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# Standing Committee on Transport, Infrastructure and Communities

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Chair: Mr. Vance Badawey



## Standing Committee on Transport, Infrastructure and Communities

Thursday, February 4, 2021

• (1530)

[English]

**The Chair (Mr. Vance Badawey (Niagara Centre, Lib.)):** I want to welcome everybody to meeting number 15 of the House of Commons Standing Committee on Transport, Infrastructure and Communities.

Today's meeting is taking place in a hybrid format, pursuant to the House order of January 25, 2021. The proceedings will be made available via the House of Commons website. As you are aware, the webcast will always show the person speaking, rather than the entirety of the committee.

To ensure an orderly meeting, I would like to outline a few rules to follow.

Members and witnesses may speak in the official language of their choice. Interpretation services are available for this meeting. You have the choice, at the bottom of your screen, of the floor, English or French.

For members participating in person, proceed as you usually would when the whole committee is meeting in person in a committee room. Keep in mind the directives from the Board of Internal Economy regarding masking and health protocols.

Before speaking, please wait until I recognize you by name. If you are on video conference, please click on the microphone icon to unmute. For those in the room, your microphone will be controlled as normal by the proceedings and verification officer. I remind you that all comments by members and witnesses should be addressed through the chair. When you are not speaking, your mike should be on mute.

With regard to the speaking list, the committee clerk and I will do our best to maintain the order of speaking for all members, whether they be participating virtually or in person.

Pursuant to Standing Order 108(2), the committee is meeting today to continue its study on the impact of COVID-19 on the aviation sector.

I would like to welcome our witnesses from Air Canada: Dave Rheault, managing director, government affairs and community relations; and Jim Chung, chief medical officer. From Westjet Airlines, we have Andy Gibbons, director, government relations and regulatory affairs.

We'll start with Air Canada and Mr. Rheault and Mr. Chung.

You have the floor for five minutes.

[Translation]

**Mr. David Rheault (Managing Director, Government Affairs and Community Relations, Air Canada):** Thank you, Mr. Chair.

We are appearing before the committee today to talk about the devastating effect of COVID-19 on air travel.

[English]

I'm with Dr. Jim Chung, Air Canada's chief medical officer.

[Translation]

Before I begin, I would like to commend our employees—flight attendants, pilots, mechanics, airport staff, dispatchers and so on—and our partners and our suppliers, for their work during the pandemic, which has enabled us to continue our operations.

I would also like to reassure all those whose jobs have been affected by the pandemic that the entire Air Canada team is working tirelessly to protect our company and maintain it in a position from which it will be able to rebuild its network.

In 2019, we carried more than 50 million passengers across all inhabited continents. Our network connected the regions of Canada to each other and to more than 150 destinations around the world. Our three main hubs—Toronto, Vancouver and Montreal—were each ranked among the 50 most internationally connected cities. Apart from China and the United States, no other country, regardless of size, population or GDP, had three cities in this select ranking.

• (1535)

[English]

Prior to the pandemic, Air Canada directly employed close to 38,000 people in Canada, and another 6,000 at our regional partners. We also supported 190,000 jobs in spinoff industries and generated an estimated \$50 billion in total economic output, or more than 2% of the country's GDP.

Air Canada and the aviation sector are truly economic enablers.

As an airline, we are in the business of safety. The safety of our passengers, crew and employees has, and continues to be, Air Canada's core priority.

This has guided us throughout this pandemic. Air Canada quickly implemented industry-leading measures or the CleanCare+ program to ensure the highest levels of safety—in many cases ahead of government regulation—including pre-flight passenger temperature checks, and passenger and employee face coverings.

[Translation]

As the Prime Minister said last Friday, carriers sat down with the government and, at the government's request, agreed to suspend their flights to sun destinations starting this week.

[English]

Despite these efforts, the impact of COVID-19 has been catastrophic for the whole travel and tourism sector.

Governments in Canada have imposed some of the strictest restrictions in the world, limiting intraprovincial, interprovincial, transborder and international travel. Demand for air travel has been devastated and airlines are losing massive amounts; in our case, we are burning around \$15 million per day.

We had to act to mitigate our losses and preserve our liquidity. We took the difficult decision to suspend a number of routes networkwide, including regional routes. We also had to reduce our workforce by more than 20,000 employees. These decisions were not taken lightly, but, unfortunately, they were necessary.

[Translation]

This situation is unsustainable and could well cause major, irreparable and structural damage to Canada's transportation infrastructure. As several witnesses have mentioned, Canada must adopt an industry-specific program to help its carriers through the crisis and prepare a plan to ensure that travel can resume safely. The numbers that I have presented are telling. Our industry is an economic catalyst for the recovery of tourism and the aerospace industry as a whole. However, more is at stake, namely, the entire human aspect of air travel.

In a large country like Canada, air travel unites us. It allows us to see our families and loved ones, enables workers to be mobile and opens our country up to the world. Aviation facilitates trade and exports, which thousands of Canadian businesses depend on, and it fosters immigration, which is essential to our country's growth.

Governments in other countries have taken action by providing the equivalent of over \$200 billion (Can) to their carriers, many of which are in direct competition with Canadian companies.

[English]

There are discussions ongoing between carriers and the government that are confidential, covered by NDAs, and on which our ability to comment is, of course, very limited.

**The Chair:** You have one minute left, Mr. Rheault.

**Mr. David Rheault:** Thanks.

In addition to sectorial support, other measures are needed to restart our industry. Air Canada is a strong proponent of a science-based, data-driven reopening of our borders. It can be done safely.

The McMaster HealthLabs study, which we sponsored at Pearson, has clearly demonstrated that a reduced quarantine require-

ment, in line with CDC guidelines, would protect against the spread of COVID-19 while allowing for a measured restart of the industry. Testing allows public health authorities to effectively identify and isolate incoming cases, reduces community transmission and allows safe travel.

The Prime Minister said last week that the government is committed to working with the major airlines on the future relationship between testing and quarantine requirements. We're hopeful that this committee will make a recommendation to that effect.

[Translation]

Before the pandemic, Canada had a competitive industry that was gaining market share and creating thousands of jobs at home. It must be protected.

Thank you.

[English]

**The Chair:** Thank you, Mr. Rheault. That was very well done.

We're now going to move on to WestJet.

Mr. Gibbons, you have the floor for five minutes.

**Mr. Andy Gibbons (Director, Government Relations and Regulatory Affairs, WestJet Airlines Ltd.):** Good afternoon, Mr. Chair. Thank you very much for the opportunity to be with you this afternoon and contribute to your important study.

We at WestJet have heard from many communities and businesses that rely on our investments to connect them and their economies to the world. Our approach to this crisis overall has been multifaceted but rooted in our commitment to serve Canadians and conduct ourselves in a transparent manner with all levels of government.

Before we get into details, it is important to thank our employees who have suffered so much but continue to serve Canadians and persevere. Everyone in our company is fighting for you.

COVID had had a devastating impact on WestJet and our employees, with bookings dropping as much as 95%. A staggering 97% of guests who had booked pre-COVID to fly between July and November ended up cancelling. At our current booking levels, we would need six and a half years to achieve our 2019 bookings, but this story is not just about bookings and revenue.

We now only have 5,600 active WestJetters remaining from our pre-pandemic workforce of over 14,000. One thousand of these employees are on leave and another 4,000 have, sadly, exited permanently a company and a career they loved. WestJetters have been living in uncertainty, enduring a roller coaster of layoff, recall, lay-off, with the fluidity and unpredictability of the travel restrictions we have seen.

WestJet has had to make tough decisions. By slashing our costs by 60%, we have been able to implement our progressive refund policies and maintain regional air services to the greatest extent possible.

Safety remains our top priority. We have implemented stringent health and hygiene policies that ensure the safety of our staff and our guests. We work very collaboratively with our public health partners. Since the pandemic began, we've operated more than 30,000 flights and carried more than 1.3 million guests. As former Minister of Transport Marc Garneau noted, there have been no known transmissions of COVID on board an aircraft. In September, we implemented a zero-tolerance mask policy. This is just a broad highlight of some of the measures.

WestJet thanks the Prime Minister for recognizing the measures we have taken to keep Canadians safe, and on Friday, for calling us a strong partner in curbing the spread of COVID-19.

Contact tracing is also an important step of stemming COVID-19. This is why WestJet has taken extra steps throughout the pandemic in advising our public, our guests and our employees who have been affected by COVID-19. It is our understanding that we are the only airline group to post affected flights on our external channels and email any impacted guests.

We're a proud partner with Vancouver International Airport, which you have heard from, and the University of British Columbia and Providence Health Care on a research pilot that is testing the use of rapid testing for departure in an airport environment. We are also grateful to the Government of Canada and the Government of Alberta for the arrivals-testing pilot project that safely reduces quarantine times for arrivals. We believe that study and pilot project is an essential piece of work that should remain intact.

On refunds, a subject of great discussion at this committee, we remain the only Canadian airline that proactively refunds guests whose flights were cancelled by us due to the pandemic, whether the fares purchased were refundable or non-refundable. We announced this important step in October and have been recognized by consumer groups and others for this progressive and proactive step. Our decision aligns us with the consumer-friendly policies in the United States, the United Kingdom and the European Union.

• (1540)

**The Chair:** Mr. Gibbons, you have one minute left.

**Mr. Andy Gibbons:** Thank you.

Last week this committee heard from our union partners, who are united in their advocacy of measures to allow Canadians to safely resume travel. We are not seeking a policy that strictly supports our bottom line. We are seeking a framework that will lower the cost of travel for Canadian families, introduce green credits for fuel effi-

cient aircraft and ensure that Canada has a competitive global airline based in western Canada.

There are two main priorities we recommend that this committee include in your final report. The first is that, given global uncertainty, Canada must prioritize domestic travel and negotiate a transparent and clear policy with provincial governments. This could be based on COVID levels or a percentage of the population vaccinated. We believe this should be a priority item for the Minister of Intergovernmental Affairs and the Minister of Tourism. Canadians should be able to see their country this summer safely.

Second, we recommend that you transition the Alberta pilot project into national policy and include funding for this in the upcoming federal budget. The relationship between testing and quarantine requirements must evolve, and we note the Prime Minister's commitment to work on this.

In closing, I have a few brief comments about the proposed Air Canada-Air Transat merger, as it has been a subject of interest for members. Like the Competition Bureau and other consumer groups, WestJet has grave concerns about this. Air Canada and Air Transat are number one and two for the trans-Atlantic market—

• (1545)

**Mr. Chris Bittle (St. Catharines, Lib.):** Pardon me, Mr. Chair, I have a point of order.

**The Chair:** Thank you. Go ahead, Mr. Bittle.

**Mr. Chris Bittle:** I don't know if I'm the only one, but I'm getting the French translation over the English channel.

**The Chair:** Is that the case for everybody else as well?

Mr. Clerk, can we have that addressed, please?

**The Clerk of the Committee (Mr. Michael MacPherson):** It should be okay now.

**The Chair:** Okay.

Mr. Gibbons, please go ahead.

**Mr. Andy Gibbons:** Thank you.

Like the Competition Bureau and other groups, we have grave concerns. Air Canada and Air Transat are number one and two on the trans-Atlantic market.

For that critical part of our global market, this would effectively be a merger between Bell and Rogers. Air Canada would hold a combined 94% share of Canadian carrier capacity to Europe and a 70% market share on key routes from Toronto to London, Paris and Rome. Should the government decide to allow this merger, we also believe that critical remedies should be imposed, including on Aeroplan, slot spaces at international airports and the use of Terminal 3 at Toronto Pearson.

Thank you so much for your time today. WestJet will continue to be a collaborative partner with all of you as we work towards a safe and responsible recovery.

**The Chair:** Thank you, Mr. Gibbons. Great job.

Now we're going to move to our first round of speakers.

Starting us off, for six minutes, we have Ms. Kusie from the Conservatives, followed by Ms. Jaczek from the Liberals, Mr. Barsalou-Duval from the Bloc and Mr. Bachrach from the NDP.

Ms. Kusie, you have the floor for six minutes.

**Mrs. Stephanie Kusie (Calgary Midnapore, CPC):** Thank you, Chair.

Mr. Gibbons, it's very nice to see you. I want to applaud WestJet's zero-tolerance policy on those not wearing masks, which I saw implemented in front of me on my most recent trip home from Ottawa. It is enforced. I saw someone marched off the plane as the rest of the plane applauded.

I want to talk to you first about one of your last points, the YYC pilot project. As you know, as the official opposition, we have been calling repeatedly not only for a plan but a plan with rapid testing on arrival and departure as a cornerstone of this plan, yet we have not seen this government implement it. They've come down with a sledgehammer as a result of their incapacity and inability to implement these other tools earlier within the pandemic, and of course now we're seeing this with the horrific vaccine rollout.

Could you please comment, first of all, on why you think this pilot project wasn't implemented, and second, on what it has been like to implement these travel restrictions with very little notice? First there was the 72-hour PCR test requirement on December 31, which was only implemented seven days later, and now there are these incredible travel restrictions that Canadians and, most importantly, the airline sector are suffering through in a rush to implement.

**Mr. Andy Gibbons:** Thanks very much, Ms. Kusie. It's great to see you as well.

Thanks for flying with us. I'm sorry you had to witness enforcement.

**Mrs. Stephanie Kusie:** It was awesome.

**Mr. Andy Gibbons:** Our staff take it very seriously and take the safety of everyone very seriously. I actually am glad that you witnessed that.

I'll start with the Alberta pilot project, because it's front and centre and really critical. Notwithstanding the Prime Minister's announcements on Friday, we do think that this pilot project should remain intact. The reason we feel this way is because of his words

on Friday. What he committed to was to look at the relationship between quarantine and testing.

Eventually, our country is going to have to safely restart, and we do have to find ways to do this safely. If we have a made-in-Canada study with that data and research and with experience from air carriers, airports and our guests, etc., let's not throw that away. Let's keep that intact. As long as it has the confidence of the public health officials in Alberta and the continued confidence of the Public Health Agency, we think it should remain intact, because it gives us the best footprint and standing in order to move forward.

I'm just looking at my iPhone because I took a screenshot of Dr. Hinshaw's comments yesterday. She was asked about the pilot project as it relates to the spread of variants. I think it's a really important tweet and message that she put out, and I would encourage members to take a look.

She said, "We have detected cases thanks to our lab & border pilot program, which has detected 28 variant cases. Under the pilot, we have tested almost 45K travellers on arrival. This has been a vital tool to stop the virus from spreading quickly within our communities." She went on to say, "Without this pilot program, our variant case numbers would be lower—but the variants would likely be spreading more widely in our province without us knowing about it. We are working hard to break the chain of transmission but are not out of the woods".

The Alberta pilot project, Mrs. Kusie, allows for two tests, and it allows public health officials to capture quickly what the variants are or are not. You will note that they've also adjusted the pilot project and that it has shifted from quarantine release on first test to a second test at seven days. Hopefully, I have addressed how critical that is from a public health perspective, completely parking the economic side of that type of pilot project.

I was going to touch on the PCR measure before Christmas. Look, we put out a very tough communication after that announcement, and we did call the policies "incoherent and inconsistent". That's not typical of our company to speak like that. The reason we felt that way, Mrs. Kusie, is that we did find out about that testing program in the media. We're so committed to public health and we're so committed to doing the right thing that it was very frustrating to not have our recommendations around testing put in place and then to be advised by the media that this was taking place.

The good news is that we did our very best. Our company rallied. We did our best to find tests for our guests and to get them home safely. I think the reaction to that announcement is better illustrated in our commitment to do the right thing for our guests and work collaboratively with the government than it is in our tough public response.

I hope that has touched on some of your questions.

• (1550)

**Mrs. Stephanie Kusie:** Thank you.

I want to turn quickly to a topic that the Prime Minister keeps bringing up repetitively in question period. He seems to pass off the CEWS program, which I know WestJet took advantage of, as acceptable for some type of sector supports for the airline sector. In fact, it was really a second-rate EI program and, more importantly, left Canada as one of the only nations in the world, much less in the G7 and G20, without any sector-specific support.

Can you comment on CEWS and what else you would have expected from this government in forms of support?

**Mr. Andy Gibbons:** In terms of support, I think the best guidance I could give you is the open letter that our president and CEO, Ed Sims, sent to members on December 10. That really is the best reference point for how we feel about those issues. As Mr. Rheault noted in his comments, we are under an NDA with respect to the actual negotiations and the substance of those, but I would refer you to that letter, because it does speak to how we see that issue.

With respect to the wage subsidy, we appreciate that. We have been thankful for the government. It has meant a lot to our people to stay connected to WestJet. You know how passionate our employers are for the work they do, so the ability to tie them to the company, which is the purpose of the program, has been valuable. We requested that the program be extended earlier in 2020, and the government agreed, and they did that, so kudos on CEWS.

Any comment that we make about additional support is not to minimize the value of that program, because it has been valuable, but you are correct. CEWS, no matter how you slice it, is not a robust industry recovery plan or an assistance package at all consistent with what other G7 nations and other countries have done.

**The Chair:** Thank you, Mr. Gibbons and thank you, Ms. Kusie.

**Mrs. Stephanie Kusie:** Thank you, Chair.

**The Chair:** We're now going to move on to Ms. Jaczek.

Ms. Jaczek, you have the floor for six minutes.

**Ms. Helena Jaczek (Markham—Stouffville, Lib.):** Thank you, Chair.

First of all, I'd like to say to the witnesses that every member of this committee is very aware of the devastating economic impact that COVID-19 has had on your industry. Lest we forget, it has also had a devastating effect on the health of Canadians. We have some 20,000 Canadians dead of what, in theory, is a preventable disease.

I'd like to ask Dr. Chung my first question.

Dr. Chung, about a year ago you would have been, as chief medical officer for Air Canada, very aware of the fact that there was a

novel coronavirus out there. A year ago, we already knew that the first case here in the GTA was a Canadian returning on a plane from Wuhan.

Please tell us what went through your mind. What was your thinking? You must, obviously, have a pandemic preparedness plan at Air Canada.

What actions did you take? What advice did you give to senior management at Air Canada in the early days of this pandemic?

• (1555)

**The Chair:** Dr. Chung.

**Dr. Jim Chung (Chief Medical Officer, Air Canada):** Thank you, Chair, for the question.

I do fully agree that this has been a significant challenge for everyone—all Canadians. I don't think anyone is to blame, per se, for the pandemic. It really just happened.

We were fortunate in that we had already developed a partnership with a company called BlueDot, which is a health AI company that helped give us almost an early warning of this pandemic. I'd be dishonest if I said I didn't realize early on in January how much of a significant pandemic this would be.

Having said that, Mr. Chair, as they mentioned, we did have a pandemic playbook that we had reviewed early on in January. As most of you may know, we did review our own internal processes, our pandemic response and subsequently did make the decision to stop our flights to China. I believe it was January 26.

**Ms. Helena Jaczek:** In terms of personal protective equipment for cabin crew, were you ordering supplies? How were you preparing?

**Dr. Jim Chung:** We were reviewing our pandemic checklist. Part of that pandemic checklist is a review of what supplies are required and what inventory we had at that time.

**Ms. Helena Jaczek:** In terms of the progression after the announcement that this was a pandemic and your suspension of flights, particularly from China, what further recommendations did you make to Air Canada in your role as chief medical officer?

I think we all know that there's a first wave and a second wave in pandemics. How were you preparing looking forward? What recommendations were you making?

**Dr. Jim Chung:** It's not a single individual in any large organization like ours. It takes an entire team. It was the entire team, including our vice-president of corporate safety and our corporate safety team as well, who got together to discuss these issues and to review what was the best evidence out there.

Initially, early on, as everyone is aware, there was very limited data and information back in January and February about what the transmission risk was and what were truly... Initially there was some confusion about whether masks were recommended or not recommended here. There were a lot of challenges initially in that early time frame.

We did constantly consult with our public health colleagues, both on the federal and provincial level, as well as colleagues and resource consultants such as BlueDot and other infectious disease specialists to help guide us with respect to what the best practices were at the time.

**Ms. Helena Jaczek:** I believe, Dr. Chung, that you were advocating for testing prior to boarding airplanes. You were interviewed by Lorraine Simpson in the fall. You were making recommendations at that point.

Did you discuss this with the Public Health Agency of Canada or any other public health officials?

**Dr. Jim Chung:** Air Canada has always been a strong advocate of testing. I feel that we've been a world leader, quite frankly, in this area in advocating testing as a means of mitigating the pandemic and the risk of importation of infected COVID passengers. Similar to my colleague, Mr. Gibbons, we do firmly believe that there is a role for testing as a mitigation and an exit strategy from the 14-day quarantine to reduce the risk, yet keep the safety of Canadians in mind.

We did launch the McMaster HealthLabs GTAA study on September 3, which ran for two months. We did collect 46,000 tests from 12,000 participants. That provided the data that we did communicate and discuss; we did share those details and data with public health agencies, both federally and provincially.

• (1600)

**Ms. Helena Jaczek:** I was actually referring specifically to pre-boarding testing, which apparently you were advocating last fall, so you couldn't have really been surprised when our government did introduce that in early January.

**Dr. Jim Chung:** That interview with Lorraine Simpson was directly in response to the McMaster HealthLabs study, the arrival testing, but certainly there is a potential role for pre-departure testing as well. There are pros and cons to that for sure, Mr. Chair.

**The Chair:** Thank you, Mr. Chung.

Thank you, Ms. Jaczek.

We're now going to move to our next line of questioning from the Bloc for six minutes. We have Mr. Barsalou-Duval.

Mr. Barsalou-Duval, the floor is yours.

[Translation]

**Mr. Xavier Barsalou-Duval (Pierre-Boucher—Les Patriotes—Verchères, BQ):** Thank you, Mr. Chair.

Air Canada refuses to refund travellers for trips cancelled due to COVID-19, yet, according to the third quarter report that you released on November 9, 2020, Air Canada had \$8.7 billion in liquidity. So, you can afford to refund travellers.

WestJet did it. Why haven't you?

**Mr. David Rheault:** Thank you for your question.

First, I'd like to say that Air Canada has spent more than \$1.2 billion to refund travellers for their tickets since the start of the pandemic.

All travellers who had refundable tickets have been reimbursed according to the terms and conditions of the tariffs submitted by Air Canada to the Canadian Transportation Agency.

As for your question on full refunds, we have, from the outset, been complying with the order and statement of the Canadian Transportation Agency specifying that, when there are reasons beyond the carriers' control, travel credit vouchers were an acceptable solution as long as their timeline and terms and conditions were flexible. Air Canada has improved its voucher policy.

As for your question about refunding all travellers, as we have publicly stated on a number of occasions, if assistance is provided to air carriers and if that assistance is reasonable and proportional to the losses the carriers are incurring, we are fully prepared to issue refunds.

**Mr. Xavier Barsalou-Duval:** Thank you.

In 2016, you illegally laid off 1,800 Aveos employees. You then threatened to halt the purchase of 45 Airbus A220s, which are made in Mirabel, and to hold back plans to create a centre of excellence if the federal government did not change the law to accommodate you. Five years later, that centre of excellence still does not exist, and you cancelled 12 of the 45 aircraft that should have been ordered.

Now, Air Canada has received more than \$500 million in wage subsidies. The International Association of Machinists and Aerospace Workers, or IAMAW, has informed us that you are having your aircraft maintained in the United States and having the Boeing 737s converted in Great Britain, while unemployed Quebecers could be doing that work.

Do you think that Air Canada should keep its promises and stop consistently ignoring Quebec workers in order to prove that it is a good corporate citizen before taking advantage of taxpayers' money?

**Mr. David Rheault:** There are many parts to your question. It sounds more like a statement than a question.



It also contains falsehoods, Mr. Barsalou-Duval.

Air Canada has always supported the aerospace industries of Quebec and Canada. We have bought many Q400, CRJ and CSeries aircraft. Air Canada's order was critical to the survival of the program, as Mr. Bellemare has said. It put the program back on its feet.

As for the centre of excellence in Quebec, that was an agreement that we made with the Quebec government, and we will honour it. We have always said that these aircraft would be maintained in Quebec. I will also add that we have transferred our maintenance operations to Quebec. All of Air Canada's single-aisle planes are now maintained in Trois-Rivières, ensuring nearly 350 well-paying jobs.

**Mr. Xavier Barsalou-Duval:** As for the sale of Air Transat, in addition to the duplication of head office and regular office jobs, we also know that the routes used by Air Canada, Air Transat and Air Canada Rouge overlap in many ways—so much so that it would give you the equivalent of 60% of the Canada-Europe capacity and 45% of the capacity for sun destinations, according to the Competition Bureau Canada. We also know that you are demanding a downsizing plan in the new sale agreement.

If the sale goes through, what will happen to the Air Transat employees?

Can you guarantee that their jobs will be protected? Can you tell us how many people will lose their jobs?

• (1605)

**Mr. David Rheault:** Once again, your question has many aspects to it.

So I will take this opportunity to complete what my colleague said during his presentation.

Saying that a merger between Air Canada and Air Transat in the transatlantic market would be like merging Bell and Rogers is inaccurate and misleading. There are much larger companies in that market than Air Canada and Air Transat combined, such as WestJet's partners, companies like Air France and KLM, which have leading positions at Paris Charles de Gaulle and Schiphol, two of Europe's biggest hubs that serve all of Europe that offer many options to Canadian and Quebec passengers.

With respect to the approval of the transaction, over the past 18 months, Transport Canada has gone through a thorough consultation process, seeking the views of the public, consumer groups, airports, provincial and municipal governments, as well as suppliers. We are therefore awaiting its public interest analysis. We look forward to its decision and are confident that the transaction will benefit consumers and all stakeholders.

As Mr. Eustache said, it's the best choice for all stakeholders, customers, employees, suppliers, shareholders, and for the community.

As far as jobs go, to go back to your point, in my opinion, this transaction will allow us to do more maintenance in Quebec. We have made that commitment.

Also, the unions representing Air Transat and Air Canada employees supported this transaction, because a carrier of this calibre

will be able to compete more effectively with major US and European carriers. It will create and keep jobs at home.

[English]

**The Chair:** Thank you, Mr. Rheault, and thank you, Mr. Barsalou-Duval.

We're now going to move on to the NDP.

Mr. Bachrach, you have the floor for six minutes.

**Mr. Taylor Bachrach (Skeena—Bulkley Valley, NDP):** Thank you very much, Mr. Chair.

Thank you to all of our witnesses for being here today.

My first questions are for Mr. Rheault. Since the start of the pandemic—and I believe you've shared these statistics already—could you remind us how many Air Canada employees were laid off?

[Translation]

**Mr. David Rheault:** It is about half of our workforce.

[English]

It's approximately 20,000 employees.

**Mr. Taylor Bachrach:** In terms of numbers of employees, can you give a round figure?

**Mr. David Rheault:** 20,000

**Mr. Taylor Bachrach:** How many of those laid-off workers are also receiving the wage subsidy?

**Mr. David Rheault:** With respect to the wage subsidies, as my colleague said, those subsidies have allowed us to maintain jobs. In fact, Air Canada was one of the early adopters of the wage subsidy—I think it was in April and May—which allowed us keep all of our employees at the time.

However, it became apparent at some point that we would not be in a position to recall all of our employees in the short term, which was, in fact, the purpose of the program. We worked a lot with our union to mitigate the job losses, but unfortunately we had to reduce our workforce. As an example, today we operate approximately 20% of our network with 50% of our employees.

**Mr. Taylor Bachrach:** Mr. Rheault, I didn't quite hear an answer there, but I'm assuming that the employees who have been laid off are not receiving the wage subsidy. I know there are other companies that have used the wage subsidy to furlough their employees and keep them whole through the use of the wage subsidy.

Is that a strategy that your company has employed during the pandemic, to take the wage subsidy and keep employees on the payroll, using the wage subsidy instead of fully laying them off?

**Mr. David Rheault:** We did that, and we still have employees on the CEWS who are inactive. At the beginning of the pandemic, we did that for all employees. However, it became apparent at a point that we would not be in a position to maintain all of our employees, because we have no horizon for recovery. That's when we took the decision...and we worked with the union to mitigate job losses.

The issue with the CEWS is that despite the fact that the government subsidizes part of the salary, which we are grateful for, it's not covering all costs. In a situation like we are in, we have to mitigate our loss. We had to make these decisions to preserve our liquidity to be in a better position to recover from the crisis.

• (1610)

**Mr. Taylor Bachrach:** Mr. Rheault, public reporting suggests that since the start of the pandemic, Air Canada has received approximately \$492 million in wage subsidies. That would make it the largest recipient of the wage subsidy in Canada.

Are these figures accurate?

**Mr. David Rheault:** I need to look at the exact number, but the amount of CEWS that we have received was disclosed in our latest financial statement. I think it was about \$400 million, so it depends on when you get this information, but yes, it might be accurate. I don't know the exact number, but it might be accurate.

**Mr. Taylor Bachrach:** Okay, that is a ballpark figure.

Since Air Canada started receiving the wage subsidy, has the company paid any dividends to shareholders or any bonuses to executives since the start of the pandemic?

**Mr. David Rheault:** No.

**Mr. Taylor Bachrach:** Mr. Rheault, how many tickets are affected—

**Mr. David Rheault:** To my knowledge, Air Canada has never paid dividends to its shareholders for years.

**Mr. Taylor Bachrach:** Right.

My understanding is that Air Canada has been providing vouchers for flights, as opposed to full refunds for flights that have been cancelled. That's been widely reported in the media.

Could you tell us roughly how many tickets have been affected by that practice of providing vouchers?

**Mr. David Rheault:** I don't have that number, sir.

**Mr. Taylor Bachrach:** Could you tell us what the approximate monetary value of tickets affected by the process of providing vouchers instead of refunds might be?

**Mr. David Rheault:** I don't have that number, but it would be significant.

**Mr. Taylor Bachrach:** Okay.

Air Canada's financial statements for the third quarter of 2020 indicated the company had \$7.7 billion in short-term liquidity, including \$3.79 billion of cash on hand.

Can you explain to Canadians why it is that a corporation with billions of dollars can't fairly refund their customers for services that were never provided?

**Mr. David Rheault:** I would say that our refund policy is compliant and in line with all CTA statements and orders. We have abided by the terms and conditions of our tariffs, which are filed and approved by the Canadian Transportation Agency.

We have refunded over \$1.2 billion to our consumers from the beginning of the pandemic.

To your question, we need to preserve our liquidity to be in a position to be able to recover from that crisis. If you look at the numbers now, you see that international competition is gaining back a lot of market share, and we have to be prepared to go back into the market, take back our market share and employ more Canadians. That's why we are preserving our liquidity.

**The Chair:** Thank you, Mr. Rheault.

Thank you, Mr. Bachrach.

We're now going to move to our second round. We have, for five minutes, Mr. Kram from the Conservatives and Mr. Rogers from the Liberals. Following that we have two and a half minutes for Mr. Barsalou-Duval from the Bloc and two and a half minutes for Mr. Bachrach from the NDP.

Mr. Kram, you're on the floor for five minutes.

**Mr. Michael Kram (Regina—Wascana, CPC):** Thank you, Mr. Chair.

I'd like to welcome the representatives from both Air Canada and WestJet to our committee today. I have a great deal of respect for both of your companies and I'm certainly looking forward to flying your airlines a lot more in the future as we come out of this pandemic.

My question is for both groups of witnesses.

On Tuesday, the committee heard testimony that because of all the challenges facing the aviation sector, it may take anywhere from five to seven years for air travel to recover. I found this to be very surprising since the vaccine rollout is to be completed by the end of this year.

Are the witnesses from Air Canada and WestJet expecting air travel recovery to take five to seven years, or are you expecting the timeline to be somewhat shorter than that?

**The Chair:** We will go to Mr. Gibbons, first.

**Mr. Andy Gibbons:** Thank you, Chair.

Thank you, Mr. Kram, for your words and thank to your constituents for making us the number one airline in Saskatchewan year over year.

If you had asked us in mid-March last year where would we be on February 4, 2021, it would not be where we are today.

Lots of people are throwing out a lot of prognostications, but you nailed it. Without a better understanding of what the operational realities will be for our company, it's really difficult to say, and that's why we're pushing so hard for a safe restart plan, and to understand how the government looks at vaccines and at testing.

You raised the issue of vaccines. We're watching very carefully and engaging very constructively with the government because we need to understand the correlation between vaccination and mobility for Canadians.

The retired couple who live in your constituency and who haven't seen their grandkids in a year, do they expect they'll be able to see them after they're vaccinated? Does vaccination green-light you to travel this country? What is an acceptable vaccine rate that would allow for such travel? These are the key questions. I think we would recommend that in your report you ask public health officials for clarity for public health purposes, not for business purposes.

It's that certainty and reassurance that I think all of us want and seek, but I think until we have more certainty around vaccines and what they mean for the critical travel and tourism sector, it's difficult to answer your question. It's safe to say that it will take years, but we can start here in Canada this summer.

Thank you.

• (1615)

**The Chair:** Mr. Rheault.

[*Translation*]

**Mr. David Rheault:** I'm going to add to my colleague's comment.

It's important to have a plan and a perspective. The International Air Transport Association, or IATA, forecasts a return to 2019 traffic volumes within three to five years. With the vaccine rollout to the public being planned, it's important to have a plan in place now to safely resume travel. The most important thing is to get the wheels turning again. Aviation is an ecosystem of carriers, airports, related services and suppliers. It's all of those things. So, for everyone's benefit, it is important to have a plan to get the machine back up and running.

[*English*]

**Mr. Michael Kram:** Again, I would like to hear from both Air Canada and WestJet.

In regards to Nav Canada's potentially laying off air traffic controllers and closing down air traffic control towers, including the one at Regina International Airport, when an airport loses its air traffic control tower, does it cause airlines to re-evaluate the number and frequency of flights going into and out of the city?

**The Chair:** We'll start with Mr. Gibbons with a short answer please.

**Mr. Andy Gibbons:** We feel for Nav Canada employees and everyone in our sector who's hurting. That's why we've been pushing the government to resolve their financial issues.

On the specific element of your question, we fly to airports that have towers and airports that don't. We fly to airports that have towers part of the day, and not other parts of the day, so it's not a straight line.

Also, with respect to the safety of those decisions, that is between Nav Canada and their regulator, but we're aware of the situation in Regina, and feel for those employees, for sure.

**The Chair:** Mr. Rheault.

[*Translation*]

**Mr. David Rheault:** Mr. Kram, I'm going to repeat what my colleague said and add that losing a control tower could have an impact on operations. Obviously, safety is not at stake, because other safety measures are in place. Nav Canada would never do anything to jeopardize passenger safety. On the other hand, with no control tower, for example, operations can become more complex, cause more diversions to other airports and increase costs for carriers.

All this is symptomatic of the fact that we are in a user pay system. When it's been almost a year with no users, the costs go up for everyone. Every organization has to make difficult decisions that will compromise the infrastructure over the long term. That's what you need to understand. That's why measures need to be put in place to preserve our infrastructure, to allow not only us, the carriers, but our employees and the entire transportation ecosystem, to regain the place we had in the economy.

• (1620)

[*English*]

**The Chair:** Thank you, Mr. Rheault.

Thank you, Mr. Kram.

We are now going to move to Mr. Rogers.

Mr. Rogers, you have the floor for five minutes.

**Mr. Churence Rogers (Bonavista—Burin—Trinity, Lib.):** Thank you, Chair.

Welcome, guests.

Many people in Atlantic Canada and rural Canada are left wondering what it will take to restore lost connectivity.

From that perspective then, how feasible do you think it will be to restore all regional routes that we have lost after the pandemic subsidies, and what kind of timeline do you anticipate before that would happen?

You can decide who wants to go first.

**The Chair:** Mr. Gibbons.

**Mr. Andy Gibbons:** That's a very good question and it's really at the heart of our discussions currently.

I do want to stress that when we did cease services to many of our Atlantic Canadian cities, we did brief the premiers of those four provinces in advance, and we did so as transparently as possible.

Obviously, I don't speak for them, but the feedback in those communities was, obviously, devastating. We can think about Gander, and we can think about Sydney.

WestJet investments fundamentally altered the affordability and connectivity to these communities in that region. People in that region remember what it was like before WestJet brought low fares and competition. That competition has really brought air travel to life in Atlantic Canada.

In terms of restoring routes, the policies put in place by the provincial governments there—and they are under no illusions about this, and I don't mean this in a combative way—are not designed to bring our investments there and to bring our guests there. It's the opposite. We understand that. We very reluctantly decided to cease services up to 80% and to cancel service to some cities.

Mr. Rogers, I think it really depends again on the operating environment that the premiers and the Prime Minister and the governments want to implement, and if we can have a domestic framework in queue to develop in this country under which your premier and members of your provincial caucus can say that they will be comfortable with Canadians visiting Newfoundland and Labrador when the COVID level is  $x$ , or when this percentage of the population is vaccinated.

I think if we get some certainty or a safe plan around that, it's what's going to be the biggest factor, but I also want to assure you that serving and investing in communities is not something the government has to extract from us. It's something we love doing and want to do.

**The Chair:** Mr. Rheault, go ahead.

**Mr. David Rheault:** I would say that in our case, reducing flights in many provinces and stations in Atlantic Canada was a difficult decision to make.

We have been operating in certain of these markets for 75 years, dating from the time of Trans-Canada airline. Contrary to our competitor, we are trying to keep at least one station in each province to keep provinces linked to our network.

I would say with regard to re-establishing routes that I have had many discussions on that. We have talked to mayors and we have talked to the premier, and we had exchanges with them on the impact and on how we can work together going forward, but I guess fundamentally to restore services, we need passengers. There has to be demand to have a service.

The policies in place, particularly in Atlantic Canada, have had a devastating impact on the number of passengers. That's why we need to have a conversation and a path forward for a national re-opening of travel at least within Canada first.

**Mr. Churence Rogers:** From that perspective, I was going to ask you which routes you would consider restoring. What might be the criteria for deciding which ones you would restore first post the pandemic? After the pandemic, what would likely be the routes that you might consider restoring first, second, third and so on?

**Mr. David Rheault:** I can tell you that we're looking forward to restoring services. It's important for us to serve these communities. Of course, it's going to depend on how the traffic starts. It's difficult because I can tell you that in a normal environment, at Air Canada we plan on a six-month-to-six-month basis. Now we have to make decisions on a week-to-week basis.

Decisions are made very quickly when we see traffic deteriorating. Hopefully, when the market comes back it will come back at a pace that will allow us to restore service at an adequate pace, but it's very difficult for us to plan when we don't know what the demand will be in the next month. Airlines are about planning.

• (1625)

**The Chair:** Mr. Gibbons, please provide a quick answer.

**Mr. Andy Gibbons:** I'm not going to tier cities for you in this meeting, obviously. I reiterate that it really is going to depend on the demand environment and the set of policies and where COVID is in this country and how it's being managed. These are the essential ingredients. We were very sad to eliminate some of these routes, and we want to restore them as soon as possible. I'm not being coy; there is no better answer than that. We look forward to being back as soon as possible.

**The Chair:** Thank you, Mr. Gibbons.

**Mr. Churence Rogers:** And we look forward to having both of you back. Of course, we're fortunate that the Atlantic bubble did one thing: It saved lives. So we're quite happy from our perspective.

**The Chair:** Thank you, Mr. Rogers.

We're now going to move on to Mr. Barsalou-Duval for two and a half minutes.

[*Translation*]

**Mr. Xavier Barsalou-Duval:** Thank you, Mr. Chair.

Mr. Rheault, earlier, in response to one of my questions, you said that one of my statements was false. We may not have time today to explore what was false in what I said, but if you could report back to the committee about it, that would be a good thing. It would help us to get the right information from your perspective.

Earlier, I asked you a question about jobs. I did not feel you were very confident about jobs. We know that the European Commission has twice suspended its analysis of the transaction between Air Transat and Air Canada due to a lack of cooperation on your part. According to the sale agreement, Air Canada has the final word on any major operational decisions. The transaction has been on the table for almost two years. That means Air Transat's management have had their hands tied for two years.

It's well known that Air Transat is having financial difficulties, and we learned in the Air Transat proxy circular on the new sale to Air Canada, that apparently Air Canada refused a credit facility for Air Transat on two occasions, May 6 and August 7, 2020.

I'd like to know what Air Canada's strategy is. Is it to weaken Air Transat to the point of bankruptcy so that it doesn't have to spend \$200 million to eliminate a competitor?

**Mr. David Rheault:** I have to say that Air Canada has always worked cooperatively with regulators and is looking forward to the government's decision on this transaction.

It is a strategic decision for us, and it's very important that this transaction go through to allow both companies to move forward together, to save jobs and to create a world champion based here in Quebec. It's a source of pride, and we are convinced that, together, the two companies will form one incredible carrier that will allow us to rebuild our Montreal hub, among other things.

Some big names in Quebec society supported this transaction, Mr. Barsalou-Duval. They recognize the economic impact for the community. The Caisse de dépôt et placement du Québec and the Fonds de solidarité de la Fédération des travailleurs et travailleuses du Québec voted in favour—

**Mr. Xavier Barsalou-Duval:** Thank you.

I would like to ask Mr. Gibbons one last question.

[English]

**The Chair:** Thank you, Mr. Rheault, and Mr. Barsalou-Duval. We're over time right now. We have to move on to our next speaker.

For two and a half minutes, we have Mr. Bachrach.

**Mr. Taylor Bachrach:** Thank you very much, Mr. Chair.

I have a couple more questions for Mr. Rheault regarding regional routes. It's a topic that is very pertinent to the riding I represent in northwest B.C. Currently Air Canada has suspended service out of Prince Rupert, a community that depends very much on your scheduled passenger service.

One of the things we've heard from communities is a real concern around the resumption of service. When services resumed in Smithers, which is another regional route in northwest B.C., Air Canada offered flights online and when there weren't enough bookings, they cancelled those flights. We had a couple of rounds of that and it undermined the communities' confidence that those scheduled flights would come back.

I am wondering if you can commit to working with communities like Prince Rupert to ensure that when there are the passenger volumes, the resumption of service is as smooth as possible and that we avoid any unnecessary cancellations, understanding that it's re-

ally difficult for the community to purchase flights online and then have those flights cancelled and not receive refunds. Is that a commitment you can make to communities?

• (1630)

**Mr. David Rheault:** I can assure you that we're committed to working with communities to try to restart services with the least possible delay. The difficulty for us, as an airline, is understanding the demand, how it evolves and when it's going to come back to a point that is sufficient to ensure services. That's always the challenge we have. Of course, we talk to many airports, mayors and chambers of commerce to see how we can work together on re-establishing these services. The problem we have is that we are in uncertain times where the demand pattern is always changing rapidly based on factors that we don't control.

**The Chair:** Thank you, Mr. Rheault.

Mr. Bachrach, you have a few seconds left if you want to throw one in there.

**Mr. Taylor Bachrach:** I really appreciate your commitment to working with communities.

Mr. Rheault, earlier I asked you about the total number of tickets and passengers that have been affected by cancellations and your offer of vouchers. You didn't have those numbers at your fingertips. I'm wondering if you would be willing to provide those figures to the committee after this meeting.

**The Chair:** Mr. Rheault, yes or no?

**Mr. David Rheault:** I will check internally and get back to you. It depends on whether this contains commercially sensitive information.

**The Chair:** Wonderful. Thank you.

Thank you, Mr. Bachrach.

**Mr. Taylor Bachrach:** Thank you, Mr. Chair.

**The Chair:** We're now going to move on to the Conservatives.

Mr. Shipley, you have the floor for five minutes.

**Mr. Doug Shipley (Barrie—Springwater—Oro-Medonte, CPC):** Thank you, Mr. Chair. You caught me a little off guard. I actually thought at 4:30 we were ending, but thank you for that time.

**The Chair:** I'm going to try to finish off this round with you and, following you, Mr. El-Khoury.

**Mr. Doug Shipley:** That's okay. As I said, I thought we were ending, but I'm good to go.

I'll start off then with Mr. Rheault. You mentioned in your opening statement that there was a burn rate of \$15 million per day. Did I catch [*Technical difficulty—Editor*] right?

**The Chair:** Mr. Rheault?

**Mr. Doug Shipley:** Was that prior concessions for business, or is that what's happening now?

**Mr. David Rheault:** I'm sorry; I had an issue. My sound cut. Could you just repeat? I heard until "\$15 million per day."

**Mr. Doug Shipley:** I was just saying that in your opening statement, you mentioned a burn rate of \$15 million per day. Was that prior to the layoffs and prior to making your savings, or is that what it's now currently?

**Mr. David Rheault:** This is current, based on the guidance for the third quarter...or the fourth quarter of last year. It's between \$14 and \$16 million per day.

**Mr. Doug Shipley:** We'll call it \$15 million. That's a lot of money per day. You must be doing some business plans. How long can you keep this up for? As Mr. Kram mentioned at our last meeting, some people within your company were telling us that perhaps they're expecting a five to seven-year downturn. There's no way you can continue to burn \$15 million per day indefinitely.

**Mr. David Rheault:** There is no company, no matter its size, that can burn that amount of money for an infinite period. That's why we really have to have a plan to restart, to understand how traffic...how we can safely restart travel in this country and, in the meantime, how government can support carriers to go through this pandemic with long-term financing. It's not a situation that can stay for months and months, that's for sure.

**Mr. Doug Shipley:** Thank you.

Mr. Chair, I'll go over to Mr. Gibbons, too, because it's been interesting.... It was just mentioned...about the restart plan.

This is something that I'm very curious about. We're in a terrible position right now, Mr. Gibbons. We have to get people back to work at some point in time—safely, obviously. You mentioned... There are a couple of things that I want to mention to you. You mentioned 14,000 employees at WestJet; many have left. Where have they gone? Have they gone on to other companies? Did you mean they were the layoffs from your company? Have they left to pursue other work and now you won't be able to get people back when the start-up eventually comes?

• (1635)

**Mr. Andy Gibbons:** It's a mixed bag. Not dissimilar to Air Canada, there are employees that we could safely assume would not return in the near term, and they have left the company. Many are struggling. We are headquartered in Alberta. It's a struggle. I think that's why it's been obvious how central we are to the economic diversification in Alberta and how a global carrier based in Alberta is essential.

We are worried about skills. We are worried about skills expiring if the downturn continues. We've had employees.... If you go on Facebook or these groups—and I hope that they're engaging you—people are very sad. The human toll on our company has been profound, and I think we're out of adjectives to describe it, except to say that it's just been very, very sad. I don't know if that answers your question specifically. For many, it's been a struggle. Many have moved to other sectors, and many remain hopeful.

**Mr. Doug Shipley:** Yes, it does answer it. Thank you.

Mr. Gibbons, I hear what you're saying too. At one of our last meetings, I mentioned the mental health of a lot of the employees. We had a stack of letters that I brought up last time. My heart goes out to the many people, not just in your industry but across Canada, who are struggling greatly right now. We want to make sure they're being looked after. I'm sure that within your company you're doing everything you can to make sure that your people who are feeling added stress and having some mental health issues are getting looked after.

With respect to the start-up plan, there have to be a lot of aircraft sitting around right now. I'm not an aircraft mechanic, but someone mentioned to me that until there is a start-up plan to get going, it is harmful for planes to be just sitting around. How long can they sit on tarmacs not be used before it becomes an issue? Also, does it take a while to get them recertified once there is a restart?

I'll start with Mr. Gibbons.

**Mr. Andy Gibbons:** That is a great question. My lack of technical expertise is going to be fully exposed here. My kindergarten-like understanding is that there's a rotational system that keeps the engines fresh. They don't just sit forever; they do have to move in and out. There is a maintenance program that is required for up-keep, whether or not they are flying and in commercial service.

The planes will be there to use. The MAX is a good example. That was a grounded fleet, but it's now starting to be reintroduced into the market. So I think you could use that as guidance in terms of whether the aircraft will be there. It's a question of all of the other things that might not be there when the economic and health conditions change.

**The Chair:** Thank you.

Mr. Rheault, a short answer, please.

**Mr. David Rheault:** Like Mr. Gibbons, I'm not a technical expert, but there is in fact some basic preservation work that can be done to aircraft, and the airlines are doing this work to make sure that the fleet can fly when the time comes.

I would say that the most challenging thing in this regard is also keeping the certification of the pilots. Pilots need to fly so that they do not lose their qualifications to fly, so there is a rotation to ensure that. These are highly skilled workers. They need to work and we need to have a plan to make sure that they keep their certification.

**The Chair:** Thank you, Mr. Rheault and Mr. Shipley.

We're now going to move to our last speaker for five minutes from the Liberals.

Mr. El-Khoury, you have the floor.

[Translation]

**Mr. Fayçal El-Khoury (Laval—Les Îles, Lib.):** Thank you, Mr. Chair.

I would like to welcome our guests.

Mr. Gibbons, I was pleased to hear that your company has decided to refund passengers. I have heard that passengers who proactively cancelled their tickets based on Health Canada's advice and recommendations have not been refunded.

Did a decision like that push you to difficult measures, like laying off more employees?

In addition, will this crisis alleviate or aggravate the pilot shortage that was a factor before the pandemic?

• (1640)

**Mr. Andy Gibbons:** Thank you for your question, Mr. El-Khoury.

Allow me to respond in English.

[English]

If I heard you correctly, Mr. El-Khoury, there were two questions.

Question one was that you appreciate our refund policy. Thank you very much for those words.

The distinction between guest cancellations and carrier cancellations is a really important one. It's a distinction that exists in the United States and the United Kingdom, which are jurisdictions that the consumer advocates are pointing toward. I want to make that distinction. It is an important one that doesn't get a lot of remarks in the public sphere, but it is a critical distinction in how the government and your committee look at the issue.

I missed in the translation what you were asking about with respect to whether the refunds were making things difficult. I didn't quite get that, so if I could get clarity—

**Mr. Fayçal El-Khoury:** Did the refunds influence you to make the decision to lay off some employees?

**Mr. Andy Gibbons:** Everything is an incredible balance. You have operational uncertainty. You have our commitment to do right by Canadians. You have our obligation to our employees. Everything is a really difficult balance.

Look at the situation facing travel advisers and travel agents. As a result of refunds, they are in some very difficult circumstances. We sympathize with them and acknowledge that, and we think that the government should resolve those issues. There is an incredible and delicate balance with respect to all of those items.

On refunds, we felt it was the right thing to do and we did it. It's a process that's going to take six to nine months, and we're in the middle of that right now. Canadians are getting their refunds and we're pleased to provide them.

**The Chair:** Mr. Rheault, do you have any comments?

[Translation]

**Mr. David Rheault:** The question was directed at Mr. Gibbons. So I will hold off, unless Mr. El-Khoury has a question for me.

**Mr. Fayçal El-Khoury:** I do have one.

Mr. Rheault, we're aware that, in order to provide financial assistance, the federal government has imposed conditions on several issues, such as refunding customers whose flights were cancelled, protecting regional routes and connectivity, honouring contracts with Canadian aerospace companies and paying travel agency commissions. Which of these issues is most problematic for the airlines? Could you tell us more about it, please?

**Mr. David Rheault:** That's a very good question and I thank you for it.

Discussions are currently underway between the Government of Canada and air carriers on this issue. They may talk about imposing conditions on the carriers, but as Mr. Shipley said, we are losing liquidity of \$15 million a day. So that has to be understood and we need to have a plan that will allow us to preserve our liquidity and be in a good position to get the business back on track. So it's a matter of seeing what kind of assistance could be given to help us meet those obligations. As we have said with respect to passenger refunds, we are prepared to do it, but it will depend on the type of refund or assistance the government may give and the timelines that will be set.

With regard to the other conditions you mentioned, it is kind of the same thing. It's all part of the discussions that are going on. Carriers are open to having those discussions with Government of Canada officials.

**Mr. Fayçal El-Khoury:** Can I ask you to answer the second part of the question, for which Mr. Gibbons did not provide me with an answer, please.

Will this crisis alleviate or aggravate the shortage of pilots that existed before the crisis?

**Mr. David Rheault:** Again, that's a very good question.

As I said before, pilots are in a highly skilled profession. We did have a shortage and there is a great deal of competition in recruiting pilots, in Canada and in other countries. I feel the challenge we may face is that we might not be able to keep our Canadian pilots at home if aviation does not get back on track as fast as in other countries. That is a significant issue because a specialized group of professionals like airline pilots really is a major asset for airlines.

By the way, that's true for all our professions, but your question was specifically about pilots. So we have a competitiveness issue on an international scale as well.

• (1645)

**Mr. Fayçal El-Khoury:** What percentage of your fleet is sitting idle?

[English]

**The Chair:** Thank you, Mr. Rheault and Mr. El-Khoury.

Thank you to the witnesses.

Members of the committee, would any of you mind if I asked one quick question of the witnesses?

**Mr. Taylor Bachrach:** I'd be happy for you to ask a question, Mr. Chair.

**The Chair:** Thank you, Mr. Bachrach.

It's come up in past meetings, and I was surprised it didn't come up at this meeting, and that is question of refunds on the clawbacks from travel agents. We've heard a lot from travel agents throughout the course of the past few months.

My question to both witnesses—and I just like a quick answer—is with respect to refunds to travel agents. Is this is a direction that you're considering?

We'll start with Mr. Gibbons.

**Mr. Andy Gibbons:** What is the question, Mr. Chair?

**The Chair:** It's whether, in fact, both you, as well as Air Canada, are considering either giving back or not clawing back the commissions that would otherwise go to travel agents.

**Mr. Andy Gibbons:** Our commitment is to refund Canadians. If you purchased a \$500 air ticket on your Visa, you're expecting a \$500 refund. It's an unfortunate and unintended consequence of our progressive refund policy that these partners are hurting. We've put those concerns to Minister Joly and to the federal government, because we believe this is an unfortunate occurrence. We believe it should be addressed by the Government of Canada, absolutely.

**The Chair:** Thank you. So the answer is no.

I'll move on to Air Canada.

Mr. Rheault.

**Mr. David Rheault:** I think your question outlines certain issues about refunds and the impact they can have on other stakeholders in aviation and other small and medium-sized businesses in Canada. For us, in implementing a refund policy, we also will consider the impact it will have on our business partners. We expect that to be part of the conversation with the federal government, as they mentioned this as a condition as well for the support for airlines.

**The Chair:** Okay. So, again, the answer is no at this time, but both are looking at these considerations in discussions with government.

Thank you for that answer, both of you.

**Mr. Andy Gibbons:** You're welcome.

**The Chair:** Also, thank you for your time today in participating in this discussion with the members of the committee. We are expecting to make a report, and I'm sure that the testimony you've given to the committee will help inform that report. Once again, I thank you for your time.

Members, I thank you for your questions and your time today as well.

I am now going to adjourn this portion of the meeting so that we can reconvene for an in camera portion of the meeting. I will ask members to log out and log back in for that portion of the meeting.

Thank you.

*[Proceedings continue in camera]*

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