendments to Bill C-11. In addition to TICO, our members include the Public Interest Advocacy Centre, represented today by Michael Janigan; Option consommateurs, represented by Marie-H  l  ne Beaulieu; and the Association of Canadian Travel Agents, represented by Christiane Th  berge. Christiane will provide an address following my overview.

These four organizations, together with the Canadian Association of Airline Passengers, represent the interests of consumers, professionals, and small businesses from across Canada. A full list of members can be found in the appendix to our written submission, which I think has been provided to you. The focus of the Travellers' Protection Initiative is consumer protection, and our submission deals not only with what's in the bill, but also with what's not in it.

There are a couple of issues in the bill we want to talk about, but we're also asking the committee to consider making some amendments to include some other things in the bill. We think the bill provides an opportunity for the Government of Canada to take a leadership role in the world by improving consumer protection for its citizens who travel by air. There are a few fundamental issues that we'd like the government to address.

First of all, we would like stronger financial criteria for air carriers, together with published information on airline service and financial performance. The issue of airline advertising has been mentioned. We have experienced full price disclosure in the three major provinces. We are advocating full price disclosure including all of the auxiliary charges, with the exception of the GST and the PST. The final issue is the continuation of the air travel complaints commissioner.

I'd like to outline our biggest concern with the airlines—the financial criteria. My colleague Christiane Th  berge will outline our concerns regarding the advertising disclosure and the continuation of the complaints commissioner.

Our first concern is the financial plight of the airline industry. Many airlines in the world today are undercapitalized and unprofitable. A number of factors have contributed to this, including bad management, overcapacity, the cost of fuel, and an ever-increasing overhead cost that airlines have to incur, collect, and pass on to their customers.

In Canada, however, the airline industry is currently stable. Canadian scheduled and chartered carriers are well managed and profitable. But this was not the case in recent years. Two large carriers in Canada failed, namely Canada 3000 and Jetsgo. Both of these airlines provided a mix of scheduled and charter services.

On the scheduled side, neither of these airlines were subject to financial oversight from the government. While we understand and agree that the Canadian government is not in the airline business, and is a strong advocate of free enterprise, it has to take a leadership role in how air carriers are allowed to behave. Scheduled carriers in Canada are not subject to any ongoing financial criteria. There are neither working capital requirements nor any requirement to hold consumers' advance payments in trust.

As an example, I want to go back to Canada 3000, which failed in November 2001, and the Jetsgo failure of March of last year. Both of these carriers were permitted to sell seats in advance in order to generate cash to pay their operating expenses. This was to the detriment of consumers. When these airlines finally ran out of money, it was the unsuspecting consumer who felt the brunt. Thousands of consumers were either left stranded or did not receive the travel services for which they had paid.

Who bailed them out? Not the federal government, and certainly not the bankrupt airlines. The lucky ones received compensation from provincial compensation funds, credit card charge-backs, or insurance companies. Many, however, received nothing at all.

•(1630)

Unlike provincial consumer protection against travel agency failure, there is no federal compensation fund that reimburses consumers. And yes, I understand, and we understand, why the stronger airlines, like Air Canada and WestJet, would not support such a compensation fund scheme. But there is another remedy available, which needs serious consideration, that would go a long way to improving the financial plight of airlines.

Now is an opportune time to at least introduce stronger entry requirements, requiring ongoing financial criteria such as minimum working capital and trust accounting of consumer advance payments until the services are provided. These requirements would go a long way to improving the financial health of the industry. And why now? Because the Canadian airline sector is in good financial health and it should not have difficulty meeting minimum financial criteria. This would in turn benefit existing carriers, because any new entrants would not be able to do as they have done before, which in the past has diluted the marketplace and put consumers at risk, in addition to bringing down the level for the whole sector.

These financial provisions and the ability of the minister to make regulations in respect of a national compensation fund we think need to be firmly entrenched in the act. I'm saying the ability to make regulations for a compensation fund because perhaps down the road things might turn out differently.

Those are my main issues on the financial side. I would now like to ask my colleague, Christiane Th  berge, to conclude with regard to advertising and the complaints commissioner.

•(1635)

[Translation]

Mrs. Christiane Th  berge (Vice-President, Public Affairs and GM Eastern Canada for the Association of Canadian Travel agencies (ACTA) , Travellers' Protection Initiative): The second concern we would like to address is with respect to airfare advertising transparency. We were here earlier on and heard a great deal about the matter. We believe that the proposed amendments in Bill C-11 will only give the minister power to prescribe regulations sometimes in the future. TPI does not believe that the airlines will willingly change their advertising practices. We see every indication that they increasingly tend to break up their airfares and announce one way fares when these are not even available. We have seen cases where consumers, upon completing the transaction, had paid 25%, 50% or even 90% more the amount initially advertised by the airline.

In the past, the airline industry has promised to take voluntary measures, but they never delivered the goods. We are therefore skeptical of arguments put forward by the airlines, in other words that the airline industry can be self-regulating with respect to consumers' interests. Despite years of discussions with the airline industry and a series of false starts, the airline industry has not moved voluntarily on this issue.

We believe that the requirement to full disclosure, with details, should be firmly entrenched in the legislation and apply to all airlines which advertise in Canada. After all, air carriers providing services in United States are already subject to these requirements. There is indeed American legislation requiring that air carriers disclose their fares in full. It is stipulated that any advertising or solicitation by an air carrier or by one of its agents or middlemen will be considered an unfair or deceptive practice, unless the price stated is entire price to be paid by the customer to the air carrier, or the agent. In subsequent interpretations of this requirement, the US DOT has issued notices to clarify that the intent of the rule is to ensure that members of the public are given proper fare information on which to base their airline travel purchasing decisions.

It should also be noted that the US DOT just recently refused to change its rule and enforcement policy that have been in place for 21 years. The Department concluded that the current practice protects consumers and helps them compare prices. It also found that the current rule promotes healthy competition while leaving airlines with freedom to innovate.

Because Canadian airlines are not covered by any provincial regulations, they perpetuate a situation where consumers often experience "sticker shock" when they see the final travel bill. As was mentioned earlier by Michael Pepper, several provincial jurisdictions including Quebec and Ontario, already require that travel agents and wholesalers be fully transparent when it comes to their advertising, something which air carriers are not subjected too, I might add. In Ontario, there is the requirement that the advertised price indicates clearly and in an obvious manner to the consumer all additional fees , with the exception of provincial sales taxes and GST. The same applies in Quebec.

It is important to remember, when we refer the healthy competition within this industry that the current situation gives airlines an unfair advantage over , in many cases, largely small

businesses, creating an uneven playing field at the expense of travel agents and wholesalers and also consumers.

TPI is therefore of the view that transparency in advertising needs to be entwined in the legislation and not left to the discretion of the Minister of Transport and the agency.

One other issue is with respect to the air travel Complaints Commissioner. TPI members certainly supported the position and role of the airline Complaints Commissioner when it was created. While we believe that the Commissioner was hampered in his/her position by a lack of powers to take substantive action, having a visible place for consumers to voice their concerns and issues, and having the Commissioner annual report, added an element of transparency to the system, that cannot be replaced by the officials at the Canada Transportation Agency. While we have confidence that the CTA can adequately carry out this function, we are concerned that the issues will loose their public focus., through what was referred to earlier as the "embarrassment" that such an annual report could bring about. We do believe that this balance is important to the consumer, in a way, finally giving consumers some power.

•(1640)

For these reasons, we are prepared to take a "wait and see" approach with respect to this new way of dealing with complaints. However, we expect that the CTA will take a proactive role in ensuring that passenger complaints are appropriately addressed, and that this role is well-known to airline passengers,so that they may know where to lodge their complaints.

In closing, we recognize that this bill addresses many important transportation issues. TPI believes that it is in the public interest that these consumers' concerns about air travel have a proper hearing and debate. By adopting our recommendations and amendments to Bill C-11, we believe that it is possible to adopt measures that would booster consumer confidence and promote competition by ensuring a stable market with transparent and measurable standards applicable across the board. We have all seen the statistics with respect to our main air carriers and that the numbers have been rising from month to month. So this is a stable industry, at the moment.

We thank you for your attention.

[English]

The Chair: Thank you very much.

Mr. McGuinty.

Mr. David McGuinty: Thanks, Mr. Chairman.

Merci beaucoup, messieurs et mesdames, pour la pr  sentation.

I'd like to go back to the first part of the presentation and explore, maybe mine it with any of you—Mr. Pepper, Mr. Janigan. I really appreciate the fact that you've put this in writing. I appreciate the fact that you've given us some comparative data.

Maybe for our own purposes in the future, Mr. Chairman, we could ask the Department of Transport to give us comparative evaluations of data, so we find out comparatively where the world is going and not where Transport Canada's going by itself.

I'm really struck by the fact that the Americans are further ahead in terms of compensation in particular. Is that what I saw, that the Americans have a compensation fund, or is it the service performance?

Mr. Michael Pepper: Full disclosure in advertising.

Mr. David McGuinty: It's service performance. Right, sorry.

I want to go back to the compensation fund, because everybody has a neighbour or friend who has lost money at some point somewhere along the line, or knows of someone who has, on an airline. You put in writing here that the airline industry has promised to take voluntary measures, for example a compensation fund for travellers for better price disclosure in advertising, but has failed to carry through with these promises. When did the airline industry promise to take these voluntary measures, particularly on the compensation fund, and are there other industrial sectors in Canada now in which we have such a compensation fund structure?

Mr. Michael Pepper: I don't think the airline industry directly promised to introduce a compensation fund. I think their response to the minister with respect to regulations regarding that matter was that they could do it themselves, with regard to the disclosure as well. So my understanding is that it wasn't entrenched in regulation.

Mr. David McGuinty: Why is there a double standard, as you point out on page 4 of your brief, between charter flights—the regulations require charters to protect moneys they have received in respect of charter flights during the period in which they have the prepaid moneys—and non-charter flights?

Mr. Michael Pepper: Charter flights require approval from the CTA, and upon approval they are required to provide a financial guarantee with respect to the advanced payments. They have to put up a bond or some sort of financial guarantee to cover the advance payments from the wholesaler to the charterer.

Mr. David McGuinty: Are you calling for a removal of the double standard?

Mr. Michael Pepper: That process or procedure is in place for chartered flights, but many of the flights now are filed as scheduled. There are very few chartered flights that are filed. Even if you look at Europe and Florida and domestic, they're all filed as scheduled. There's very little protection for consumer money. So the charter flights are mainly for all-inclusive package tours where tour operators collect money. They put a package together and they forward the money to the air carrier, and it's to make sure that the consumer receives the money that there is a financial guarantee in place to cover those advanced payments.

There's no such thing in place for scheduled carriers. What I try to illustrate in my very brief summary is that Canada 3000 and Jetsgo were also charter airlines, but they did a lot of scheduled flights, and

they were able to generate a lot of cash by having seat sales, which paid for their current expenses. The consumer moneys that were intended for the travel at a later date were not used for that purpose.

• (1645)

Mrs. Christiane Th  berge: If I may add something, most importantly now with the website, consumers can book those flights directly, which they were not able to do when this regulation was passed.

Mr. David McGuinty: Under the FAA, the United States has the service performance criteria that you've outlined. We don't have them or they are not collected and published on a regular basis. Do you see these service performance criteria possibly informing the reporting of an independent complaints commissioner?

Mr. Michael Janigan (Executive Director and General Counsel for Public Interest Advocacy Centre, Travellers' Protection Initiative): It may well be something to which either an independent complaints commissioner or the agency itself performing the complaints role may have access and with which they may be better able to address problems in the industry.

We also see it as having a hugely positive impact on competition as a whole by giving passengers the ability to access these kinds of reports. If you look on the FAA site right now, you'll find there's a monthly consumer report of things like on-time arrivals, lost baggage, oversold flights. All these kinds of things that you'd want to find out about an airline are listed, and in fact the site provides an opportunity to list why these on-time arrivals didn't take place. We think that will spur better performance by the airlines and incent the competitive market, and may possibly, of course, be useful for the agency itself in identifying trends and heading off problems that may exist in the market.

Mr. David McGuinty: Is there a gap between, then, the new provincial criteria in Ontario, for example, the new disclosure requirements, the new travel agency standards in Ontario?

Mr. Michael Pepper: Yes, there's a gap, and it does have a detrimental effect on the travel agencies themselves, because travel agencies do have to disclose the full price, even of the airlines' flights to the consumer, with the exception of the GST and the PST. For instance, when an airline advertises a price in the newspaper, I think what Mr. Gaspar had said was before you click the button, you do see the full price, but it's not disclosed in the advertisement. All of the add-ons are not there.

Ontario requires all of those additional costs to be displayed either separately or in the full price. Likewise, Quebec has the same standard. That was introduced in provincial legislation in Ontario in July of 2005.

The Chair: Mr. Carrier.

[Translation]

Mr. Robert Carrier: My question is for Ms. Th  berge.

On page 6 of your presentation, you recommend that it be required in the legislation that fares advertised by airlines should represent the total cost of services provided by the carrier. In theory, in this bill, the same recommendation may be applied, but in fact, it would be on the recommendation of the minister.

Would you prefer to see that mentioned in the bill because otherwise we would be too dependent on the minister's recommendation, a recommendation which could change, thereby removing any specific guidelines within the bill? Was that indeed what you were trying to say?

Mrs. Christiane Th  berge: Yes. In fact, we are quite well aware of the nature of this bill, which suits us rather well. However we strongly recommend that these provisions really be enshrined in the legislation, that it be made in to law and not left to the minister's discretion.

You know as well as I do that ministers come and go. There is a change. I believe this is the third bill that we have come to make recommendations on with respect to advertising transparency. We would like this to be the last time we express our views on the matter. For that to happen it would indeed have to be enshrined in legislation.

•(1650)

Mrs. Marie-H  l  ne Beaulieu (Option consommateurs):

If you allow me, Mr. Carrier, advertising is my hobbyhorse in a way. Because I work for Option consommateurs, I am on the front line, I receive calls from consumers. Everyone's frustrations end up on my desk.

Our organization has got involved on three occasions since 2003. We have held press conferences or issued press releases to denounce the fact that air carriers were not disclosing the total cost of services. It would be highly unrealistic to believe that you can fly from Toronto to Montreal for \$73. Earlier on, I heard Mr. Gaspar's comments, and I could not believe that he would go so far as to say that either way consumers know what they will be paying in the end.

Some people have saved all year to treat themselves to a small trip. To find that, once the transaction is completed, the cost is not \$73, as in the case of the Montreal to Toronto flight, but rather \$111.64, people end up accepting this cost and attempting to swallow their frustrations. That will amount to a 52% gap between the advertised price and the actual price. Moreover, the price is only for one way. It is kind of like going to buy a pair of shoes and having the salesman quote you the cost of one shoe.

Mr. Robert Carrier: I understand.

I would like to ask you another question. Early on, you referred to the air travail complaints commissioner, whose work you seem appreciate, as opposed to that done by the Canadian Transportation Agency.

Does this mean that you would have less faith in the Agency's operation, assuming that the terms we just discussed would appear in the legislation. Would it be correct to say that you do not trust the Canadian Transportation Agency to settle these problems and address complaints, and that you would rather continue to deal with the air travel complaints commissioner?

Mrs. Marie-H  l  ne Beaulieu:

Based on my experience, people are unaware of the process they need to follow to lodge a complaint. I think consumers need to be informed of all of the steps they need to take to file a complaint. I think that with respect to the commissioner, at least when she was in

office, you could put a face to a name. That being said, we do have confidence in the Canadian Transportation Agency, but a great deal of advertising needs to be done on the complaint process.

Mr. Robert Carrier: Are you concerned by the lack of awareness people have of the Canadian Transportation Agency's work? You are telling us that you can put a face to the Air Travel Complaints Commissioner's name because she is known, but given the broad powers which will be granted to the Agency, I think people will also be able to put a face to that name.

Have you heard anything with respect to the operations of the Canadian Transportation Agency, or is it a total unknown?

Mrs. Christiane Th  berge: We have heard certain things. For instance, the Association of Canadian Travel Agencies receives calls from consumers asking with whom they may file a complaint. We refer them to the Canadian Transportation Agency, in the same way that we used to refer them to the Air Travel Complaints Commissioner.

Based on what we hear from these people who are filing complaints, I think people are well served and satisfied by the Agency's work for the time being. We have no reason to believe that the Agency's staff is not doing its work correctly. On the contrary, I think that if we look at what they have done, it has been perfectly fine. I think it will be even better once they are given broader powers.

We are mostly concerned about visibility, because consumers do not know where to turn. So, the Canadian Transportation Agency needs to carry out a small advertising campaign to let consumers know that they can deal with the Agency if they have a problem with an airline.

[English]

The Chair: Mr. Comartin.

Mr. Joe Comartin (Windsor—Tecumseh, NDP): Thank you, Mr. Chair.

I have some questions on all-in pricing versus the add-ons.

I have a two-part question for all of you. Do you have any information about the opinion or sampling of the public as to what it would prefer about the all-in pricing? Would they prefer to have it all there so they don't have to worry about getting add-ons, or would they prefer being told in advance that this is the base price and then there are these add-ons? Has there been any sampling? Then, for your own agencies, what is your position with regard to the two alternatives?

•(1655)

[Translation]

Mrs. Marie-H  l  ne Beaulieu: In March 2005, *Option consommateurs* commissioned research by Environics Research Group, and the figures were surprising. This study revealed that 93 per cent of Canadians would like airlines to advertise the total costs of services. In fact, in December 2003...

Mr. Joe Comartin: When was that?

Mrs. Marie-H  l  ne Beaulieu: It was on March 23, 2005 and this research was done by Environics Research Group. In December 2003...

Mr. Joe Comartin: What was that percentage?

Mrs. Marie-Hélène Beaulieu: Ninety-three per cent.

[English]

Mr. Joe Comartin: In terms of your own positions, your agency's positions, which of the alternatives?

Mr. Michael Pepper: We wholeheartedly advocate for full price disclosure in advertising at the federal level, because we're subject to it in Ontario, and there's no level playing field. It puts the travel agencies at a disadvantage when they have to advertise the same fares at the full price. When they're advertising airline fares, they have to disclose all the costs.

Mrs. Christiane Thérberge: It's the same thing in Quebec. The two biggest markets for travel are Quebec and Ontario.

Mr. Joe Comartin: What's your experience been in terms of the impact on the agents who have to show the all-in price?

Mr. Michael Pepper: There is an impact. We can't measure what the impact is, but it's obviously driving consumers directly to airlines, which is what they want, I guess.

But it's certainly not a level playing field. I mean, the travel agencies are there to serve the public as well.

Mr. Joe Comartin: Do you have any estimate of what it's costing your business?

Mr. Michael Pepper: We can't measure it because we don't know what it's going to be. I can tell you that the sales in Ontario have not gone down over the last several years. They've always climbed. But we don't know whether they could have climbed more, because a lot more people are travelling.

Mr. Joe Comartin: I have to plead my ignorance here. Are there other provinces where you could do a comparison?

Mr. Michael Pepper: Quebec has all-in pricing, but Quebec and Ontario are the only two provinces that are subject to this.

There are only three regulated provinces as far as travel is concerned—B.C., Quebec, and Ontario.

Mr. Joe Comartin: In terms of the information that's published by the American FAA on airline performance, is there a demand in Canada for us to be doing that at a similar level?

Mr. Janigan.

Mr. Michael Janigan: I think it goes back to the idea that we want a competitive market to exist. For a competitive market to exist, basically you have to have certain standards of information available about the product you're purchasing.

Primarily, the FAA publishes these kinds of statistics about airlines to better inform consumers, to better enable their choice, and to drive efficiency within the market itself. Minus this kind of information, effectively the only thing you're making a judgment on is the price and the date of travel. I don't think that's enough in an industry that has a variety of different parameters that travellers look to when they travel.

Collecting this information and making it publicly available will have the impact of improving airline performance as well as informing the customer and informing the department itself of trends in the industry.

Mr. Joe Comartin: Is the FAA material, the information they put out, the data, as extensive as you would want it to be, and is it readily available for that Internet shopper?

Mr. Michael Janigan: It is readily available on their Internet site. The critique I would make is that it could be better publicized on the web page, the home page itself. But it does describe in detail all of these different characteristics in terms of on-time arrivals, baggage complaints—the kinds of things the travelling public are interested in—and in many cases, the reasons for these associated with whether or not it was a problem involving airline safety or a problem involving a government alert and this sort of thing.

I think that's tremendously useful information. It also sensitizes customers into making better choices on their airlines and drives the market in the way we want to drive a competitive market—to better and more efficient performance, competing on more things than simply the price of a ticket.

• (1700)

Mr. Joe Comartin: Is that information readily understandable? Sometimes you'll see this material published and it's so convoluted or complicated and presented in such ways that it really isn't understandable to the average consumer.

Mr. Michael Janigan: I have a monthly air travel consumer report from the FAA. It is rather dense in some respects; however, they do take the added step of attempting to publicize this information in a press release form or a more condensed form on other aspects of their website.

Mrs. Christiane Thérberge: If I may add something, this is the same type of information, or part of it, that we had in the annual report with the air travel commissioner. That was something we were able to point out to consumers when they were asking if this new airline or that airline was reliable.

We've seen new airlines recently appear on the market, and people are calling us to ask if they should fly with those airlines and if they're reliable. We can't answer that. We have no answer to that. At least we used to be able to tell them to take a look at the report, where they could find some information as to overbooking, baggage loss, the way the airlines treat consumers. That's not available any more, so we don't have a source of information to answer the questions.

The Chair: Monsieur Blaney.

[Translation]

Mr. Steven Blaney: Thank you for being here. As you may have noticed yourselves, some people find we go too far and others that we are not going far enough. We are trying to collectively find a middle ground.

I would like to make a few comments and ask a few questions. First of all, your document is well written, quite succinct, readable, accessible, you make compelling arguments, and as my colleague mentioned, the comparison with other countries is interesting.

In reading your brief, it would seem that you are saying that Transport Canada already has a compensation fund for international chartered flights. Some people are wondering whether that will have a financial effect on airlines. Could that mean for instance that we may see an effect on the cost of flights because the money stays in transit for a period of time? If I have understood you correctly, you are in fact recommending broadening the scope of the Transportation Act section dealing with international chartered flights and to apply that to all flights. We can start with that question.

Mrs. Christiane Th  berge: Our recommendation does go in that direction, indeed. We do not believe that Air Transat, for instance, which is subject to these regulations for chartered flights, is being penalized because it has to put money aside. Travel agents have to do that in the three main provinces: Quebec, Ontario and British Columbia. They have to put their customers' money in trust until the service has been provided. It is a safety measure for consumers. Does that have repercussions? Perhaps we should compare their cash budget. We know that all airlines take money from their passengers. We have seen it happen with CanJet and Jetsgo. They use their passengers' money to pay for fuel. What can we say to that?

Mr. Steven Blaney: Actually, this recommendation may be even more relevant, as you mentioned, because many passengers are buying their tickets directly off the Internet, so that buffer no longer exists.

Mrs. Christiane Th  berge: It is also important to note that passengers who do not go through travel agents in provinces where there are compensation funds, such as in Ontario and in Quebec, for instance, and who reserve directly on an airline's Internet site are not compensated and are not protected by the fund. The compensation fund only compensates travel agency clients, those who go through travel agencies.

• (1705)

Mr. Steven Blaney: So if I understand correctly, transactions through travel agents fall under provincial jurisdiction, whereas Internet transactions come under federal jurisdiction. All right, in any event, I think that it is an interesting point, which is worthy of consideration and constructive in the context of our discussions on this bill.

With respect to advertising, I think your opinion is quite clear. If I have understood you correctly, under this bill, the Minister would be granted this authority, but you would like the legislation to provide clarity.

I will close with a comment. We have met with representatives from the Canadian Transportation Agency and we asked them the question. They told us that the air travel complaints Commissioner's report would be included in their annual report. So there would not be an additional report. You get the report and there is a section on complaints within it. I would imagine that they will have to carry out some advertising on that.

I have no further questions. I do not know if you have any additional comments to make.

[English]

The Chair: Mr. Pepper.

Mr. Michael Pepper: Mr. Blaney, I want to clarify the issue of compensation funds.

The compensation funds—and I can talk to Ontario—are in place to protect consumers against the insolvency or bankruptcy of a travel agency. That's the primary reason why the compensation fund is there.

Travel agencies in the province of Ontario, and likewise in Quebec and B.C., are required to put consumers' moneys in trust, and they're not allowed to use those moneys for anything other than the travel services they were intended for—to pay for those travel services.

In Ontario we had to extend the compensation fund to cover airline failures, because there is no compensation fund for airline failures at the federal level. When Canada 3000 failed we had a real issue, because the legislation in Ontario held the receiver of the money jointly and severally responsible to reimburse the consumer in the event of a failure of the end supplier. So we extended the coverage to consumers in the event of an airline failure, and we did pay out money in the event of Canada 3000.

So neither Canada 3000 nor Jetsgo contributed money to the provincial compensation fund, and that's not fair. Why should the travel agencies finance airline failure? That's what we're really getting down to.

What we've suggested in this paper is that if there were much higher criteria at the federal level for the entry of airlines, particularly regarding working capital and what airlines can do with consumer advance payments, this would go a long way to eliminating the failures that have happened in the past with Canada 3000 and Jetsgo. They were not required to put moneys into trust, and they were able to use those moneys to pay for their operating expenses.

I want to clarify that issue, because this is what we're asking for: higher financial criteria and maybe make regulations for our compensation fund, if it's necessary.

The Chair: Mr. Bell.

Mr. Don Bell (North Vancouver, Lib.): Thank you. If there's enough time permitting, I'll share my time with my colleague.

You made the statement and say on page 6 of your report that

In the absence of taking any action to address the substantive deficiencies today such as a lack of financial performance criteria and service performance monitoring and the absence of any disclosure requirements on price advertising, the elimination of the airline complaints commissioner is, in a sense, like adding insult to injury.

On page 4 of your report, you make a caveat that you would take a wait-and-see approach, if those two areas were addressed. Basically number one is that the government applies the same financial rigour to all airlines to have the financial wherewithal. You are talking about the compensation packages, as the travel agents industry or the charter industry would have to do. Second is this issue of having data available on the financial fitness and service performance of the airlines.

Do I understand that those two prime issues would be your caveat?

Mrs. Christiane Th  berge: Plus the advertising.

Mr. Don Bell: Plus the advertising and full disclosure, all-in advertising.

You talked about travel agencies and mentioned B.C., Ontario, and Quebec. My question is, on those compensation funds, do the airlines get paid up front?

• (1710)

Mr. Michael Janigan: Yes.

Mr. Don Bell: So the compensation fund is like an insurance fund, in which it's not a significant portion of the airfare that's stuck aside—or is it? Is it a small amount, like insurance, that's \$10 per order or something similar, because the chance of failure is small? Do they build the fund to a point, and when that fund hits a certain number of dollars, they stop collecting it? Does the fund build up in perpetuity, or is it capped?

Mr. Michael Pepper: I can speak to the fund in Ontario. I want to give you some background, because there has been legislation in Ontario since 1974, a provincial travel act that provides for a compensation fund to reimburse consumers in the event of the insolvency of a travel agency or the wholesaler—because that was where the risk was.

There are limits on the fund with respect to payouts. The limit on any failure is \$5,000 per person and \$5 million per event. There is no cap on the fund. In fact, since we received delegation to self-manage the industry back in 1997, the fund has gone from zero to \$30 million. We've really knuckled down on the travel agencies and looked at the risk of the industry, making sure that consumers' moneys are held in trust at the travel agency and wholesaler level.

Our fund has now reached a level of \$30 million. We've actually reduced the cost twice. We've given an 80% reduction, but it is financed by—

Mr. Don Bell: Eighty percent?

Mr. Michael Pepper: An 80% reduction.

Mr. Don Bell: Thank you. In the fee?

Mr. Michael Pepper: It is financed by the industry. It's collected and remitted to the Travel Industry Council by the industry on gross sales. So that's the formula.

Mrs. Christiane Th  berge: I can speak to B.C. and Quebec.

The B.C. fund is more recent than the Ontario one. It was put in place, I'd say, two or three years ago. It's also funded by the industry. It's funded by the travel agencies and the wholesalers. It's also a certain percentage of their gross sales. There's no limit to it, but it will repay \$5,000 per consumer, and \$2 million for an event happening such as—

Mr. Don Bell: I'm thinking of the carriers, or the consumer, let's say, who's paying this, because really it's the consumer who is having this added on, or is it a percentage of the price?

Mrs. Christiane Th  berge: The B.C. fund and the Ontario fund are funded by the industry. They are funded by the travel agencies and the wholesalers.

The Quebec fund is a consumer-paid fund. It's the only one that's paid by the consumer. Whenever a consumer buys a travel service from a travel agency, the consumer will pay 3.5% of the total cost of the travel service.

Mr. Don Bell: So there's no cap, in other words.

Mrs. Christiane Th  berge: There's no cap.

Mr. Don Bell: So they just keep paying in perpetuity, and you end up with this—

Mrs. Christiane Th  berge: Yes, but those funds are recent. The Quebec fund was put in place two years ago, and the B.C. fund approximately three years ago. So those funds are quite recent.

Mr. Don Bell: I'm thinking of workmen's compensation funds in B.C., which is an entirely different issue, but it's an issue I know, for employers. When the fund gets to a certain point and you can cover all projected eventualities, do you then keep collecting it, unless there's a drawdown?

Mrs. Christiane Th  berge: No. In B.C. they have planned that in fact a licensee will stop paying after three years. So if you renew, a new licensee will pay, but it will be for three years only. So it's a certain form of cap.

The Chair: Monsieur Lussier.

[*Translation*]

Mr. Marcel Lussier: In your recommendation on page 6, you state “[...] that fares advertised by airlines should represent the total cost of services [...]” However, on page 5, you refer to “the requirement to fully disclose, with details”.

Did you forget to include in your recommendation that the total cost should also be indicated with details?

• (1715)

Mrs. Christiane Th  berge: There are two possible solutions, two schools of thought.

Perhaps Michael could explain the practice in Ontario to you, whereby travel agents have a choice to either include the total cost and the details or the total cost alone in their advertisements.

We want consumers to see the total cost. If the airline wants to add details, it simply has to do so. But what matters to us is that the total cost be visible.

Mrs. Marie-H  l  ne Beaulieu: I would like to add that this information should not be written in such a fine print that people need a magnifying glass to read it.

Mr. Marcel Lussier: Let us assume we were to include within the bill a section on a federal compensation fund. If I make a claim, I am firstly protected through my credit card, because I am a member of the *Ordre des ing  nieurs du Qu  bec*, and then there is additional protection guaranteed by the provincial protection fund. This would basically involve a third federal compensation fund.

How would the settlement be broken down, if I make a claim?

Mrs. Christiane Th  berge: I will refer to how things are done today.

First, I am not sure that you would be protected through your credit card. I recall when Jetsgo went bankrupt, that we met with credit card company representatives. Some paid, others did not. So there is no certainty on that front.

I also clearly recall Air Canada receiving bankruptcy protection. When we met with credit card company representatives, they clearly stated that they would not be able to offer any reimbursements in the case of that type of bankruptcy.

So it is very arbitrary. The contract in no way stipulates that they must pay. Nowhere is it indicated in a contract that banks must reimburse their client. It is very random. People are protected if these institutions feel like protecting them.

When Jetsgo went bankrupt, for instance, when clients had paid by credit card, it was the credit card companies which paid first.

Mr. Marcel Lussier: What do you mean by “paid first”?

Mrs. Christiane Th  berge: Yes, indeed, it did pay. The institution compensated the client. If the client claimed compensation from the fund, he had to prove that he did not claim compensation from the institution which issued the credit card. So the consumer was compensated from the compensation fund, but this only happened when no other compensation was claimed. At least that's how it works in Quebec.

I don't know if it is the same in Ontario. Perhaps Michael can tell us.

Mrs. Marie-H  l  ne Beaulieu: I would like to give you a couple of statistics. When Jetsgo went bankrupt, 1,422 Quebec travellers claimed compensation from the Consumer Protection Bureau Fund. One thousand three hundred and eighty-four cases were processed, and of that number, 685 people were compensated. All the other ones were lucky because they were probably compensated by a third party. So nearly 50% of travellers had received compensation from the compensation fund.

Mr. Marcel Lussier: When you say that they were compensated by a third party, whom are you referring to?

Mrs. Marie-H  l  ne Beaulieu: I am referring to the institutions which issue credit cards.

Mr. Marcel Lussier: So there are good institutions and bad institutions. You did not say so, but—

Mrs. Marie-H  l  ne Beaulieu: No, I did not.

Mrs. Christiane Th  berge: Mr. Lussier, we often hear about private insurance. People say that it's always possible to buy private insurance. In fact, Option consommateurs— Marie-H  l  ne can talk about this—conducted a study on the subject. There are three insurance companies which sell insurance in case a carrier goes bankrupt, or a travel wholesaler or a travel agency, but the cost for this type of insurance is prohibitive. I don't remember how much it was, but it was completely unaffordable.

Mr. Marcel Lussier: Can you give us some percentages?

[English]

The Chair: Could I ask that maybe you could cover that off in another question? We have to move on to the next questioner.

Mr. Fast.

Mr. Ed Fast: Thank you, Mr. Chair.

Just so there is no misunderstanding, the bill is not suggesting any federal compensation fund. It is more a hypothetical question from Mr. Lussier. Is that correct?

• (1720)

Mr. Marcel Lussier: Yes.

Mr. Ed Fast: Thank you. I just wanted to make sure of that.

The Chair: It's a sign of confidence in the lawyer that you are, Mr. Fast.

Mr. Ed Fast: Let me say first of all, with respect to your request that there should be legislation setting out exactly what has to be included in the fares, that if you look at the actual bill itself, at clause 27, it provides the minister with very broad discretion as to what he can do with the fares. Those of us who have been involved in the legal industry over the years understand that ministers typically like to reserve unto themselves a lot of discretion so that they can meet some of the changing needs of the industry. They can absorb some of the changes that happen with technology.

I did note that you voiced some skepticism about whether we were going to actually implement regulations that would actually bring into effect the kinds of rules you'd like to see. My guess is the minister will go ahead with that. Obviously, you have seen the other side suggesting that this is definitely the wrong approach to take. Our legislation says no. We believe there does need to be some regulation of how the airfares are advertised.

That's just a bit of an assurance to you. I think you are going to see that we're not just putting in reference to regulations to try to look good. You will see some action on that.

With respect to a more fundamental comment that was made by Mr. Pepper, you had suggested that the government should exercise more financial oversight over the operations of start-up airlines. I'm curious, because this would probably set a significant precedent in Canada: are you aware of any other industries or businesses where government actually sets minimum working capital requirements?

Mr. Michael Pepper: Certainly with the travel agencies, which at the provincial level—

Mr. Ed Fast: That's at the provincial level. Perhaps banking.

Mr. Michael Pepper: —are required to have it.

What other industries—I might ask you a question to respond to your question—allow consumer moneys to be used to pay for operating expenses? When you buy a pair of shoes, you get your pair of shoes. You don't give the supplier the money three months ahead and expect them to deliver it down the road. You want to receive your services there and then.

The airline industry is an industry where the services are not provided until a long time, in a lot of cases, after the money has been received. That's our cause for concern. If you look at the recent history of the two carriers that have failed, they both used consumer moneys that were intended for something else as advance payments and they generated that by seat sales, quite openly in the face of everybody. And we knew what they were doing with that money.

That's why I'm suggesting that there needs to be a precedent set here that there must be some minimum financial criteria in place so that doesn't happen again. It drags down the whole industry, and the bigger players too. It drags everybody down because those carriers come in, they lower the prices, and everybody has to match.

Mr. Ed Fast: You know, you get that in virtually any industry, retail or otherwise.

Mr. Michael Pepper: But you won't see those retail industries using those consumer moneys to gamble with; that is what's happening.

Mr. Ed Fast: Have you ever bought anything on eBay?

Mr. Michael Pepper: No.

Mr. Ed Fast: There you go. You have the same situation there.

Mr. Michael Janigan: The consequences of failure in the airline industry I think have far more repercussions than in any other business. I agree with a lot of what Mr. Gaspar said, but one of the things I disagree with is that we want to be treated like any other business. Well, I'm sorry, airlines are not like any other business. They are not like shoe stores and delicatessens. They do have the same obligation to try to meet their operating expenses from revenues, but they are an important public service in a nation that in many respects depends on airlines.

What we would like is an approach that recognizes that it's an important public service. There is imperfect competition in different areas. There is competition in certain city pairs that's not in others. It represents circumstances of incredible vulnerability to consumers in different circumstances of airline travel, particularly with the recent emphasis on public safety on aircraft and in airports.

We need an approach that allows customers to buy their ticket, knowing that at least their investment in their ticket is safe, that if the airline doesn't fly, they will be compensated; that the government is ensuring that the airlines are meeting standards, not only in safety but in financial performance and in other kinds of service, in our posting service performance criteria that allow them to judge what kind of airline they want to fly on.

• (1725)

The Chair: If I may, I'll give the last question to Mr. McGuinty.

Mr. David McGuinty: Thanks, Mr. Chairman.

Maybe it's a request because we're running out of time, but I'm wondering if it's possible to get more information from you on a couple of fronts.

First of all, is it possible to get an estimated amount of money that's been lost by the Canadian consuming public over the last thirty years as a result of airline failures? For example, do I recall correctly that when Canadian Airlines was petering out, it also left thousands of travellers high and dry? Is it possible to get that amount of money quantified so we have an estimate? Have I got that right?

Mr. Michael Pepper: I don't think Canadian Airlines' failure caused any consumer losses, because it was rolled into Air Canada.

Mr. David McGuinty: Okay.

Secondly, is it possible to get the position of the ATAC equivalent in the United States and Europe, and any kind of comparative data from the European Union on compensation funds?

Then linked to compensation funds—it goes back to the debate that my colleagues Monsieur Lussier and Monsieur Carrier had—it's extremely confusing for an average citizen if they lose a ticket. They don't know whether they're going to be compensated as first payer from their credit card. They don't know if they're going to be compensated as first payer from a compensation fund, if it exists, or under an insurance policy, a high-paid premium they've signed up for at the airport before getting on the airline. They have no idea. They have no idea where to begin, for the average consumer who's buying that once-a-year trip to Cuba or to visit the grandchildren in Calgary.

Is it possible to get some information on how that, in practice, has been happening? First payee, who is treated as first payer?

Mr. Michael Pepper: Yes, I can provide that information to you.

Mr. David McGuinty: That would be helpful, I think, for me and my colleagues.

Mr. Michael Pepper: There is a distinct difference between the charter carriers and the wholesalers who put leisure package tours together and sell them to the consumer. There is a responsibility on the wholesaler when they put a package tour together, which is a leisure product; if any component of that package is not provided, it's their responsibility to replace it. That's what the compensation fund is for, primarily.

To Mr. Lussier's point with respect to the confusion about who pays what, our concern is that we, the travel agents and wholesalers who we represent, are paying for airline failure. Our compensation fund, which is not financed by airlines, is paying for their failures, and that's wrong. That needs to be addressed.

Sure, I think we need to give you some more information on the difference between the charters and the difference between the scheduled carriers and what the protections are, so that you can make an informed decision.

The Chair: Thank you, Mr. Pepper, and I'd ask you to forward it through the clerk so he can distribute it.

As the time clock has run out, I would like to thank you for presenting here today. We appreciate your time and look forward to meeting you again in the future.

To my colleagues, happy Thanksgiving. We'll see you back here in a week or so.

The meeting is adjourned.

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