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Chair: Mr. Peter Schiefke



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• (1105)

[English]

The Chair (Mr. Peter Schiefke (Vaudreuil—Soulanges, Lib.)): I call this meeting to order.

Welcome to meeting number 118 of the House of Commons Standing Committee on Transport, Infrastructure and Communities.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Tuesday, April 16, 2024, the committee is commencing its study of the Competition Act and air travel in northern, rural and remote communities.

Before we begin, I'd like to remind all members and other meeting participants in the room of the following important preventative measures.

To prevent disruptive and potentially harmful audio feedback incidents that can cause injuries, all in-person participants are reminded to keep their earpieces away from the microphones at all times.

As indicated in the communiqué from the Speaker to all members on Monday, April 29, the following measures have been taken to help prevent audio feedback incidents: All earpieces have been replaced by a model that greatly reduces the probability of audio feedback. These new earpieces are black in colour, whereas the former earpieces were gray. Please only use the approved black earpieces. By default, all unused earpieces will be unplugged at the start of the meeting. When you're not using your earpiece, please place it face down in the middle of the sticker for this purpose that you will find on the table as indicated. Please consult the cards on the table for guidelines to prevent audio feedback incidents.

The room layout has been adjusted to increase the distance between microphones and reduce the chance of feedback from an ambient earpiece. These measures are in place so that we can conduct our business without interruption and protect the health and safety of all participants, including our interpreters.

Today's meeting is taking place in a hybrid format. In accordance with the committee's routine motion concerning connection tests for witnesses, I'd like to inform all members that the witnesses have completed the required connection tests in advance of the meeting.

With that, colleagues, I'd like to now welcome our witnesses.

Appearing before us from Air North is Mr. Joseph Sparling, president, by video conference.

Welcome to you, sir.

From Canadian North Inc., we have Shelly De Caria, president and chief executive officer.

Welcome to you.

We also have Mr. Purich, who's not on my list. We are very much grateful for your presence here, sir.

From Northern Air Transport Association, we have Mr. Bernard Gervais, executive director, by video conference. Welcome to you, sir.

From the Town of Smithers, we have Gladys Atrill, mayor, by video conference. Welcome to you, Mayor.

[Translation]

Finally, we have Daniel Côté, president, Air Transport Committee, and Marie-Dominique Giguère, project manager from the Union des municipalités du Québec.

Welcome to you both.

[English]

Mr. Sparling, please make your opening remarks. You have five minutes, sir.

Mr. Joseph Sparling (President, Air North): Good morning, and thanks for giving Air North, Yukon's airline, an opportunity to provide input to this standing committee.

My discussion will focus on market research, industry concentration, competitive opportunities for small airlines and domestic airfares.

Canada's a small market, ranking number two in size, but—

The Chair: Mr. Sparling, my sincere apologies, sir.

I'm getting word from our interpreters that they would like to have your microphone raised somewhat so that they can hear you a little better.

Mr. Joseph Sparling: All right.

How's that?

The Chair: Okay. I'm getting the thumbs-up, sir.

If you'd like, you can restart or continue from where you left off.

Mr. Joseph Sparling: Okay.

Canada is a small market. We rank number two in size but 222 out of 232 in population, relative to the rest of the world. As well, 90% of our population lives in 10% of our land mass, roughly along the 49th parallel. The focus of my discussion is on the 10% who live in 90% of our land mass.

Our 2020 research showed that approximately 200 Canadian communities receive scheduled air service from about 20 different airlines. Only about a third of these communities are served by mainline carriers. About half have a population of less than 10,000, and almost 75% are served by just one airline. Of the approximately 300 scheduled domestic air routes in Canada, about 15% are competitive, with 5% served by competing mainline carriers, 9% served by competing mainline and regional carriers and 1% served by competing regional carriers.

All air routes in Canada were subject to economic regulation until 1987. Air Canada was government-owned until 1988. Economic protection in the north was relaxed in 1996. By 2005 Canada was fully deregulated. While deregulation has done great things for the majority of Canadian airline consumers, it's also led to a level of consolidation that may not have been anticipated.

Prior to deregulation, Canadian Pacific Air Lines operated from Vancouver, Pacific Western operated from Calgary, Transair operated from Winnipeg, Nordair and Quebecair operated from Montreal and Eastern Provincial operated from Halifax. All of these airlines provided regional services with modern large aircraft. They provided significant economic benefits to their regions.

In the post-deregulation environment, regional services have become consolidated and centralized, with many communities losing jet service in favour of turboprops and some communities losing service entirely.

This risk was acknowledged in the 2000 TRAN committee report dealing with the takeover of Canadian Airlines by Air Canada, with two of the 42 recommendations calling for mandatory interline and code-share agreements between all Canadian scheduled airlines. This would serve to level the playing field between small regional carriers and large network carriers by providing regional carriers with access to mainline networks and thus 100% of the market rather than just a portion of the market. This dynamic has been addressed through legislation in both the telecommunications industry and the railroad industry.

From a passenger standpoint, people who travel with two airlines that do not have an interline agreement travel on two different itineraries, resulting in a duplication of fees and taxes, an inability to check luggage to final destination and limited passenger protection or accommodation if flights are delayed or cancelled. These dynamics put regional community travellers at a distinct and needless disadvantage relative to other Canadians.

With respect to pricing, in the long run, airfares are more significantly determined by costs than by competition or greed. Competition is important, but it is only one factor in keeping airfares low. It can actually be counterproductive in a small market.

Our network is made up of regional turboprop routes and gateway jet routes. I'm sometimes asked why it costs almost twice as much to fly 500 miles from Whitehorse to Old Crow as it does to

fly a thousand miles south from Whitehorse to Vancouver. We utilize 40-passenger, gravel-runway-capable turboprop aircraft on our north routes and jet aircraft with 120-plus seats on our gateway routes. The turboprops burn more fuel per seat to fly 500 miles than the jets burn per seat to fly a thousand miles. The price of fuel at our most northern turboprop stop is 47% higher than at our southernmost jet stop. Our total direct operating cost per seat for the north route to Old Crow is 137% higher than for the jet route to Vancouver.

Because our turboprop routes are multi-stop with diminishing payloads on each northern stop, and because cargo is unidirectional, our turboprop load factors are on average more than 10% lower than those on our jet routes. This, in combination with the direct operating cost differential, creates a per-passenger DOC differential of almost 200%. The sharing of overhead costs, which speaks to economist Erickson's observation in our paper, reduces the overhead burden and thus the airfares on our regional routes by almost 20%, leaving a net average fare differential of about 88%.

As a final note on pricing, our 2023 net percentage margin on our turboprop routes, where we have no competition, was less than on our jet routes, where we compete with both mainline carriers. Our overall margin for the year was less than 5%.

• (1110)

In closing, in order to improve service and air travel pricing for northern and other regional communities, we need funding to modernize regional routes and navigational infrastructure so that regional airlines can modernize their fleets and operate more efficiently. We also need regulation and/or policy that recognizes and protects the role of regional air carriers. As well, we need to better understand the cost and service challenges faced in regional air markets. We need to reconsider Canada's user-pay model, which does not reconcile with many, if not most, other countries.

Thank you.

The Chair: Thank you very much, Mr. Sparling.

Next we'll go to Ms. De Caria. I believe I pronounced it correctly that time.

The floor is yours for your opening remarks. You have five minutes, please.

Ms. Shelly De Caria (President and Chief Executive Officer, Canadian North Inc.): *[Witness spoke in Inuktitut and provided the following text:]*

Ullukut angayurqaat ammalu purtunirsauqatitit.

[Witness provided the following translation:]

Good afternoon, honourable Chair and esteemed members of the committee.

[English]

Thank you for the opportunity to speak today. My name is Shelly De Caria, and I'm the president and CEO of Canadian North. With me is Nick Purich, our chief financial officer.

For over 75 years, we have been providing essential air transportation services to 25 communities in the Northwest Territories, Nunavut and Nunavik, the northern region of Quebec.

Of those communities, 21 are isolated from the rest of the country and do not have road access. Air transportation is the only reliable year-round way to move people and access food and critical supplies, as well as medical and other vital services.

Access to safe and reliable air transportation services is literally a lifeline for these communities. As a 100% Inuit-owned company and as an Inuk myself, we truly understand the vital role air travel plays in these regions, and we are committed to ensuring that our services meet the needs of the communities we serve.

Operating an airline in the northern regions of Canada comes with unique challenges over and above those in the south. Extreme weather conditions, limited infrastructure and vast distances significantly increase operational costs. These factors make it difficult for any airline to maintain frequent and reliable service while keeping prices affordable.

The cost of providing air service in the north is inherently high. Fuel costs, maintenance and the need for specialized equipment to operate in harsh climates and from short gravel runways all contribute to the overall expenses.

We have also invested heavily in ensuring that our services are dependable even under challenging conditions. This includes maintaining a fleet capable of handling extreme weather and ensuring that our staff are trained to meet the unique demands of northern operations. On top of that, the lower passenger volumes compared to the southern routes mean that costs per passenger are higher. As a case in point, it is estimated that the total population of the 25 communities we serve is around 130,000, roughly the size of Kelowna, B.C., or Sherbrooke, Quebec.

While we continuously strive to optimize our operations and reduce costs where possible, the economic realities of northern aviation cannot be overlooked. It isn't just enough to bring in other airlines, which generally focus on the larger, easier communities.

More than a decade ago, Air Canada and WestJet began offering flights on the Edmonton-to-Yellowknife route. They introduced increased competition, which initially resulted in lower fares. These major carriers leveraged their larger networks and economies of scale to offer competitive prices, attracting passengers who were previously served by smaller regional airlines. However, it also led to the significant challenges for smaller regional airlines, including financial strain, service reductions and exits from the route, which in turn had complex and potentially negative long-term implications for market competition and community connectivity.

Do you remember those 25 communities I just spoke about? For years, our Yellowknife route helped subsidize those smaller, less profitable routes, which the other airlines refused to service.

While the challenges are significant, there are ways to improve the situation. We welcome the opportunity to work with the government and other stakeholders to explore solutions that can enhance air travel in the north. There are a few avenues that we potentially could collaborate on.

Government subsidies can help offset the high operational costs and make air travel more affordable for residents. There are similar programs in other essential services.

Enhancing airport infrastructure can improve service reliability and efficiency. Investments in better facilities and equipment would enable more frequent and reliable flights.

Regulatory adjustments that recognize the unique challenges of northern aviation could create a more favourable operating environment, encouraging both existing and new airlines to invest in the region.

There could be a system-wide cost review to understand how the user-pay model of aviation infrastructure funding in Canada impacts consumers.

We at Canadian North are committed to collaborating with the government, communities and other stakeholders to ensure that air travel in the north is not only viable but also thrives, supporting the economic and social well-being of all residents.

[Witness spoke in Inuktitut]

Thank you for your time and the opportunity to speak here today.

Honourable Chair and esteemed members, I am happy to answer any questions you may have.

• (1115)

The Chair: Thank you very much, Ms. De Caria, for your opening remarks.

Next we'll go to Mr. Gervais.

You have five minutes for your opening remarks. The floor is yours.

[*Translation*]

Mr. Bernard Gervais (Executive Director, Northern Air Transport Association): Thank you very much, Mr. Chair.

I'd like to sincerely thank the committee for inviting me to testify on this very important subject.

Since the end of January 2024, I've been the executive director of the Northern Air Transport Association of Canada, better known by the acronym NATA. I'd like to make it clear that I'm not an expert on the Competition Act nor am I an employee of any of our carriers. I serve our association. Indeed, several of our members will be testifying here—some have already done so—in the context of this study. You'll undoubtedly have the opportunity to hear the details and the realities they face.

[*English*]

The Northern Air Transport Association, or NATA, was formed 47 years ago to support the economic development of northern and remote Canada with safe and sustainable air transportation.

Northern air carriers are not the largest in Canada, but they provide an essential service to the largest proportion of Canada's land-mass and to many communities that have no road access and/or are not served by mainline carriers.

NATA's mission is to represent northern and remote air carriers in the decision-making process affecting transportation in northern and remote regions of Canada. Our goals as an association are to promote a safe and effective northern and remote air transportation system, to advocate for northern and remote air transport positions, and to establish and maintain partnerships with industry, governments and other interested parties.

Our main objectives are twofold: to develop and cause to be adopted positions that increase the safety of northern air transportation and reflect the unique operating environment, and to develop and cause to be adopted positions that improve the economics, quality and delivery of northern air transportation, considering this particular environment.

[*Translation*]

NATA is a network of 81 members, comprising 33 carriers who are supported in their mission by 48 other members. Our 33 carriers own a total of over 650 aircraft, which is more than the combined number of aircraft owned by Air Canada, Jazz, WestJet and Porter.

I referred to NATA's mission and goals earlier, because it's essential to mention that our mission and goals are the common thread connecting all our members, whomever they may be. All of these are vital to the communities served by our members.

I'd also like to take a moment to mention that our 33 carriers hold a mix of operator certificates, including 13 air transport, 15 commuter and 29 air taxi, enabling them to meet a wide range of community needs.

[*English*]

Our members offer a wide range of services which, for many, would be considered essential. They form a network. It's an essential system which in itself is more than the sum of its parts.

When a bigger carrier goes into a hard-surfaced airport, connects with a smaller carrier's aircraft that ends up on a gravel runway or with a float-plane that lands on a lake, all these connecting points by same-minded members are essential for the citizens and end-users, either for medical reasons, for commodities or for other essential necessities.

• (1120)

[*Translation*]

While our members serve northern and remote communities with a mission of essential service, for them and their customers, they're subject to the same regulations and limitations as other carriers in the country. What's more, they face challenges not seen in the south, such as more complex access to maintenance, deficient weather services, the complexity of refuelling at some locations, runways in a state of disrepair or out-of-the-ordinary weather phenomena due to climate change.

[*English*]

A lot of money needs to be injected into the north, as the infrastructure is in dire need of modernization or revitalization. The user-pay system will not suffice for that, nor will any program not specifically aimed toward those needs.

Aviation is not a luxury: It's a necessity for thousands of Canadian citizens across vast swaths of provinces and territories. It's an essential mode of transportation that should be considered as such, especially in the regions we serve. When dozens of communities can only be reached by air, those vital services are their lifeline to the world, and it's everyone's duty to keep it and sustain it.

Merci. Thank you.

[*Translation*]

The Chair: Thank you very much, Mr. Gervais.

[*English*]

Next we have Mayor Atrill.

The floor is yours. You have five minutes for your opening remarks, please.

Ms. Gladys Atrill (Mayor, Town of Smithers): Thank you very much.

First of all, I am grateful for this opportunity to appear. I'm in my home office on the unceded territory of the Wet'suwet'en First Nation and I'm grateful to be here.

I must say that I'm feeling a little daunted by the professionals who have come before, so I'm going to just speak about my community, the importance of air travel and why I think some regulation might help.

Smithers is a town of 5,400 people in central British Columbia. What has been said previously affects what I'm thinking about.

Our airport is very accessible. It's five minutes from downtown. It has a good runway of 7,500 feet that can land major aircraft, and has done so. It is a critical piece of the transportation that makes our community healthy.

Currently, Air Canada serves our airport. It's not the same every day. Some days there are two flights a day and some days there is one. We are really grateful for that service. Prepandemic, we had more service per day and we had a regional carrier, which was Central Mountain Air.

I'm reflecting on the circumstance of this community and why I think air transport, air access and fair pricing are so important to us. Before the pandemic, we were able to operate our airport like a business. There was enough traffic and enough money coming into the airport. I should say that the municipality owns it. We were able to consider it as a self-paying business.

Now, a couple of years out of the pandemic, we've returned to about 75% of prepandemic revenue and 85% of passengers. We're definitely still recovering. We've done the research to know that our airport is one of the lower-cost airports for aircraft to come into. We do what we can to be competitive.

Who uses our airport and why do we need it?

Like many other communities, it's used by residents for leisure travel, business travel, and medical and emergency travel. We have a solid business to the northwest of us, where industry uses the airport for shuttling. There's a good charter business that comes out of the airport.

Also, in the face of climate change and wildfires in the last few years, we have a wildfire base at the airport, and emergency aircraft can be staged there. We've actually been able to house people at the airport when there was a real shortage of accommodation for firefighters.

I would say that the airport is absolutely essential to the health of this community. We've done our part, as I've said, in keeping good investment in the airport, the taxiways and the terminal, etc. We've made good use of the funding that the federal government provides.

Just down the road from us—in northern terms, so people understand this, it's about a two-and-a-half-hour drive—is the Terrace-Kitimat airport that's served by two carriers, which are Air Canada and WestJet.

This is one of the keys, I think, in pricing fairness. I did a scan this morning of prices. Smithers is generally priced higher. It was random; I just picked days in the future. Smithers is generally

priced higher than Terrace, and the air miles are very similar. If the air miles are similar and the aircraft are similar.... I heard that earlier. Generally Q400s are flown. When the miles are similar for Smithers, Terrace and Prince Rupert, it is hard to understand how the pricing is consistently lower.

What that means is that our residents and businesses are making decisions on where to locate. That affects the overall health of the community. Rural communities are facing enough challenges. When residents are forced to drive.... I guess they're not forced, but one sees the difference in pricing for families and for people moving students to universities. They're making those decisions to travel to another airport, sometimes in the winter when it's dangerous.

I believe that regulation can help. It's about considering what a fair price per mile is when the aircraft is the same or it's at about the same part of the country, in order to provide this economic benefit and economic stability to important communities. We're all important across these corridors.

I'm sorry; I forgot to start my timer. I'm going to hope for the best here.

• (1125)

The Chair: You have about 45 seconds left, Mayor.

Ms. Gladys Atrill: All right. Then I will be quick.

I think what we're looking for is regulation that provides fair competition. We're looking for the airlines to be successful. We realize there's a challenge, but our communities need to have fair, equitable access to air travel. It is critical for the health of our communities and the health of our citizens. That's the regulation I'm urging you to consider.

Thank you.

The Chair: Thank you very much, Mayor Atrill.

[*Translation*]

I'll now give the floor to Mr. Côté for five minutes.

Mr. Daniel Côté (President, Air Transport Committee, Union des municipalités du Québec): Thank you, Mr. Chair.

I thank the members of the committee for giving us the opportunity today to share our comments on this important issue of regional air transportation.

I'd like to point out that the members of the Unions des municipalités du Québec represent 85% of Quebec's population and territory. We've been active for over a century already.

First of all, I'd like to talk about the importance of regional air transportation. It's an essential service for land use and the development of Quebec and its regions. In addition to having a major impact on mobility, this service plays a critical role in local and regional economic and tourism development, as well as on access by residents to health and other services in urban centres.

Regional air transportation in Quebec is currently going through some tough times. To fully understand the situation, let's look at a few key facts. Before 2020, Air Canada had a virtual monopoly on regional services. Naturally, this quasi-monopoly guaranteed reliable service, but it was associated with high ticket costs for travellers.

In June 2020, Air Canada announced the suspension of eight regional routes in Quebec. This announcement sent shockwaves through the industry. Since then, Air Canada's presence in the regions has steadily declined. Today, six carriers share service to Quebec airports in addition to Air Canada. They're all small players with limited resources and a limited number of aircraft. This situation has created new challenges for ensuring reliable, affordable service.

We deplore the absence of the federal government in this matter, despite the fact that air transportation is first and foremost a federal responsibility. Allow me to present you with three current challenges facing regional air transportation in Quebec, along with our recommendations.

The first challenge is the lack of services available and inadequate services. There are frequent delays and flights are often postponed or cancelled. What's more, current flight schedules don't meet users' needs either, making regional air transportation even less attractive.

To improve the situation, our first recommendation is to strengthen the federal government's commitment and give priority to improving regional air service. If the federal government can already recognize the importance of good rail service and invest significant sums each year to ensure affordable service, even in remote regions, we believe that regional air transportation also deserves a similar commitment to priorities because many communities in Quebec and Canada are without rail service and sometimes even roads. Therefore, air transportation has a role to play.

The second challenge is affordability and high ticket costs. Although financial incentives are now being offered by the Quebec government and there's been some competition since 2020, it remains a delicate balance.

It's essential to modernize and completely overhaul the operational and regulatory framework for regional air transportation. The Union des municipalités du Québec, or UMQ, and several other partners such as the Alliance de l'industrie touristique du Québec, the Conseil du patronat du Québec and the Fédération des chambres de commerce du Québec, have proposed moving from the current open competition model to a regulated competitive model using private carriers. This new model would allow competition for contracts, while maintaining oversight by a management body. Each region would be able to participate in shaping services to ensure that air services truly meets its own specific needs. Changing the

model would require legislative and regulatory changes at the federal level, with the collaboration of the province.

A third new challenge concerns the services provided by Nav Canada, the agency that manages control towers for the federal government. Indeed, a labour shortage has led to a reduction in the services provided by Nav Canada, resulting in occasional service disruptions or the provision of remote services from another airport. This has operational consequences on the airports affected.

The federal government must therefore guarantee the continuity and efficiency of air traffic control services at regional airports, in collaboration with Nav Canada. It must also fund Nav Canada, rather than passing the bill on to carriers and, ultimately, passengers, via ticket prices.

Finally, it's crucial to stress the need for massive investment in airport infrastructure. While the federal government's airports capital assistance program (ACAP) does exist, it needs to be improved. First of all, the budget envelope is largely insufficient to meet needs. What's more, the reference amounts for the purchase of mobile equipment do not reflect the real costs of this type of equipment, which have skyrocketed since the pandemic and the onset of a tide of inflation.

• (1130)

If we were to implement all these solutions, we're convinced that regional air transportation would improve, at least in Quebec.

Thank you for your attention.

The Chair: Thank you, Mr. Côté. You did not exceed your speaking time. We thank you for that.

We'll now begin the first round of questions.

[*English*]

Dr. Lewis, the floor is yours. You have six minutes for your questioning, please.

Ms. Leslyn Lewis (Haldimand—Norfolk, CPC): Thank you, Chair.

I want to thank the witnesses for coming today and for presenting information on this very important study.

Before we begin our line of questioning, Mr. Chair, I have a few other items that I wanted to raise.

Last week, we had the Minister of Housing and Infrastructure, appear before committee. During that appearance, he committed to provide this committee with a copy of a resignation letter of Ms. Andrée-Lise Méthot, who was a director of the Canada Infrastructure Bank and who is facing investigations with regard to her role at Sustainable Development Technology Canada, or SDTC, and the inappropriate use of taxpayer dollars to financially benefit companies she had connections to. As you know, the minister informed us that Ms. Méthot had tendered her resignation as of April 16. I'd like to know if the minister or the Canada Infrastructure Bank has provided the resignation letter, or the official documentation confirming her resignation.

The Chair: Thank you, Dr. Lewis.

I have spoken with the clerk, and the clerk has informed us that we have not received that documentation.

Ms. Leslyn Lewis: In that regard, Mr. Chair, and in light of that revelation, I'd like to table here today a notice of motion to get to the bottom of the allegations of corruption around Sustainable Development Technology Canada, also known as the green slush fund, and how one of its directors ended up appointed to the board of the Canada Infrastructure Bank.

My motion reads as follows:

Given that

(a) Sustainable Development Technologies Canada, a billion-dollar taxpayer fund, is under investigation by the Auditor General and the Conflict of Interest and Ethics Commissioner;

(b) a former director of the fund, Andrée-Lise Méthot, helped to send multiple companies in which she has a financial interest millions of dollars, and despite this, the government appointed her as a director to the Canada Infrastructure Bank;

Pursuant to Standing Order 108(1)(a), the committee order the Canada Infrastructure Bank to provide the committee, within seven days of the adoption of this motion,

(a) the resignation letter of Andrée-Lise Méthot,

(b) a comprehensive and detailed summary of the projects and the funds that she oversaw during her time on the CIB board,

(c) any internal communications regarding or relating to her resignation from the board, and

Pursuant to Standing Order 108(2), the committee call the following witnesses to testify before the committee for no less than two hours each: Andrée-Lise Méthot, founder and managing partner of Cycle Capital; Jayne Huntley, PCO director of appointments; Dominic LeBlanc, Minister of Public Safety, Democratic Institutions and Intergovernmental Affairs; and Ehren Corey, CEO of the Canada Infrastructure Bank.

We will send a copy of this motion, Chair, to the clerk for translation and distribution to the members of the committee.

I thank you for this opportunity and cede the rest of my time to my colleague Mr. Davidson.

• (1135)

The Chair: Thank you very much, Dr. Lewis.

Go ahead, Mr. Davidson.

Mr. Scot Davidson (York—Simcoe, CPC): How much time is left, Mr. Chair?

The Chair: You have two minutes and 42 seconds, sir.

Mr. Scot Davidson: There's so much to talk about in two minutes. I'm just going to start firing them at you, and if you can keep your answers short, that would be great.

I heard three words from all of you, actually—"lifeline", "essential", "critical". Thanks for standing up for rural Canada, because it is essential that we service our rural Canadians.

I wonder, Shelly, if you know the number that your company has spent on carbon tax in the last year for jet fuel. I see your CFO is here. He may be able to pull that number out, or not.

Ms. Shelly De Caria: Do you have a number?

Mr. Nicholas Purich (Chief Financial Officer, Canadian North Inc.): No, we don't have a specific number available for the committee for the spend on carbon tax.

Mr. Scot Davidson: Fuel prices from carriers that I've talked to have become very concerning for the north. The prices of getting up.... I think it's important for people on this committee to understand that fuel is even transported by plane, if I'm correct. I think Air Creebec might have just retired two ATR-72s. They're trying to get a Hawker online with bladder tanks to transport fuel.

It becomes a huge barrier to companies that want an answer. The carbon tax right through the supply chain is driving up the price of Jet A. Why does that matter to rural Canadians? They are bearing the brunt of that and paying more money.

I wonder if you could talk about the effects of fuel prices on your business.

Mr. Nicholas Purich: I certainly can.

Fuel is one of the most significant expenses that we face in our operation on a day-to-day basis. Similar to the comments from Mr. Sparling, I acknowledge it's a very low-margin business, so any cost that's imposed on the airline, whether it's a tax on fuel or otherwise, ultimately does have to be borne by the consumer or the travelling public.

Mr. Scot Davidson: Okay, thanks.

I have another concern. Something that big carriers didn't face but that smaller carriers and flight schools faced, especially throughout the pandemic, and it's still going on now, is that even with a 40% increase in the public service by this Liberal government, Transport Canada couldn't provide medicals. I had flight schools closing.

I wonder if you could talk about the pilot shortages that we're facing now and the inefficiencies of Transport Canada to turn those medicals. How might that have affected pilot training?

Mr. Nicholas Purich: As I understand it at this point, the issue with medicals has improved. However, pilot shortage does remain a significant issue in our industry. We face about four times higher turnover than we would have prepandemic. Our vice-president of flight operations consistently indicates that the new normal is four times the training, all of the cost of which must be borne by the traveller.

I see my red flag.

Mr. Scot Davidson: That's to vote no.

Some hon. members: Oh, oh!

The Chair: This is newly introduced, to give everybody a heads-up that the time is up, colleagues.

Thank you, sir.

Next we'll go online to Mr. Hanley. Mr. Hanley, the floor is yours. You have six minutes, sir.

Mr. Brendan Hanley (Yukon, Lib.): Thank you so much.

First of all, I want to thank my committee colleagues from all around the table for allowing this important study to happen. I'm grateful for the chance also to sit temporarily in this chair on your committee, not being a permanent member. I'm very grateful for the opportunity to highlight some of the important aspects of northern and remote air travel, and how we can assist, as a federal government, to continue to ensure that northern air carriers thrive.

I'm going to concentrate my questions with you, Mr. Sparling—Joe, not surprisingly.

Mayor Atrill just spoke very eloquently about the connection between community well-being and regional air travel. Air North is a significant local employer in the Yukon. With the growth of Air North over the last couple of decades, I wonder if you could talk about how important it is as a local employer and how important that is to the community.

Mr. Taylor Bachrach (Skeena—Bulkley Valley, NDP): I have a point of order, Mr. Chair.

The Chair: My sincere apologies, Mr. Sparling and Mr. Hanley. I have a point of order here, so we're going to stop the clock.

Mr. Taylor Bachrach: I believe Mayor Atrill has lost her connection and I notice that her video has frozen. I wonder if we could take a moment to see if she was able to reconnect.

My apologies to Mr. Hanley.

• (1140)

The Chair: If it's okay with colleagues here, we'll just hold it there.

Mr. Hanley, you're only at one minute and 21 seconds, so you have four minutes, 40 seconds left, sir.

We'll turn it over to you, Mr. Sparling, in just a second. I'm going to let the clerk work with our AV team here to ensure we can reconnect the mayor.

Mr. Taylor Bachrach: My apologies, Mr. Chair. I thought maybe Mr. Hanley's question was going to be through you to Mayor Atrill.

My apologies for interrupting there, Brendan.

The Chair: No, not at all. Thank you for pointing that out. We'll try to get her back on as quickly as possible.

Mr. Hanley, we're going to let you decide whether or not you'd like to proceed in the absence of the mayor for the time being.

Mr. Brendan Hanley: Given the overall time that we have, I would be happy to proceed.

The Chair: Okay. I know you're going up again in the second round. We'll make sure to try to get the mayor back before you're up again.

We'll let you continue, Mr. Sparling. I'll turn the floor back over to you, sir, if you want to answer Mr. Hanley's question.

Mr. Joseph Sparling: Okay.

While we're talking about local economic development, in the past, most northern communities, using the territorial capitals as an example—in our market, Whitehorse—served as northern outposts

at the end of a typical hub-and-spoke route network. In a hub-and-spoke network, the cash flows from the spoke into the hub. In our operation, we've been able to turn that around by making Whitehorse a hub. That's produced significant local economic benefits, the most significant of which is employment. We employ between 12 and 14 full-time equivalent northerners per 100 scheduled service departures. Our mainline competitors employ one to two, so the employment payback is about tenfold.

By making Whitehorse a hub, we share overhead costs between our regional routes that go north of Whitehorse and our gateway routes that go south of Whitehorse. As I mentioned in my paper, we estimate that this has allowed us to keep regional airfares about 20% lower than they otherwise would be.

The other observation is price-stimulated travel. I think that providing affordable airfares to Yukoners to travel in and out of the territory makes the Yukon a better place to live and work. The year before we started our jet service, the total market size was about 100,000 emplanements and deplanements. Last year, it was better than 400,000. Airfares were over \$300 before we started. They were closer to \$200 per sector last year.

Using our own kids as an example, for sports travel, it used to be a bus trip up or down the Alaska Highway in the middle of winter. Now we see Yukon kids every weekend going south—Vancouver, Edmonton, Calgary, Kelowna—to play hockey. We have one Yukon kid in the NHL, and we have more Yukon kids going to university because they can come back and forth affordably. All of these things add up to make the northern communities better places to live and work, and I think that affordable air travel is a big piece of that.

Mr. Brendan Hanley: Joe, thanks for that. I'm going to interrupt.

There's one point I wanted to make on my colleague Mr. Davidson's previous intervention about carbon pricing. Carbon pricing, at least in the Yukon and, I believe, in Nunavut—I'm not sure about other areas of Canada—does not apply to aviation. We recognize that there are many factors that are escalating fuel costs in the Yukon. Carbon pricing is not one of them.

Joe, to come back to you, I want to talk about reconciliation. Air North is actually 49% owned by a Vuntut Gwichin First Nation from Old Crow. That's been a really important element of providing service to northern first nations communities and enhancing that connectedness in a spirit of reconciliation.

I wonder if you can talk about how important the stability of Air North as a regional carrier is to promoting reconciliation.

• (1145)

Mr. Joseph Sparling: Well, reconciliation is a mandate of both levels of government. I think there's the investment by the Vuntut Gwichin in Air North, and certainly Canadian North is first nation-owned as well. That's a reality of business in the north now. First nations are an emerging force in the northern economy. I think the partnership with the Vuntut Gwichin First Nation—for more than 20 years now—has been very successful. I regard it as a bit of a showcase example of how first nations can and will participate in northern economies.

The logic behind the first nations investment—I remember it well—was not entirely about returns on their investment; it was about preserving service for their community of Old Crow. It was about investing for future generations, having some say and control in the airline, sharing in the success if there was success, and I think that logic has now applied to many first nations investments across the north.

The Chair: Thank you very much, Mr. Hanley, and thank you, Mr. Sparling.

[*Translation*]

Mr. Barsalou-Duval for six minutes.

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

I want to thank the witnesses for being with us.

Our study deals with regional air transportation, which is a very important issue for me. It took the committee a long time to move forward with this study. Yet it's a subject we've been talking about for ages, and we should have tackled it sooner.

I'll start by apologizing to all the witnesses. Since I don't necessarily have a lot of speaking time and there are many of them, I may not be able to ask each witness a question.

I'm going to start with Mr. Côté, president of the Union des municipalités du Québec and the mayor of Gaspé.

Mr. Côté, in 2020, the Quebec government created a regional air transportation working group. To some extent, it was a kind of crisis unit. The group includes representatives from the Fédération québécoise des municipalités, the Union des municipalités du Québec, the Réseau québécois des aéroports and the Association québécoise du transport aérien as well as other players. Ultimately, absolutely everyone in Quebec's air transportation sector has a seat at the table. Unless I'm mistaken, the federal government isn't one of the participants.

On April 28, 2023, Radio-Canada published an article entitled “L'UMQ dénonce l'absence d'Ottawa dans le dossier du transport aérien régional”. When the Minister of Transport, who was new at the time, took office last fall, I told him that the municipalities and Quebec wanted his government to sit at the table and address the challenge that everyone in Quebec is concerned about.

Has the problem been resolved since that article was published in April 2023 and since my discussion last fall with the ministers?

Mr. Daniel Côté: I met with the minister last week, but there were very few commitments. In fact, I don't really sense any inter-

est on the part of the federal government in dealing with the issue of regional air transportation in Quebec. I don't have a clue about the rest of the country but at least in Quebec, I don't sense the federal government has any interest in this essential service, which falls under federal jurisdiction.

Mr. Xavier Barsalou-Duval: I see.

If I understand correctly, you weren't given a specific reason for the absence of the federal government. I believe it was invited to take part in the discussions. The UMQ is not alone in condemning its absence.

Is that correct?

Mr. Daniel Côté: I don't know whether it was invited.

That said, we note its absence, as well as the lack of debate. To date, the only thing I've heard from the federal government regarding air transportation is criticism of what the Quebec government is trying to do and what the municipalities, as airport authorities, are doing.

Regional air transportation is neither a municipal nor a provincial responsibility, except in terms of economic development, which is Quebec's responsibility. This is a federal jurisdiction, but the federal government is totally absent from the debate, which concerns us.

Mr. Xavier Barsalou-Duval: Thank you.

Earlier, you referred to the user-pay model. Previous witnesses have mentioned it as well.

Not so long ago, we carried out a study on the issue of high costs. In fact, our study focused on the state of airline competition. We weren't talking specifically about regional transportation, but rather about transportation in general. Witnesses told us about the model used in Canada. We were told about Nav Canada fees, which are included in the cost of the ticket, security charges, the goods and services tax, or GST, fuel taxes, airport improvement fees and airport rents.

Several fees are added to the cost of the ticket, so it ends up being quite expensive due to government policies. This explains why tickets are so expensive. It seems that completely different models are used elsewhere in the world. They don't necessarily use the user-pay model. In other countries, a portion of government funding is allocated to air travel.

The decision not to subsidize transportation and travel down south is a policy I clearly understand. But do you think it's right to tell people in the regions to fend for themselves?

• (1150)

Mr. Daniel Côté: It's fundamentally wrong. As other witnesses indicated earlier, regional air service is essential. In fact, it's what gives people in the regions access to service hubs, for example in health care or education, and so on. What's more, it's what brings the regions closer to the economic development and tourism the rest of the country enjoys. It's an essential service, and any essential service deserves at least some attention from the federal government.

In this case, regional air transportation, which is an essential service, is being used as a cash cow to fill government coffers, rather than supporting that sector. Passenger rail service gets \$381 million a year in support. Via Rail is getting over \$381 million a year from the federal government but zero dollars is invested in air transportation. On the contrary, some \$400 million a year is taken from the carriers' coffers, through all the fees we mentioned earlier. That money goes into the government's consolidated revenue fund. So there's no benefit in terms of infrastructure or services to the public.

It's a paradigm shift away from rail service. We're not criticizing rail service. We understand that it's essential to support rail service, but trains don't go to every rural region in Canada. I can attest to that. Air service is so poor that I had to drive 13 hours to get here this morning.

Mr. Xavier Barsalou-Duval: I think you don't have rail service anymore. There used to be, if I'm not mistaken.

With regard to the user-pay model, there are direct charges for which the federal government is responsible, such as Nav Canada service charges, the air travellers security charge, the fuel tax and GST. To support regional air transportation and for the common good, the federal government could decide to change the way these charges are calculated or absorb the costs of eliminating them through an equalization system.

Have Quebec municipalities considered such solutions?

Mr. Daniel Côté: For several years now, the Union des municipalités du Québec has been suggesting that regional air service be regulated and that competition be promoted through a public bidding process for the awarding of regional routes. The regions would determine what services they need, and then there would be a bidding process to spur competition. Then we would establish routes with carriers.

I'm being told that our time is up.

The Chair: Thank you, Mr. Côté and Mr. Barsalou-Duval.

[English]

Next we have Mr. Bachrach.

Mr. Bachrach, the floor is yours, sir. You have six minutes.

Mr. Taylor Bachrach: Thank you so much, Mr. Chair.

Thank you to all of the witnesses for joining this study.

This is something those of us who represent rural ridings have been looking forward to for some time. I want to especially thank my colleague, Mr. Hanley, for persisting on this study and ensuring we got to this very important topic.

It's wonderful that the mayor of my home community, Mayor Atrill, is here to join us. We're also joined in the room by Mayor Sarrah Storey from the village of Fraser Lake. Both of these rural mayors, like rural mayors all across Canada, know just how vital transportation is to the quality of life in our communities. That's why I've been so passionate about passenger transportation, whether it's buses, passenger rail or affordable air travel for northern citizens.

I'll start with Mayor Atrill.

You covered a lot of ground in your opening statement, but I'm curious about the competitors that have tried to enter the Smithers market. I know you've talked to these companies. We'd love to have them at committee to present their story and the challenges they face.

What have you heard in your conversations with smaller companies that have tried to compete head-to-head and serve the local market with affordable airfare?

Ms. Gladys Atrill: Thanks, MP Bachrach. I appreciate the question, and I'm sorry for dropping out of the meeting. I had a connectivity issue, so I'm happy to be back.

I think what we hear is that there is depth in the big carriers. We have had smaller regional airlines come in, and there have been very good ones. One is based in Smithers. Central Mountain Air has its head office here but is unable to maintain service in and out of this airport. It relates to matching schedules and sometimes deeper cuts to fares. When that is combined with the loyalty programs that the major carriers have, it becomes untenable for the local airlines. In our case, the regional carriers still provide charter service to industrial projects out of here. They are able to make use of the airport, but it doesn't involve scheduled passenger service.

I've heard others talk about the critical nature of these airports, and it is critical. In this day and age, people need to have access to travel. If smaller carriers can't make it, we suffer, because people will make those decisions. We have talked in a very limited way to another major carrier, but I'm not sure there's enough room for two major carriers into this airport. There is definitely room for a regional carrier.

Also, when the flights are here, they are full. I think that's the other piece. When there aren't flights available, people travel down the road, or they do when the savings are deep enough to attract them to drive down the road. However, the airplanes are full. If the airplanes weren't full, I would feel differently about it, but the flights are full.

• (1155)

Mr. Taylor Bachrach: Thank you, Mayor Atrill.

I wonder if you could expand on the impact of air travel on the local economy. I know you talk to existing local businesses as well as prospective investors. What are they telling you about the importance of affordable airfares into the Smithers airport?

Ms. Gladys Atrill: If the airfares aren't affordable, they're not going to be here. Those decisions are being made. Again, our closest airport is two and a half hours down the road.

In terms of access to industrial opportunity in northwestern British Columbia, one airport is the same as the other. We've spent a lot of time making this a very livable community. However, at the end of the day, if the costs are different enough, people will make those decisions, even tourism businesses that have made a decision to fly into a different airport because the prices are better for their customers.

Industrial companies make that decision as well. There is a cascade effect. If a large business chooses to move down the road, the services that go with that business also move down the road. I am told this is directly related to the services at our airport—frequency and fare.

The health of the community relies in significant part on the type of access we have to air seats and air prices. They have to be reasonable, or this community feels it across the board.

Mr. Taylor Bachrach: Thank you, Mayor Atrill.

How have your conversations with Air Canada gone? I know you meet with them periodically and have frequently brought up this issue, as I did when I was mayor of Smithers. How would you characterize those conversations?

Ms. Gladys Atrill: They are friendly but unmoved. I think they're willing to hear me. I don't think that we in any way affect the decision-making, so it's friendly and without result, I have to say. They're willing to pick up the phone, but there is no change in action. They explain the situation, that there is competition down the road. They have to meet that competition. Also, they know that Smithers' passengers are driving down the road, so they get the passengers anyway.

I think, from the perspective of the airline, they're having their needs met. They are still flying here, so I don't want to be too critical, but I don't think they're motivated to improve the service here unless there is a competitive airline, and then they'll come in and increase their service.

Mr. Taylor Bachrach: As my last question, Mayor Atrill—and I might get cut off—it seems like there are a number of different proposed solutions. One of the solutions is that the federal government invest more in regional airports and drives down the cost for the airlines, with the assumption that the airlines are going to pass those savings on to the passengers. The other proposal is the solution that's been pursued in Quebec, whereby the provincial government directly subsidizes rural routes and sets a cap on the amount of the airfare with a subsidy to the airlines. I'm just wondering which regulatory approach you recommend that the federal government pursue.

Ms. Gladys Atrill: I don't know, Mr. Bachrach, if I have my heart set on a type of regulation. I think, from a community perspective, the overriding concern is that there be fair and equitable access to air travel for residents and for those coming out of the business, industrial and emergency sectors. We need to know that the prices are fair and that people are not motivated to drive down the road.

Perhaps I should have thought about that more. I leave the decision on the type of regulation, but I encourage you to recommend a regulation that enables these small communities with smaller regional airports to survive and thrive. It is essential to maintaining good business in rural communities.

• (1200)

Mr. Taylor Bachrach: Thank you so much.

Thank you, Mr. Chair, for your forbearance there. You can take it off my next round if you feel—

The Chair: Mr. Bachrach, it is only because you have been so forceful in making sure that Timmins is well represented in this committee that we provided you with that extra 40 seconds.

Mr. Taylor Bachrach: It's Smithers.

The Chair: I'm sorry. It's Smithers—excuse me.

Mr. Taylor Bachrach: Timmins is also a great community.

The Chair: I just want to say this to the mayor who's watching—and I say this on behalf of all members here—you have somebody here who, on any given day, will bring up Smithers and make sure that there's some form of reference to Smithers.

Thank you very much, Mr. Bachrach.

I will turn the floor over now to Mr. Davidson. The floor is yours. You have five minutes, sir.

Mr. Scot Davidson: Thank you, Mr. Chair.

Now I have to talk about the “soup and salad bowl of Canada” and York—Simcoe.

To my colleague from Yukon, I can assure you that if you're eating carrots in the Yukon from the soup and salad bowl of Canada, you're paying the carbon tax all the way there, right through the supply chain.

I'm getting back to fuel because, next to labour costs, I think it is one of the largest costs that regional carriers face. I'm going to talk about Timmins because, obviously, I'm from Ontario, and maybe this relates to you—fuel shortages at airports and smaller airports not having fuel.

Why does that matter? Why does that matter to my colleagues now? It's because of the cost that we're seeing airports not selling fuel, and this relates to infrastructure. I know that now we have a variety of airports with NDBs, non-directional beacons, being de-commissioned, with localizer back courses only and no instrument landing system approaches. Our minimums are 600 to 800 feet. GPS approaches aren't approved at some of these airports, so there are aircraft leaving with extra fuel now and not taking bags. I wonder if you can tell us about that.

Ms. Shelly De Caria: I'm going to use Qikiqtarjuaq as an example. The communities that you guys are talking about actually have road access. Mine don't, so it heavily impacts how many people and how much cargo we can bring into the community. Qikiqtarjuaq hasn't had fuel quality assurance since December, so we've had to take extra fuel from Iqaluit in order to land there, which bumps bags and passengers. We are an essential service, so this has heavily impacted not only.... I think there have been five times since December that we have had no fuel in those communities.

Do you want to add to that?

Mr. Nicholas Purich: In addition, you referenced some of the navigational infrastructure. Reliable access to air navigation is not consistent across the northern communities we serve. That may mean an alternative that is farther away has to be selected, which may mean more fuel is carried and fewer passengers and fewer bags are carried. All of those issues compound the lack of availability a community may face due to fuel and due to infrastructure unreliability.

Mr. Scot Davidson: Thanks for that.

I watch the federal government. Just to relate it to southern Ontario, Buttonville just closed. We should almost have a moment of silence for that airport closing. That was the fifth-busiest airport in Canada. As well as jets not being allowed into the island airport, Downsview is now closed. That relates back to Air Atlantic and Air BC, which was trying to be a regional carrier out of the Buttonville airport. Their alternate was Montreal. The minimums were down to 600 feet only, and there were no extensions.

To get back to, we'll say, pilot shortages, which I think everyone here would agree are affecting aviation now, and how about mechanics? I've talked to many airlines. There's now a shortage of mechanics. We have what we look at as a blue seal recognizing foreign credentials. I wonder if that would be something that would help your industry.

Mr. Sparling, you might as well get in on this.

Mr. Joseph Sparling: I'm sorry. We must have lost Internet service here.

Was your question about the shortage of maintenance personnel?

Mr. Scot Davidson: It was about maintenance and pilots and the red tape and lack of recognition of foreign credentials, and speeding things up.

Mr. Joseph Sparling: Well, I think the labour shortage is industry-wide, and it really goes across multiple industries. We've been relatively fortunate on the pilot front, and we are fully staffed on the maintenance front, but we're seeing that when we tender for jobs, we're not getting a lot of résumés.

I think one of the issues that have been cited is that the changes made to the foreign worker program, perhaps with the best of intentions, have produced some unintended consequences, which are impacting aviation directly on the maintenance front. We hear that from our MRO service provider.

• (1205)

Mr. Scot Davidson: It is a highly technical and traceable qualification. Speeding that up by having less red tape and by recognizing foreign credentials in a more expedient manner would definitely help relieve some of the stresses we see on that, I would tend to think. Would you agree with that?

Mr. Joseph Sparling: That's correct, yes.

Mr. Scot Davidson: Okay.

Getting back to municipal—is that a red flag?

The Chair: It is a red flag.

Mr. Scot Davidson: That's unbelievable. I have so much to say, Mr. Chair.

The Chair: I'm sure you'll have another opportunity, sir.

Mr. Taylor Bachrach: It is a red card.

The Chair: It is a red card.

Thank you very much, Mr. Davidson.

Next, we'll go back to Mr. Hanley. Mr. Hanley, the floor is yours. You have five minutes, sir.

Mr. Brendan Hanley: Thank you very much. I will go back to Mr. Sparling.

I really want to use this time to focus on the Competition Act as it applies to regional airlines and to really try to get into some policy recommendations.

Now, Joe, you did submit an accompanying paper by Fred Lazar. It's pretty long and pretty technical, but it really goes into some of the issues around competition with mainline carriers and the potential benefits of interline agreements.

I wonder if you could maybe summarize where we should or could be going in terms of fostering or supporting interline agreements to support the viability of smaller regional airlines.

Mr. Joseph Sparling: Well, I think the key to success for regional service is not bringing in more big guys but rather making sure the little guys can compete. Interline agreements are just one way of accomplishing that. That was recommended in the 2000 TRAN report, in which consolidation was foreseen. One of the ways to alleviate that or to address that would be to have mandatory interline agreements, which would let the little guys compete better.

With regard to Mayor Atrill's situation in Smithers, if CMA had an ability to better compete with Air Canada through interline agreements, use of frequent flyer programs and all of those things, that would probably create an optimum situation for your community—not to replace Air Canada, but to augment it and to provide the level of competitive service you're looking for. Those things have already been addressed in telecommunications and the railroad industry. I think aviation needs to look at policies and/or regulation that can somehow make it easier for small players to survive.

I reviewed what the Competition Act is all about, and creating an opportunity for equitable, competitive participation by small and medium-sized entities is one of the four mandates. I think that's the direction we have to move in.

Mr. Brendan Hanley: What you said reminds me of a conversation that we've had. I know you've mentioned the win-win possibility before, the idea that this is not necessarily taking away from Air Canada's opportunities. I think the pandemic illustrated some of that during that experience. There is the ability to keep both airlines full and complementing each other in terms of service.

I wonder if you could maybe talk about that.

Mr. Joseph Sparling: Absolutely. As Shelly pointed out, the big carriers have no interest in going to the smallest of communities, but they do have an interest in going to what we'll call the northern hubs. That's probably where we're at a little bit of disagreement with them. I think there's a win-win situation for the regional carriers to be feeding the mainline carriers, but more so in the southern gateways than in the northern hubs.

I can certainly understand why they're perhaps reticent to welcome new competitors, if you want to call them that, because throughout their history, every time there's a new competitor start-up, it's "I have two airplanes this year, and I'm going to have 20 next year", and the only place they're going to get business is out of the prime east-west routes.

I think what we have to do is a better job of convincing the big guys that we're not out to cut their grass. If growth were a priority for Air North, we would not be based in the Yukon; we'd be based in the south. There absolutely is a win-win scenario out there, but we haven't been able to make a good case for it.

That's where some cleverly crafted policy may be helpful in that regard, and it would create a better situation for regional air service, as well as for all of the carriers. It wouldn't be to anybody's detriment.

• (1210)

Mr. Brendan Hanley: Yes. Thank you for that.

I only have a few seconds left. However, if there is one sort of take-home point that you'd like this committee to remember in recommendations, I'll give you 10 seconds to do that.

Mr. Joseph Sparling: In general, the thought is that we have to have more competition, but bringing in more big players—and, in the big scheme, some of them are international players—does not always produce optimal results.

Look at Canadians right now. Consumers are paying too much for groceries, too much for fuel, too much for cell service, yet the providers of those goods and services, which are often large and multinational corporations, are making record profits. There's a role for the smaller players in Canada.

The Chair: Thank you.

Mr. Joseph Sparling: We're a small market, and the small players need to survive.

Thanks.

The Chair: Thank you very much, Mr. Sparling.

Thank you, Mr. Hanley.

[*Translation*]

Mr. Barsalou-Duval, you have the floor for two and a half minutes.

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

I'm going to continue the discussion from earlier.

I'd like to go back up a bit to talk about the programs put in place during the pandemic. People who are watching will then understand why I'm bringing this up.

During the pandemic, the Government of Quebec set up the regional air service assistance program. The program no longer exists today, but it made it possible to continue providing air service in the regions.

In a press release on August 6, 2020, the federal government announced another program to provide essential air transportation for remote communities. The backgrounder that accompanied the release provided a definition of sorts for "remote communities". In any case, it was estimated that 182 communities were considered remote. A look at the list of communities obviously showed that many of them were in Quebec. In fact, when I looked at the list, I saw that these are essentially places with no road access.

I'm very pleased to know that an unserved area is being considered a remote community and has been made a priority. However, it also meant that all areas with road access were no longer eligible for the program. Fortunately, we had the proverbial regional air access program, which nevertheless delivered assistance people could count on.

The Deputy Minister of Transport appeared before the committee a few weeks ago. I asked him whether, in his opinion, air transportation service in the regions was an essential service. I couldn't get him to say it was. As part of our study in committee today, we also voted on a budget to visit the regions. We haven't talked about areas of Quebec that may not have road access.

Having made this long aside, my question is for the representatives of the Union des municipalités du Québec.

Do people still need air transportation service, even if they're 10 hours away or 900 km from a city like Montreal?

Is it an essential service, or do people no longer need it once their town has road access?

Mr. Daniel Côté: It's an essential service. Even if there is a road, even if there is a train that can get there, air service is still essential. Let me explain why.

I'm the mayor of Gaspé, which is 700 km from Quebec City and nearly 1,000 km from Montreal. As I said earlier, I drove 13 hours to get here today. Why did I drive here? Because there's no train from Gaspé and the bus service is totally inadequate. In any case, on a bus, it might have taken me 48 hours to get here, which makes no sense.

Air service is not available. That's why people have to drive. It's an essential service for people in the regions to get to urban centres and for our economic players so that they can develop the economy in our regions. It's an essential service that makes it possible for our people to receive services.

It's an essential service when people live a certain distance from urban centres.

The Chair: Thank you very much.

Next we have Mr. Bachrach.

[English]

Mr. Bachrach, the floor is yours. You have two and a half minutes, please.

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

Again, this is a really important conversation, and it's great to see everyone so engaged.

I was going to ask a policy question of Mr. Sparling, but first I'll just note that I've had a chance to fly with your airline a couple of times, because the northernmost communities in Skeena—Bulkley Valley are accessed most efficiently through Whitehorse. I chatted to passengers on board Air North, and it's amazing just how passionate Yukoners are about your service. They're great ambassadors for Air North. I hope to fly with you again in a few weeks when I visit Lower Post for the opening of their new community building.

On the policy front, you've been really articulate around interline agreements and code shares and how that can benefit the affordability of northern air service.

I wonder about these other policies that other jurisdictions are pursuing. In the United States, my understanding is that the government essentially puts rural routes or regional routes up for auction,

and airlines bid on them based on what they feel they can provide the service for. We also have the situation in Quebec, which I understand involves a cap on fares to regional airports as well as a federal subsidy. Then there's the option that the federal government invests heavily in airports in the hope that airlines pass those savings on to consumers.

Do you feel like these policies are complementary, or are there other policies that, in addition to interline agreements, would add to the benefit for rural air passengers?

• (1215)

Mr. Joseph Sparling: Well, I think you're referring to the essential air services program in the States, and I believe that is a subsidy program.

I've never been a big advocate of subsidies. I think that there are other ways to accomplish what you want to accomplish. I think that the policy front and the regulatory front have steps that can be taken to allow regional carriers to compete. Steps of investments in infrastructure may be bigger priorities.

Certainly, subsidies were absolutely essential during COVID. We would have run out of cash were it not for subsidies, and we're very thankful for those, but a lot of the subsidy dollars, in effect, funded empty seats flying around on the gateway routes. That wasn't super-productive. The market reverted to a pre-deregulation level of economic activity.

In my mind, it would have been a good opportunity for the government to use the subsidies with conditions. It would have produced dollars better spent. I don't think anybody likes to see operations subsidized. You never seem to get the type of efficiency that you should in that regard. I would lean towards focusing on ways that small carriers can be competitive rather than the subsidy route.

Mr. Taylor Bachrach: Thank you.

The Chair: Thank you very much, Mr. Bachrach.

Next we have Mr. Strahl.

Mr. Strahl, the floor is yours. You have five minutes, sir.

Mr. Mark Strahl (Chilliwack—Hope, CPC): Thank you to the witnesses.

I want to follow up on that, Mr. Sparling.

We just came off of a study for the more southern routes and the major airlines. It talked about some of the reasons that Lynx Air and some others have failed on some of the more traditional routes of Vancouver, Toronto, etc. That was their bread and butter, and they couldn't make it work. We heard about fees. We heard about the regulatory environment.

I know that both of the northern airlines mentioned reconsidering the user-pay model. We know that the Government of Canada heavily subsidizes some modes of transport. I just read an article this morning about the Canadian, the Vancouver-to-Toronto train. It subsidizes the passengers at about \$1,000 per passenger for what can only be described as tourist travel. No one's travelling that route for business or for essential services, I would argue.

How do you feel the government should treat the different modes of transport between, say, rail in the south and air in the north?

You said that they should reconsider the user-pay model. What exactly are you looking for there?

Mr. Joseph Sparling: We don't have toll booths on our highways. We all agree that highways are necessary pieces of infrastructure, and the funding for highways is generally provided out of the public coffers. Aviation is treated differently. The airport rents are probably the biggest example of where the government is expecting users to pay for that infrastructure.

I think there's no better case for publicly funded infrastructure than air travel in rural Canada. You've heard every witness here talk about the large geography and the small population and how air travel is a necessity. I think the infrastructure for air service should be treated in the same manner as our highway infrastructure. It's necessary and it should be publicly funded.

To the best of my knowledge, many other countries treat it that way, if not most other countries, so I think it's time for a change in the model. The notion of an ultra-low-cost carrier in Canada is a bit of an oxymoron, because we're not an ultra-low-cost environment, and I think those are steps that need to be taken. Make us a lower-cost environment and airfares can go down.

• (1220)

Mr. Mark Strahl: To the folks at Canadian North, you also spoke—you both did, but perhaps more the Canadian North folks—about the gravel runway issue. I'm hoping you can talk to me about whether or not the issue of paving some runways, which would allow for additional types of aircraft, is a possibility, given the climate in some of those places.

Would those sorts of investments actually bring competition from some of the bigger carriers that would then have access to those airports, whereas they currently wouldn't have equipment that's capable of landing on some of those gravel runways?

Ms. Shelly De Caria: I'm going to use Cambridge Bay as an example.

We needed a gravel kit-equipped jet to be able to land there. We had to retire that Boeing 737-200 because it was a one-off in our fleet, but also because they no longer produce the parts you need to be able to operate. The only thing that could replace that service going into Cambridge Bay was two ATRs—one passenger and one freighter—so that's two different kinds of aircraft that are going now at the cost of the one Boeing 737-200 that we had prior. This is obviously a big impact on that community. Having a paved runway would absolutely help with the Boeing going in.

Other carriers would likely take that opportunity. They won't invest, though, in the other communities we serve in the ATR markets that are much smaller with gravel.

Mr. Mark Strahl: You mentioned as well regulatory adjustments that you felt needed to be made. Could you expand on that in the time we have left?

Ms. Shelly De Caria: Absolutely. We operate in a very unique environment, and the regulatory policies we have in place do not contribute to the success that we have. The APPR and the pilot and crew duty limitations have heavily impacted what we are able to fly in a day, in comparison to what we were doing two years ago. People need to understand our communities in order to make those adjustments.

The Chair: Thank you very much.

Mr. Mark Strahl: Thank you.

The Chair: Thank you very much, Mr. Strahl.

Next we have Mr. Rogers. Mr. Rogers, the floor is yours. You have five minutes, sir.

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

Thank you to all of the witnesses with us today participating in this very important study. With your knowledge, experience and involvement in the airline industry in rural and remote areas of Canada, we appreciate the information you provide.

I know that for all of us as MPs, as we travel to extreme areas of the country and from one end to the other, like Mr. Bachrach in western Canada and myself in Newfoundland and Labrador, the challenges we face on a regular basis flying home to get back to our ridings are extreme. Flying into Gander, sometimes it takes me a day and a half to get home from Ottawa, if you can imagine that.

I know a lot of challenges have to do with weather, and there are all kinds of issues around staff shortages with major airlines like Air Canada and WestJet. We've had those folks here talk to us about this stuff.

What we want to find out as a committee, of course, is what you can tell us we can improve in the airline industry for our rural and remote areas. What do we need to do as a government, and what do we need to do as an industry?

Mr. Sparling, given your research and your extensive experience with Air North, I'd like first of all for you to talk to us about the challenges you have faced, even though you identified some things in your previous comments, and some of the lessons you've learned operating in northern Canada—for example, operating aircraft and so on. Take a few minutes, and if anybody else would like to jump in on that, I'd welcome your comments.

Mr. Sparling, please go ahead.

• (1225)

Mr. Joseph Sparling: I spoke a bit about the difference between our turboprop routes, our northern routes, and our southern routes and the increased costs and operational challenges. Shelly mentioned similar challenges with Canadian North.

The investment in infrastructure and the ability to upgrade our fleets is limited by the gravel runways that we operate into, the lack of LPV approaches in the north and the higher weather limits. There are a greater number of weather delays, a greater number of turnbacks and fewer alternates. All of those things make the northern operations more challenging, and if we can address some of those things through investments in infrastructure, it would improve our ability to provide the service that the communities we serve expect.

On your situation getting into Gander, if it's foggy, it's foggy, and there's not much anybody can do. In Dawson City, one of our key northern airports, the approach limits are better than 1,000 feet. Compare that with Vancouver, where your limits are 200 feet. Increasing the approach capability will increase the reliability of the service.

Mr. Churence Rogers: Shelly, do you want to comment?

Ms. Shelly De Caria: I think it's recognizing the realities that we have. The regulations that are in place don't recognize those.

We face an average of 175 weather cancellations a month, with a big part of it in Baffin Island. Our closest airport from Iqaluit is an hour away on a jet, and an hour and a half away on an ATR. Those operational expenses cannot be overlooked.

Mr. Churence Rogers: I've flown on Canadian North and enjoyed the flight, quite frankly, to the north.

I'd like to ask all of you, for the benefit of the committee, to make specific recommendations, as you've been doing today, that would really inform this study. Be specific. Be direct. Give us the benefit of your knowledge and experience. Make sure that we know exactly what it is that we as a committee should be recommending in this study to the Government of Canada.

Ms. Shelly De Caria: Flying to Qikiqtarjuaq in the middle of winter, I think you would recognize the hardships that we face. Policies that are created without realizing the realities that we face have been really challenging for us. Include our voice in the decisions that are being made, because we know the north and the rural communities the best.

Mr. Churence Rogers: I recognize that the COVID period, of course, was a very difficult time. The Government of Canada invested significant dollars in infrastructure and support for airports and so on. That's the kind of thing that I think is the only thing that might help in terms of improving services in rural and remote areas of the country.

Thanks to all of you.

The Chair: Thank you very much, Mr. Rogers.

Next we have Mr. Muys.

Mr. Muys, the floor is yours. You have five minutes, sir.

Mr. Dan Muys (Flamborough—Glanbrook, CPC): Thank you, Mr. Chair.

Thank you to all the witnesses for taking time to appear, both in person and virtually, and to those who have travelled.

The comment has certainly been made a number of times about this being a lifeline for communities.

Ms. De Caria, you mentioned in your opening remarks that there are 21 communities you service that would otherwise have no access.

Whether it's you or other witnesses, is it possible to quantify how many communities or a range of number of communities in Canada fall into that camp? It's more than 21, I'm presuming.

Ms. Shelly De Caria: We have 21 that are isolated with no road access. We service 25 communities in the Arctic, but 21 of them are isolated. The only way in is by our aircraft.

• (1230)

Mr. Dan Muys: Right, but are there other communities outside of those 25?

Ms. Shelly De Caria: Absolutely.

Mr. Dan Muys: How many in Canada would there be?

Ms. Shelly De Caria: Nunavik alone has 15. We only service one of those.

I can't give you an exact number as to how many are....

Mr. Dan Muys: Just for context, I want to understand the volume we're talking about.

Ms. Shelly De Caria: In the 25 communities, we have 130,000 people. As I mentioned, that's equal to one city here down south. A lot of those...I'm from Kuujuaq. It's a jet service, and there are 3,000 people.

Mr. Dan Muys: In addition to being a lifeline for communities, it's also crucial to our economy. I know that's been discussed and talked about in the testimony we've had today.

To each of the witnesses, what's the trajectory in terms of opportunity for travel to northern and remote communities for the Canadian economy? Are we on an upward trajectory? What do you see over the next five or 10 years?

Mr. Nicholas Purich: Many of Canada's northern communities have higher levels of population growth than southern communities. I believe that this, coupled with the need for access to critical goods by air transport, will continue to increase the requirement for air transportation to those communities.

Mr. Dan Muys: Mr. Sparling, do you have any thoughts on that from an Air North perspective?

Mr. Joseph Sparling: The northern economies are all growing and the trajectory is positive. We've seen historical travel growth, and I think we'll continue to see it. The need to facilitate it and improve the infrastructure will only increase.

Mr. Dan Muys: Mr. Gervais, would you comment?

Mr. Bernard Gervais: I have an answer for your question. The committee did a report on that, but it was from the Office of the Auditor General.

There was a report tabled in 2017. The OAG identified 117 airports that serve remote and northern communities, which are defined as “communities for which the only reliable year-round mode of transportation was by air.”

We're talking about 117 out there. Maybe there are more or maybe some are under the rising sea, but there were 117 airports at that time.

Mr. Dan Muys: That's a significant number for sure.

The study that we were previously looking at in this committee immediately prior to this one was with regard to competitiveness of air travel in Canada. We heard from WestJet and Air Canada the recommendation of a review of taxes, fees, service charges and the regulatory burdens that were compounding the competitiveness. We've heard testimony today, and some examples, with a lens in particular on northern and remote air travel.

Would you agree with that? Are there any further examples of fees and costs that you want to cite or that we want to reiterate for the purposes of this study?

I'll turn to Canadian North and then we'll go around the table.

Mr. Nicholas Purich: The increase in fees and costs we've seen over the last few years has made it more difficult to operate in many of our communities, specifically with air navigation costs, landing fees and charges. Just about every other fee and cost directly imposed by the government we do have to pass on to the traveling public, which makes it more difficult and may ultimately destroy travel demand by making it unaffordable.

Mr. Dan Muys: Go ahead, Air North.

Mr. Joseph Sparling: The note about impacting demand is huge. Air travel is very price-elastic. The higher the cost, the less people are going to travel.

Part of this study was driven by the perception that domestic airfares are too high. Your market study, which I think is going to be part of the process, is going to disclose that the primary reason airfares are high is the cost of flying in Canada. If we get the costs down, the airfares will come down.

The Chair: Thank you, Mr. Sparling.

[*Translation*]

Mr. Iacono, you now have the floor for five minutes.

• (1235)

Mr. Angelo Iacono (Alfred-Pellan, Lib.): Thank you, Mr. Chair.

My question is for Daniel Côté from the Union des municipalités du Québec.

According to your data, how many additional controllers would be needed to ensure optimal coverage at regional airports?

Mr. Daniel Côté: We don't have that number. We're generalists. Surely there are experts who could answer that question. What we do know is that there are service interruptions.

Mr. Angelo Iacono: Were you consulted on business decisions when routes were cut?

Mr. Daniel Côté: No, we're informed, but we're never consulted. It's a purely private market that's unregulated. We're told when routes have been cut. We sometimes find out about changes in service when we book tickets, quite simply. Oftentimes we're not even informed of changes.

Mr. Angelo Iacono: That's interesting.

You mentioned private entities. I would remind you that airlines are private companies. So the Government of Canada can't really intervene and tell all the airlines how to manage their affairs or their way of doing things. It can only intervene on fares, and it already does that.

It's one thing to say that the government is doing nothing, but it's another thing to admit there are limits to what it can do. We have to consider what it can do to the airlines. For example, the federal government does a lot at airports. It has invested a lot of money in airports, and it did so during the pandemic to help companies and airports. So the government has taken action. You say that the government is not really there. That statement is a little too harsh, a little too unfair.

Do you think the airlines should be consulting with local communities?

Mr. Daniel Côté: They absolutely should.

I would like to respond to your other comments. Do you consider \$38 million a year across Canada to be a major investment in infrastructure?

We estimate that this makes it possible to renovate about one Canadian airport a year. We don't see that as monumental.

You also have the power to regulate markets. The federal government made a decision several years ago to let the free market reign.

Mr. Angelo Iacono: Since you mentioned some figures, you know how much our government has invested in all airports since 2015.

Are you aware of how much the previous government invested before 2015? Did it invest more? Did that government invest anything?

I ask because you're aware of what we're doing. How much was spent during that period? You're criticizing the amount invested by our government. You say it's not enough, but do you know how much the previous government invested during its 10 years in power?

Mr. Daniel Côté: I'm not looking to start a partisan war. We looked at the numbers and—

Mr. Angelo Iacono: I'm asking you a legitimate question.

You're focused on numbers. I'm happy to let you know, but are you aware of the figures for the previous government?

Mr. Daniel Côté: Mr. Chair, I wish I had time to answer. It's a question of respect.

What we've documented is that the airport critical infrastructure program, or ACIP, has always received \$38 million to \$41 million per year for many years. Currently, the amount is \$38 million. There are rumours that this number will drop to zero in the next few years. We hope not.

We're therefore lobbying for the current investment of \$38 million to be increased. It used to be \$41 million, which is not a huge amount either. The investment has always been \$38 million to \$41 million for about 10 years.

We haven't done a comprehensive study going back 100 years. Over the past 10 years, the investment has ranged from \$38 million to \$41 million.

Mr. Angelo Iacono: In your opinion, would putting a floor on regional fares be beneficial in terms of the competitiveness and accessibility of air transportation, or on the contrary, would it be detrimental?

Mr. Daniel Côté: The UMQ has studied the possibility of establishing a floor price. This could have a positive effect on small carriers, as it would prevent dumping by large carriers, which often crushes the competition. So a floor price can have a beneficial effect. A ceiling price can also be good for consumers.

We primarily believe in regulating markets. There should be an entity to establish the minimum services required in each of the regions. That would be the most profitable thing.

Upstream competition could be introduced through a bidding system, as a number of regions in the United States and Western Australia do, for example. These are fine models that the UMQ has documented.

Mr. Angelo Iacono: Thank you for following that.

Through our chair, could you send us those examples, and mention which airports have implemented this practice?

• (1240)

Mr. Daniel Côté: I'd be delighted to do that. We asked professional firms to document it. We can provide you with the documentation.

Mr. Angelo Iacono: Thank you very much, Mr. Côté.

Mr. Daniel Côté: Thank you.

The Chair: Thank you, Mr. Côté and Mr. Iacono.

Mr. Barsalou-Duval, you have the floor for two and a half minutes.

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

I will continue on in the same vein.

Whether or not they represent airlines, witnesses have often told us that people would like to see some competition in the regions. However, at some point, they realize that the market is too small to be served by two, three or four airlines. It's already hard to fill a

plane, so how would you fill two or three and provide a service that makes sense?

To create a free market situation—if I understand your proposal correctly—the solution might be to set up a regulator or a bidding system. So it would be up to the region to define its needs. Then, there would be a call for tenders, and the region would decide which choice would be most advantageous for it.

Have you discussed this with the federal government? Do you have any thoughts on how that might be received?

What legal or regulatory changes would be required to operate in that way? If I understand correctly, it wouldn't be possible at the moment, based on established law.

Mr. Daniel Côté: That's our understanding. In fact, you've summed up the model we envision quite well.

As for the necessary amendments, I don't have all the details right now. However, in terms of legislation and regulations, the decision was made a number of years ago now to let the free market reign, for better or for worse.

We know that an essential service controlled by the free market, which would be offered based on the profit that people in the private sector can make, cannot work. If our health care system were solely operated by the private sector without public subsidies, essential health care services could not be provided, otherwise it would cost millions of dollars.

An essential service like regional air transportation deserves some attention from the government. We're not saying continue to encourage the free market and provide more subsidies. We're saying that it's possible to get results at a lower cost, while allowing the players to compete through a bidding process. Perhaps there would be one carrier per location and no competition on the ground, but there would be competition upstream. That way, we could get results. At the very least, we should try.

Mr. Xavier Barsalou-Duval: Wouldn't that require financial support from the government?

Mr. Daniel Côté: As far as unprofitable airlines are concerned, that would probably be necessary, just as any essential service deserves to have a minimum level of government support. As for the rest, we have to take a close look at the models used in Western Australia and in some parts of the United States.

We can provide that information to the committee.

The Chair: Thank you, Mr. Côté.

Thank you, Mr. Barsalou-Duval.

[English]

Next we have Mr. Bachrach. The floor is yours. You have two and a half minutes, sir.

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

One of the promises of competition, of course, isn't only lower prices, but also better service. One of the things we've seen in regional centres, or more rural centres, is that when you have just a single carrier, some of those services get contracted out, and that can cause frustration for passengers who are trying to get customer service.

I wonder, Mayor Atrill, if you could talk about the situation at the Smithers airport and some of the stories you've heard from folks about transparency and communication.

Ms. Gladys Atrill: Thanks, Mr. Bachrach.

It is one of the problems. We're talking about regulation to protect something that's critical. When there is an issue with a flight coming in, Air Canada uses a subcontractor called Jazz. That's fine. Jazz uses a contractor at the airport, so when there is a problem, there is no service for the customer.

We are told there is a 1-800 number, but I've been at the airport when things go wrong. You can't reach anyone, so you're left with a terminal full of passengers trying to figure out how to help themselves. People are swirling and trying to figure out whether they can get a car and drive to the next airport. I think some transparency on how service is delivered should be mandatory.

We hear a lot about passenger rights, but this is one time when passengers are truly left stranded. If a flight doesn't come in or connections can't be made, those passengers are just left. They don't know who to talk to. The contractor, because it doesn't work for Air Canada, has no access to the system. Except for handing out a card with a number that doesn't get answered, there is no service.

I think there are ways to ensure that critical service is maintained—the experts on the panel have talked about that—and also to make sure that passengers are protected in a real way that is ground-truthed so that when something goes wrong, passengers aren't just left stranded. In our case, it is a single carrier and it can't be reached.

Thanks for that, because I think there is some room to improve the quality. I'm sorry to say I think that would have to be done by regulation.

• (1245)

Mr. Taylor Bachrach: How many seconds do I have left, Mr. Chair?

The Chair: You have 30 seconds, sir.

Mr. Taylor Bachrach: I was going to give Mayor Atrill a chance to talk a little bit about what the Town of Smithers has done to improve the airport and make it more competitive in order to better serve the airlines that use it. That's probably 20 seconds left now, but if you want to list some of the things, that would be wonderful.

Ms. Gladys Atrill: We've done everything we can. The runway is extended. It's repaved. We're improving the lighting. We're looking at all the mandatory tree cleaning.

I think the one other thing that would go with regulation, because I'm hearing about the cost to airlines, is that if we are mandated to do things—and we will be—make it so that we can afford it. If we're not going to actually transfer the cost back to the users of the

airport, the airlines, then the federal government has to consider that. We will do the improvements we have to, because we'll keep the airport in good shape, but there has to be consideration for how those costs are paid.

Thank you.

The Chair: Thank you, Mayor Atrill.

Next we have Mr. Davidson.

Mr. Davidson, the floor is yours. You have five minutes, sir.

Mr. Scot Davidson: Thank you.

This is great. We get more time. We can explore a few more things.

Shelly, I'd like to ask you to go into more depth, just so people have a comprehension about the different worlds that are out there in what we'll call the north, urban and rural. I've slept a few nights on a Beaver on a lake, and I know that different challenges come up and how there may be a disconnect with the regulations. How do the regulations, for example, on duty days affect your business, your scheduling, your shortage of pilots and all those sorts of things?

Ms. Shelly De Caria: I'll go into the crew duty first. I'll use Baffin Island as an example.

If we have five extra medical passengers out of Iqaluit and want to go to Qikiqtarjuaq, adding that stop eliminates three hours automatically. It's only a 40-minute layover, but it immediately sets us back by three hours. Now I cannot bring these five passengers, and I can't add that extra stop. That trickles down on our business.

As I mentioned earlier, I have 175 cancellations a month. It impacts our business. The pilots do want to fly, but if they start at seven in the morning, they're done by two in the afternoon. We used to be able to operate for more hours to be able to bring these critical services to the communities we serve.

Mr. Scot Davidson: When you talk about critical services.... Again, I'm sorry that I'm focused on Ontario. We talked about the government and municipalities. I'll talk about Timmins and the Soo.

During the pandemic, a lot of these regional airports had to be open for medevacs, for police and for firefighting. That was just from a regional airport perspective. They didn't get the big subsidies that we saw a lot of big companies get. In fact, we have municipalities fighting with the federal government now in Ontario, because they didn't receive anything. That's put them on their back feet right now, because they were owned by the municipalities, but they were the front line of defence for fire and for medevacs, and we know how important medevacs are in the north for the health of Canadians.

Mr. Nicholas Purich: A consistent answer to some of the discussion we've had is that the requirement to invest in that critical infrastructure and take the cost away from the user is going to make it easier for those airports to thrive and for carriers to bring service into those airports.

Mr. Scot Davidson: Right.

When we look at those services.... Talking about rural Canada, I live on a first nations in the middle of Lake Simcoe on Georgina Island in York—Simcoe. Talking about the disconnect with the government, we don't even get the rural top-up on the carbon tax, yet any time the federal government interacts with us, we're classified as rural and remote, so there's a misunderstanding by the federal government on that.

Again, the service that regional airlines provide for medevacs is so important to Canadians for their health. We need the government to understand that if you're shooting an approach into Toronto, you have all kinds of options, but in your case, you're dealing with gravel slips. You're maybe still dealing with an old ADF doing an NDB back-course approach. So that people understand, your minimums might only be 1,200 feet. The challenge is that we see all of that now in the north.

In terms of Transport Canada approving GPS approaches now as they are decommissioning NDBs, do you see that as happening fast enough? Also, do you see the minimums that you're allowed to shoot an approach as satisfactory?

I don't think I have a lot of time, so please be quick.

• (1250)

Ms. Shelly De Caria: No. The aircraft we have are quite old. To upgrade those is economically just not feasible for us right now, given the seats that are on the aircraft. Getting those tools would be extremely beneficial, with the number of weather cancellations we have in a month.

I want to go back to the medevac flights you're speaking of. The medical patients who fly on our scheduled services are not considered medevac. Those pilots get to land in these airports sometimes, while my guys don't get to do it, because it's called "scheduled services".

Mr. Scot Davidson: It's called scheduled services.

Ms. Shelly De Caria: Yes, and there's a difference. The medevac can fly because it's medical, but the medical patients on my aircraft, who can only get there on our aircraft, are not considered medevac.

Mr. Scot Davidson: Do you feel that the government is disconnected when it comes to that?

Ms. Shelly De Caria: Absolutely. What's the difference between this and that?

Mr. Scot Davidson: That's a good point to be made here.

I think we've covered costs.

I think, Mr. Sparling, that you hit the nail on the head. You know, if we can lower the costs on taxes, fuel, red tape and regulations, lower input costs obviously mean lower costs for the consumer. Would you not agree?

Mr. Joseph Sparling: Yes, absolutely.

Mr. Scot Davidson: Would the other witnesses agree?

The Chair: Thank you very much, Mr. Davidson.

Mr. Scot Davidson: I got a red flag again. I'm sorry, everyone; I have to sign off.

The Chair: Thank you, Mr. Davidson.

Finally for today, we have Mr. Fillmore.

Mr. Fillmore, the floor is yours. You have five minutes, sir.

Mr. Andy Fillmore (Halifax, Lib.): Thank you very much, Chair.

Thanks to the witnesses.

I'd like to start off with some questions for our friends at the Northern Air Transport Association.

I wonder if you could talk about any conversations or consultations that you've undertaken with larger airlines to provide services to and from the north, and if so, what have those conversations been like? What has the content been?

Mr. Bernard Gervais: Are you talking about the bigger airlines, the ones in the south?

Mr. Andy Fillmore: Yes.

Mr. Bernard Gervais: I have not been part of that. I'm fairly new with NATA, but no, I have not talked with them.

Mr. Andy Fillmore: Okay. Then I'd like to open it up more broadly to the other members of the panel.

The problem, I think, that many people are trying to crack here is how we improve and make transportation more affordable back and forth between the north and the south in this context. Was anyone able to comment on investments that are being made or should be made in other modes of transportation to help improve these important transportation links?

Mr. Bernard Gervais: If I may, I've gone over the Auditor General's report. Looking at the northern infrastructure, obviously it's hard to build roads. In some places, they will never have roads. As we mentioned before, 117 airports or maybe more communities are touched by that. It's only air service. It's the essential service there, and there's not much more that could be done.

Regarding intermodal transport, I've looked at the auditor's report, and intermodal is something that should be and could be looked at. Then again, climate changes are impacting sea levels, fog and even ice bridges and ice roads, and even the Mackenzie River and some roads like that, natural roads. There's a study to be done on that, and there has been. It's been studied quite a bit. It's time to prioritize.

Mr. Andy Fillmore: I recall that quite a while ago, when I was in my university years, I had a friend who lived in Labrador City. At that time, getting her and her family from Labrador City to Nova Scotia involved putting their car on a train, and the train then would put the car back on the road, because there was no road. I understand that a road has been built since then.

I want to go back to the answer to the previous question about other investments we can make if air travel continues to be a serious challenge and expense for people. I appreciate your comment about climate change, and I presume that's around softening tundra and that kind of thing. Surely there are.... Maybe I shouldn't say "surely". Are there some routes that are viable for building either rail or roads?

You may not be the right panel to ask this, but we're here casting around for ideas. If you have any other thoughts about alternatives to airlines getting north to south, that would be helpful.

• (1255)

Ms. Gladys Atrill: I could chip in as a mayor, if that's appropriate.

You know, where I live on the Yellowhead Highway, there's a major transportation route north, Highway 37, that goes to the Yukon. I would say that in all of our transportation corridors, the investment in servicing them adequately hasn't been made over time. I sense that we're in a catch-up, and the catch-up is very expensive. While we see major developments in northwest British Columbia and on the coast of British Columbia, one of the challenges for our governments to tackle is the right rate of return back to the public so that we can afford to have transportation corridors.

Our highways are not adequate for what's going on. We have a single rail line going past us to the coast. It's not double-tracked. These are massively expensive infrastructure developments that are needed, and I think the fact that they haven't kept up over time means that we are at this critical juncture.

Airlines and airport investment are needed, coupled with ensuring that when people can drive, they can. The distance by road from

us to Whitehorse is 1,225 kilometres. It's the same as to Vancouver. These are huge distances, but there are large transports on those roads, and we're going to have to face the fact that collectively we're going to have to take enough out of the tax pot of those developments to help pay for all of this necessary infrastructure. I don't envy anyone trying to make their way, but I think that's where we're at.

Mr. Andy Fillmore: Thank you for that.

I have a final question for Air North, if I could, Mr. Sparling.

In the not too distant past, as part of the indigenous and northern affairs committee, I visited northern and indigenous communities to speak to youth about challenges they were facing. A persistent story was the cost of getting back and forth to university. For example, they either ruled out going to university, or, if they were able to get a flight down there at the beginning of the semester, they couldn't afford to come home at Christmas or for other holidays because of the prohibitive cost.

Has there ever been any discussion about programs to help get students back and forth at a subsidized or discounted price?

Mr. Joseph Sparling: Students travel back and forth almost every holiday weekend. I don't see that as an issue in our market at all. Our fares are very affordable. In the past—you are correct—it was an impediment to kids pursuing post-secondary education, but I think that since we've been in the market, that's changed. We see kids every holiday weekend going back and forth.

The Chair: Thank you very much, Mr. Sparling, and thank you very much, Mr. Fillmore.

I'd like to thank all our witnesses, those appearing virtually and those here in person, for their testimony today and for sharing their expertise with us.

With that, this meeting is adjourned.

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