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# Standing Committee on Transport, Infrastructure and Communities

EVIDENCE

**NUMBER 130**

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Chair: Mr. Peter Schiefke





# Standing Committee on Transport, Infrastructure and Communities

Tuesday, October 8, 2024

• (1545)

[English]

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

Welcome to meeting number 130 of the Standing Committee on Transport, Infrastructure and Communities.

Before we start the meeting, I would remind all in-person participants to read the best practices guidelines on the cards on the table. These measures are in place to protect the health and safety of all participants.

Today's meeting is taking place in a hybrid format. All witnesses have completed the required connection tests in advance of the meeting.

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

I'd now like to welcome our witnesses, all of whom are joining us online today.

From Goose Bay Airport Corporation, we have Mr. Rex Goudie, chief executive officer. Welcome. From the North West Company, we have Michael Beaulieu, vice-president, Canadian store operations. From the town of Happy Valley-Goose Bay, which is by far my favourite name of any community in the country, we have Mr. George Andrews, mayor. Welcome to you.

Appearing for the second hour, we have from Central Mountain Air, Douglas McCrea, president; from Perimeter Aviation, Michael Pyle; and from Summit Air, Myles Cane.

For witnesses joining us online, I have two pieces of paper here, one red and one yellow. The yellow one gives you the 30-second warning to let you know that your time is running out. The red one means that unfortunately, if you don't stop talking, I'll have to cut you off. I do not like to do it, as I have a high amount of respect for each and every one of you.

We will begin with opening remarks from Goose Bay Airport Corporation. For that, I will turn the floor over to you, Mr. Goudie. The floor is yours. You have five minutes, sir.

Has he gone? Did we lose Mr. Goudie?

While we figure out the connection issues with Mr. Goudie, we'll turn the floor over to you, Mr. Beaulieu. The floor is yours. You have five minutes, sir.

**Mr. Michael Beaulieu (Vice-President, Canadian Store Operations, The North West Company):** Good afternoon. Thank you for inviting me to appear today.

My name is Mike Beaulieu. I'm the vice-president of the North West Company's Canadian store operations. I'm joining you today from a back office at our store in Iqaluit, where I am participating in the Nunavut Roundtable for Poverty Reduction this week.

The North West Company is a retailer operating in underserved communities across Canada, the South Pacific, the Caribbean and the United States. Our operations in Canada are predominantly in the north, although not exclusively.

Today, I will focus solely on our operations in the Canadian north. The north is a special place for me. It's where I started my career, where I met my wife and where my family still lives. I have lived in the territorial and provincial north, and I know the realities of the people who must navigate the region's unique challenges every day. When I talk about our northern operations, this is very real for me. Our ability to serve these communities means serving my loved ones, too.

Transportation is a critical part of food availability and food prices in the north. Our stores rely on air freight, sea barges, ice roads and rail lines, facing logistical challenges that do not exist in southern Canada or in most of the world. Many of these challenges have been exacerbated by climate change and are all the more difficult due to the current state of northern infrastructure.

We recently learned that, yet again, barges supplying the Mackenzie River will be cancelled. The Hay River community—which was devastated by wildfires last year—and the communities in the Sahtu region will be particularly hard hit. We are again trying to find new routes to supply communities throughout the Northwest Territories with essential food and other goods, which we may need to do through air cargo services.

While the nutrition north Canada program has been flexible in working with us to offset these costs to our customers, the program is not a solution on its own. We need to do more to strengthen our supply chains and lower the cost of transportation in the north.

Each year, with growing frequency, our road, rail and air shipments are cancelled or delayed due to floods, forest fires or other reasons. Disruptions mean more food spoils while sitting on runways. This can mean communities face shortages of healthy foods or critical hygiene goods. It's bad for everyone. Air freight is expensive, but it's often the most reliable way to get goods to communities. Nonetheless, melting permafrost and prolonged wet seasons mean our shipments are often delayed because runways are out of service for extended periods of time.

In the north, we often experience severe difficulties with our air deliveries due to weather, which is severe and, due to the lack of weather reporting services, makes it even more difficult for airlines to plan for local conditions. Additionally, the lack of local de-icing services results in many flights never being attempted. The scarcity of paved runways restricts aircraft size and capacity. Labour shortages and other factors mean our shipments are often delayed or cancelled. These transport disruptions, in turn, create cost pressures.

There's limited competition for air freight in the north. As you are aware, many northern communities are small and lack airport infrastructure like hangars or unloading equipment. Conditions are not favourable for competition, so we have few options. While we negotiate the lowest rates we can, the same high operating costs that impact all carriers keep rates high. Even if there was more competition, realities on the ground would likely mean that cargo rates would continue to be high. Lower operating costs and conditions that favour larger, more efficient aircraft are needed to effect change.

I want to note, however, that there are other challenges once freight arrives in communities, including local delivery issues from the plane to the store and infrastructure shortages. While I recognize that this study is about airlines, it's important to take the entire supply network into account so that we can lower prices for our communities. I believe there's ample room to work together for the benefit of our northern communities.

Of note, in recent emergency events like last year's forest fires in Quebec and the Northwest Territories, we observed that we had access to information on the ground, technical knowledge that governments could benefit from. The airlines did, too. Together with the government, we can help Canada with logistics to help communities when they are in need. We also observed the challenges across the northern supply chain caused by labour shortages.

The north requires significant attention and investment. We cannot lose sight of the importance of the people in the region. We are, first and foremost, a business about people, providing essential lifelines to communities. The North West Company wishes to be the government's partner to support northern communities and northerners.

I look forward to answering your questions.

Thank you.

• (1550)

**The Chair:** Thank you very much, Mr. Beaulieu.

We'll now go to Mr. Andrews, who is joining us by video conference.

The floor is yours, sir. You have five minutes, please.

**Mr. George Andrews (Mayor, Town of Happy Valley-Goose Bay):** Thank you, Mr. Chair and members of the committee.

We thank you for the invitation to appear before you today to discuss the Competition Act and air travel in northern, rural and remote communities in Canada. It is a huge issue in my part of the world.

My name is George Andrews. I'm the mayor of a beautiful community in northern and remote rural Canada, and that's the community of Happy Valley-Goose Bay. It's located in central Labrador. We're a community of approximately 8,000 people, and nearly 50% of our residents identify as indigenous.

Our town grew around the establishment of 5 Wing Goose Bay and its airfields; both during World War II and today, it is a diverse, vibrant and welcoming community. While we boast many amenities that are the envy of towns of a comparable size, it is, unfortunately, our remoteness that requires these facilities and services to entice workers and workforces to live in a remote area.

For my residents, air travel is an essential service, not only to access things like health care and educational opportunities but also to build business connections and economic development. The extreme cost of airfare, limited route option availability and the unreliability of one carrier servicing Happy Valley-Goose Bay are deterrents for people who call this place home and want to work and live in this beautiful town.

Seniors and others who have limited incomes often cannot afford the travel costs to attend specialist appointments that are only 1,600 kilometres away in St. John's. We also suffer delays and cancellations of flights that cause travellers to miss medical appointments, business meetings or time with family when an urgent situation arises. Business and leisure travel incur additional costs for meals, accommodations and limited flight options, and delays to destinations outside the province result in poor connections to the rest of the world.

Our local airport authority, the Goose Bay Airport Corporation, which you'll hear from in a bit, reported that from May 1, 2024, to August 11, 2024, a period of just 103 days, 54% of the 110 flights were delayed by 30 minutes or more. This places tremendous financial stress and strain on travellers. As a municipality, we encourage business opportunities and economic development in our region. More choices of destinations, flight times and affordable fares are vital to investment in and expansion of the commerce and opportunities and current business opportunities within our community, within Labrador and within our region.

My town council recently met with the Goose Bay Airport Corporation to hear what it's been doing to address the concerns raised by residents and visitors regarding the affordability and reliability of air travel to our community of Happy Valley-Goose Bay. The Goose Bay Airport Corporation shared that they have been advocating to have these issues addressed by communicating with provincial government officials; our single provider of service, Provincial Airlines, or PAL; and Air Canada, operated by PAL. They engaged an independent aviation consultant to conduct a market assessment, and we are working with the local chamber of commerce, as well as a group of our friends in Labrador West who are also concerned with the same issues of affordable and reliable air transportation, to make air service development the number one priority.

Additionally, GBAC, our airport corporation, has submitted a brief to the Standing Committee on Transport, Infrastructure and Communities regarding the Competition Act and air travel in northern, rural and remote communities, and it is also appearing as a witness at this honourable committee today. The fare analysis conducted by InterVISTAS and shared with the town in a report showed the airfares at Happy Valley-Goose Bay's airport have increased an average of 33.1% in 2024 over 2019 fares, whereas the national average increase is only 9.2%.

We're left wondering why. Is it because of our development with fly-in, fly-out operations? We don't know. In Wabush, our neighbours in western Labrador have seen an average 47.3% increase, which, again, is over the national average of 9.2%. We believe the lack of competition accounts for a substantial increase impacting our residents. Labradorians have long had a local saying, "a little more in Labrador", in reference to the cost of goods and services in Labrador, but sometimes, lately, it's a lot more.

I'll give you an example. Today I priced an Air Canada flight from Goose Bay to St. John's, Newfoundland, and the total cost was \$1,553 at the flex rate, which is your seat and your bag. On Provincial Airlines, that same flight to St. John's is \$1,281. I'm going to Costa Rica at the end of October, and I'm paying less than it costs within my own province. There are severe issues.

• (1555)

Our hope is that this standing committee will recognize travel as an essential service for residents of Labrador and northern communities and make recommendations to develop or reframe programs and strategies that will reduce the cost for our residents.

Again, thank you for allowing me the opportunity to speak, and I'm pleased to answer any questions.

**The Chair:** Thank you very much, Mr. Mayor. We very much appreciate having you here with us.

Next, we'll go once again to Mr. Goudie.

Mr. Goudie, the floor is yours. You have five minutes for your opening remarks, sir.

Mr. Goudie, unfortunately, we still can't hear you. Could I kindly ask you, sir, to unplug your microphone and plug it back in to see if that makes a difference?

No.

He's still there, but he turned his video off.

• (1600)

**Mr. Rex Goudie (Chief Executive Officer, Goose Bay Airport Corporation):** Can you hear me now?

**The Chair:** Yes, we can. Thank you for doing that, sir. We appreciate it. We very much want to hear from you.

**Mr. Rex Goudie:** Thank you once again, members of the committee.

Before I begin, I would like to acknowledge that I am joining you today from Happy Valley-Goose Bay on the traditional territory of the Innu and Inuit.

My name is Rex Goudie, and I'm the CEO of the Goose Bay Airport Corporation.

The Goose Bay Airport is an important economic driver and serves as the transportation hub for the region.

Labrador is characterized by a vast geography, rich resources and sparse populations. It has a population of about 26,000, 60% of whom are indigenous, spread out over 6,000 kilometres of coastline and 294,000 kilometres of land mass in 26 communities. Eight of those communities are not connected by road. The remaining communities are connected by an 1,100-kilometre stretch of paved highway. Even though many communities are accessible by road, all the communities in Labrador are remote. For communities in Labrador, air travel is not a luxury but an essential part of our everyday lives.

In recent years, we have seen a steady increase in flight cost, a continued reduction in choice and a network that is not reliable. Air travel is an essential service for connecting communities, facilitating economic development and ensuring access to health care and education. Despite its significance, the air travel market in the Labrador region, like many regions across the north, is predominantly served by one carrier.

The one carrier connecting Labrador to the rest of the province and beyond is Provincial Airlines. Service from central Labrador to remote communities along the north and south coasts is provided by Air Borealis, a subsidiary of PAL, in partnership with two Labrador indigenous groups. Air Canada ceased operations at the Wabush Airport in 2021 and in Goose Bay in 2023.

In preparation, as noted by the mayor, we commissioned a brief to be done by InterVISTAS, which did a fare analysis on six airports across Canada. I won't go too much into the study, but the airports included were Goose Bay, Wabush, Nain, Kuujuaq, Iqaluit and Rankin Inlet. Basically, as the mayor noted, the increase for Canadian airports was 9.2% versus 34.2% for all northern airports. While we understand that the cost of operating in northern regions is more expensive, we find it hard to justify or support the huge increases that were noted in the fare analysis.

For better context, I will include the return costs on airfare from one of our most remote communities, to give you a sense of how cost-prohibitive and impactful it is for those living in communities not connected by road. The average return price from Nain to Goose Bay is \$1,245, and a return trip from Nain to St. John's, where most medical services are provided, is \$2,497.

The lack of competition in air travel not only affects individual passengers but also has broader economic and social repercussions. Businesses looking to invest or expand in Labrador are discouraged by the high cost of travel and the lack of choice. Competitive airfares and choice are crucial factors in attracting and retaining professionals and allowing the regions to fully capitalize on their resource potential.

In an ideal world, the market would make the necessary adjustments. The northern environment is much more complex, and market forces don't really work like they do in the south. To address these critical challenges, we request that the committee recognize that air travel in the north is an essential service, and we ask that you recommend programs and policies that will foster more equitable access for communities in remote northern regions.

GBAC recommends that the committee consider the following suggestions to make air travel more affordable and reliable.

The first is to look at best practices in other jurisdictions that view air travel as an essential service, and provide traveller subsidies for residents and businesses in the north.

The second is that special consideration be given to communities not connected by road. There are many communities across Canada's north, including eight in Labrador, that are not connected by road, and special consideration should be given to introducing user subsidy and infrastructure support programs for those communities, recognizing that the challenges are even more pronounced in those communities.

The third is that all policies and regulations be reviewed through a northern lens to ensure that regulations and policies better reflect the unique and challenging environment of carriers operating in the north.

Our final suggestion for consideration is that a dedicated infrastructure program be developed for the north to facilitate better service and attract entrants, and to make it more attractive and less costly for existing carriers.

● (1605)

In conclusion, we encourage the Standing Committee on Transport, Infrastructure and Communities to deem air travel as an essential service for northern regions and to make recommendations to

restructure Canada's airline industry to foster more equitable access. This will give their residents and businesses affordable and reliable access to vital services and better position the north to fully capitalize on its immense and untapped resource development potential.

Thank you for your attention. I look forward to the discussion.

**The Chair:** Thank you very much, Mr. Goudie.

We start our line of questioning today with Mr. Muys. Mr. Muys, the floor is yours. You have six minutes, sir.

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

Thank you to all of the witnesses who have joined us today and for making time for that.

To start with Mr. Beaulieu from The North West Company, I know that your perspective is with regard to the Canadian operations, particularly in the north. However, since you mentioned at the outset some of the other jurisdictions that The North West Company operates in, I'm wondering whether you could speak about the comparison between parts of Alaska and the Canadian North—we have northern communities on both sides of that border—and any differences in regulatory, tax and cost burdens on each side of that border that may impact, obviously, air cargo, which is essential to your business.

**Mr. Michael Beaulieu:** I'm not an expert in our Alaska operations. However, I am aware that their bypass mail system for healthy, nutritious foods is quite different from what exists in Canada. It has some benefit in the sense that cargo is tendered to whatever airline has the capacity to take the cargo, so it has a tendency to optimize use of any available aircraft going to any of the qualifying communities. There is, to some degree, some benefit in speed of delivery in that model. I also know that in Alaska, I believe, they don't have the same user-pay system, so the use of airports isn't burdened in the same way by the air carriers as it is in Canada. That's probably the extent of the value I could provide in answering your question.

**Mr. Dan Muys:** Thank you for that. In recognizing that it's not entirely your area of expertise, you identified a few areas of cost differentials between the system here, which is federally regulated, and some of the costs, fees and taxes in Canada versus in Alaska.

You spoke about the high operating costs of air freight, which is an increasingly important aspect of your business and the most reliable. Of course, everyone spoke about the fact that it's an essential lifeline for the north—I think you have agreement here, and we certainly heard that echoed as a theme throughout this study. When we look at the fares that are provided as examples from the airport in Goose Bay in its submission to this committee, it's quite striking. The comparisons were between 2019 and 2024. In recognizing a lack of competition, yes, there's an average, in the six northern airports that are attached to this grid, of a 34% fare increase compared to 9% overall at Canadian airports. Recognizing that, obviously, costs are amortized against, perhaps, a larger passenger or freight base in other parts of the country, what has been the impact of escalating carbon tax costs, other taxes and fees that are an additional impediment to what is already a high operating cost environment?

**Mr. Michael Beaulieu:** I'm sorry, but is that question for me again?

**Mr. Dan Muys:** It is for you, and then I'll go to the Mayor of Happy Valley-Goose Bay.

**Mr. Michael Beaulieu:** We saw similar compounding impacts of air cargo costs in our freight rates, for delivery of goods to our stores, similar to what was reported with air passenger travel costs. There's definitely a compounding impact that occurs the further north you go. Carbon tax, I think, right now makes up about 13% of the fuel surcharge component of our cargo contracts. It definitely plays a role in higher food prices. It has had a compounding impact, one of many, but so have changes in pilot duty time, hours and regulations, reducing the number of flights and distances of flights that the same pilot crew can cover. Among fuel, pilot duty time and things like the carbon tax accumulating, over the last four years in particular we've seen higher rates of inflation than I've seen in my 30-year career working in the north.

• (1610)

**Mr. Dan Muys:** To the mayor of Goose Bay, we just heard about the 13% increase in food prices as a result of the carbon tax, but also, you spoke in your written submission to the committee and in your testimony about the regulatory barriers, flight duty time being one of them.

You talk about, as all witnesses have, how essential a lifeline air travel is to the north, not just for the communities that are there but also for attracting talent and labour, which is important, and for future economic potential.

Can you speak a bit more about how adding these additional regulatory burdens, adding these additional fees, costs and taxes, is really shooting ourselves in the foot in terms of the growth potential?

**Mr. George Andrews:** Yes, from my community's perspective, from my region's perspective, I think we've been enjoying some development, whether it be through mining or other projects. The challenge that we have is that the increase in any time.... For instance, from a regulatory perspective—I'll speak to that just quickly and then go to the duty times—unfortunately, we don't have a lot of opportunities to fly in, fly out. We do have two carriers, I guess, technically, but Air Canada doesn't fly. They've chosen PAL to operate their contract.

You sit in Halifax on the daily flight that happens, and it's a departure at around 10 o'clock in the evening. You're sitting watching your cell phone, waiting for the ding, because you know that there's going to be a delay or that a flight's going to be cancelled, either because of duty time or for some other reason. Most times it's the duty time. Crew unavailability is another one. On what is a very expensive trip already, that adds another \$200 or \$300 for a taxi and a hotel, so the travel side is difficult. Yes, we are connected by road, but it's a 15-hour drive to Baie-Comeau. It's a ferry and several hours, 10 or 12 hours to drive to St. John's, so that's difficult.

Anytime you put an additional cost to a fare, whether it be the Nav Canada fees, tax fees or security fees, they just all add up. On top of that, we seem to be nickel-and-dimed lately with baggage cost increases, other seat selection fees and things like that. That really adds up to a fare that's just not reachable for most people, and that's an impairment when you're up here and your family's in the rest of Canada. It's becoming very difficult to entice people to come up. The cost of travel is an impediment. It's really disheartening.

**Mr. Dan Muys:** Thank you for your detailed analysis with the chart of average fare increases. That's quite instructive and informative for this committee. Thank you.

**The Chair:** Thank you, Mr. Muys, and thank you, Mr. Mayor.

Next, I have the pleasure of turning the floor over to Ms. Yvonne Jones.

It's good to have you at committee. The floor is yours. You have six minutes, please.

**Ms. Yvonne Jones (Labrador, Lib.):** Thank you very much, Mr. Chair. I want to acknowledge Mayor Andrews and Mr. Goudie from the wonderful riding of Labrador, who have joined us today at committee, and to thank them for their presentations; and also to acknowledge Mr. Beaulieu from The North West Company, and to thank you as well for your presentation.

I think all of us who live in the north see air services as an essential service. It's essential not just to communities that are isolated and remote but also to communities that are partially isolated in terms of their access to the outside world. Whenever you have a service that is essential, obviously, it has to be affordable and available to people. This has been the issue not just in Labrador but across many northern regions in Canada in the last number of years.

It could be for a number of reasons, and I guess that's what we're exploring here. It could be the merger of a number of airlines. It could be the shortage of personnel and pilots, but what we know is that we need to make some changes if this service is actually going to do what it's intended to do, and that is support people in northern and rural regions.

My questions, I guess, are going to be focused on that. My colleague asked questions about Alaska. One of the things that Alaska has that I know my riding doesn't have in Labrador or most northern and Arctic regions in Canada is competitive airlines, and that has been one of the drawbacks. There's no doubt about that.

Today I can book a flight to the Arctic of Iceland for cheaper than I can book a ticket to the Arctic of Canada. I can go to Iceland almost any week for cheaper than I can go to my riding, and that is a fundamental problem. Mr. Goudie outlined what some of those costs are.

I'd like to ask a couple of questions to our guest today. One, what do you see as the role of government to ensure that there is a more competitive market and more affordable rates for consumers in northern and remote areas of Canada, areas that need this essential service?

I'll start with Mr. Goudie.

• (1615)

**The Chair:** I apologize, Mr. Goudie. You're on mute once again, sir.

**Mr. Rex Goudie:** Can you hear me now?

**The Chair:** Yes, we can. The floor is yours.

**Mr. Rex Goudie:** Oh, my. Okay. Thank you so much.

Thank you, MP Jones, for the question.

I gave that some thought in terms of how we could foster competition. I think, in some cases, the airlines are right. There are some regulations that impact connectivity in more remote areas. That's why I've suggested that we look at some of those regulations through a northern lens. Some examples there would be the duty time and the airline passenger protection regulations. Those could have some negative impacts on attracting regional airlines.

Beyond that, I'm not sure how much I can add in terms of... I'll leave it to some of the other panellists to add to that question.

**Ms. Yvonne Jones:** Mr. Andrews, would you like to address that, or perhaps Mr. Beaulieu...?

**Mr. George Andrews:** Yes. Thank you, MP Jones.

A bunch of things come to mind with regard to exactly what can be done. I think it was mentioned before that the issues that happen in northern and rural Canada need to have a northern and rural lens. The information needs to come from the lived experience instead of from sitting around a bureaucratic table in some other larger cities in the country.

Fostering competition is critical, whether that be through opportunities for funding, for infrastructure development or for the subsidy side of things, especially where communities are without a road connection or without another means.

I look back to years ago when Newfoundland joined Confederation. We talked about ferries. The ferry was invoked then, because that was the way to travel. Well, it's many years later, and now it's airfare. Some people can't travel to critical medical emergency places or doctors because of the cost of air travel.

The other thing for me is that, for those who can travel, maybe there's something that can be done in terms of the northern residents deduction increasing. We could offer the tax incentive, or that the tax return include more than just the one or two trips, or it could be larger amounts, which would return money back to travellers.

Those are just some things that come to mind very quickly. However, the biggest thing for me is that a northern and rural lens needs to be applied here, because even though... As I said, my community is connected by road, but we do have winter. That road closes. It's a 15-hour drive to an airport.

Again, I'll go back. I'm going to Costa Rica at the end of the month with my daughter. It's cheaper for me to go to Costa Rica—just the airfare—than it is to travel in my own province. There's something seriously wrong with that picture.

• (1620)

**Ms. Yvonne Jones:** Do I have any time left, Mr. Chair?

**The Chair:** Unfortunately not, Ms. Jones. You're at six minutes and two seconds.

[*Translation*]

Thank you very much.

Mr. Barsalou-Duval, you have the floor for six minutes.

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

Thank you to the witnesses for being with us today.

I had the opportunity to go to Newfoundland and Labrador a while ago, when we did a tour of Canadian ports as part of the committee's work. I must say that I greatly enjoyed it.

Having said that—

[*English*]

**Mr. George Andrews:** I'm not able to hear the speaker, Mr. Chair.

**The Chair:** Thank you for pointing that out, Mr. Andrews. We'll make sure that translation is functioning properly.

Okay, is it working now?

**Mr. George Andrews:** Yes, it's working now. Thank you.

**The Chair:** Okay. Thank you so much, Mr. Andrews.

What we'll do is give the time back to Mr. Barsalou-Duval.



[Translation]

You can start over, Mr. Barsalou-Duval.

**Mr. Xavier Barsalou-Duval:** Mayor, what I was saying is that I had the opportunity to go to Newfoundland and Labrador during a tour of Canadian ports as part of the committee's work. We didn't go to Goose Bay. We went to St. John's. Despite the short duration of our stay, I discovered a beautiful place, which few Quebecers have the opportunity to visit.

Mr. Goudie, people working in airport management appeared before the committee at our last meeting. According to them, one of the biggest problems stems from the fact that the airport has to operate on a user-pay principle, which applies to the Canadian system as a whole.

Such a system may be useful in major urban centres, but that's not the case in the regions. Given the low volume of regional flights, cost recovery is complicated, given the high fixed costs that must be allocated to each flight. This approach acts as a deterrent, because only a large volume of flights can absorb these fixed costs. As a result, airports pass those costs on to consumers.

The current system is essentially based on ridership. Small airports, with low passenger traffic, will therefore have high fares. Large airports, on the other hand, can distribute these fees among a larger number of consumers. That is less visible in ticket prices.

In your opinion, is this system functional?

[English]

**Mr. Rex Goudie:** The situation in Goose Bay is a bit unique in the sense that the airfield itself is owned and operated by DND, so many of the costs that we would have at the airport in Goose Bay with respect to the airfield will be covered. We wouldn't have the same cost model.

Having said that, I know some of my colleagues with airports across Atlantic Canada do have some issues with lack of traffic. I think you had a witness who presented from Gander, Mr. Reg Wright. They are having issues in terms of the amount of traffic to recoup and be able to operate in a sustainable way.

It's not a big issue for Goose Bay, given the fact that our costs with respect to the airfield will be covered by DND. That reflects on the rates. The rates in Goose Bay in terms of what we charge for user fees and passenger and facility fees are much less than they are in other regions. That's reflective of the fact that we have DND that covers a large percentage of those costs.

[Translation]

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

My next question is about the air transportation system in general.

According to witnesses, situations arise where a small business creates a market in order to offer a new service. They invest in that project, and then once the market becomes functional, a large company, a national carrier like Air Canada, finds out. It then begins to take over the market. However, since that market is not necessarily big enough for two carriers, the small carrier ends up withdrawing.

Air Canada then decides not to maintain as good or as efficient a service as previously. In addition, rates start to rise as soon as there is no more competition.

Some people mentioned that it might be necessary to have what's called a floor price to prevent tickets from being sold at a lower cost. This would ensure that unfair competition, which aims to break the back of a commercial adversary, could not be used to undermine the smaller competitor's cash flow.

Do you think that kind of policy could be useful? Is that applicable in your region?

● (1625)

[English]

**Mr. Rex Goudie:** Yes, again, I find that Goose Bay is in a unique situation. We haven't found ourselves in that situation. We had a situation where we did have two airlines, but like lots of airlines across the north, they consolidated, and we now have one airline. I guess that translated into higher costs.

However, again, I think some of my colleagues at other airports across Atlantic Canada have suffered or been impacted by the issue that you raise. I'm not quite sure if I'm in a position to say that lower prices would be one avenue to address that.

There need to be some policies put in place that encourage better regional connectivity in northern regions. I'll speak to Labrador. When we look at Goose Bay and at Wabush, we have decent airport facilities, and we have an incredible rotational workforce. One would think that would translate into better airfares.

[Translation]

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

[English]

Next we have Mr. Bachrach.

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

**Mr. Taylor Bachrach (Skeena—Bulkley Valley, NDP):** Thanks so much, Mr. Chair.

Thank you to our witnesses for contributing to this study.

It's really interesting to hear that the circumstances facing residents of Newfoundland and Labrador are very similar to the circumstances facing rural and remote communities on the other side of the country. Certainly, communities in northwest B.C. face the same pressures that our witnesses have described.

I think over the course of this study we've been grappling with some of these different policy approaches to get at this issue of cost and lack of competition in small communities. I'm especially interested in these programs that have been implemented in Quebec and in the United States that directly subsidize air service for people in more remote or rural areas.

I was noting that in 2015 there was a report by the Legislative Assembly of Nunavut on protecting rural air transit, and that idea of direct subsidy programs got panned pretty thoroughly, both by airlines themselves and by others, as being overly expensive and open to abuse, misuse and often serving political ambitions. There were some pretty strong words given when it came to those kinds of direct subsidies, favouring the approach of investing in infrastructure and driving down costs for airlines.

I guess the question we've been wrestling with is that if you drive down costs for airlines, it's difficult to ensure that those savings are passed on to the passengers themselves. I wonder if all of our witnesses could just talk about this tension between directly subsidizing the passengers to ensure that they get the best possible price and affordable air service, and making it less expensive for airlines to operate in the hope that that will reduce barriers to entry for new airlines. What's the right mix of those kinds of policies?

Maybe we can start with Mayor Andrews, and then we'll go around the virtual table.

**Mr. George Andrews:** Thank you.

Based on many years of air travel, I'm not so confident that those types of savings would be passed along if it was directly bringing the costs down for the airlines. In our particular circumstance here, our costs are a bit different, I guess, from those of other airports across the region. However, I look at friends in Labrador west, and they have the opportunity. The Quebec government subsidizes a flight to and from Quebec, from Labrador west. It costs \$500 return, which is amazing. It gives you the opportunity, then, for a much lower cost, to get you out to an airport, so that you may be able to continue the rest of your travel with a very affordable, decent price.

Personally, I think I would support that type of approach as opposed to passing savings to carriers with the hope and intent that, on the trusting side, they would return that savings to travellers. I don't seem to have a great lot of hope in that working very well for the end-user.

• (1630)

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

I wonder if perhaps Mr. Goudie could offer his thoughts on that same question.

**Mr. Rex Goudie:** No, I'll answer in a similar vein.

When I quickly look at the program that Quebec offers, I see that it seems to be getting a favourable response and that it provides low-cost travel to people in remote regions. The benefit goes directly to the traveller, which is why I suggested that government look at all subsidy programs with a view to looking at some of the best aspects that could be considered.

However, at the end of the day, often you would want to put a program in place that translates into savings to the travelling public. There are programs that we offer in northern regions that are put in place—food by mail being one of them—for which it can be argued that, despite all the subsidies, the subsidies don't translate into benefits to the end consumer. My suggestion would be that any consid-

eration for subsidies be done in a way that the consumer or the traveller would realize the benefit.

**Mr. Taylor Bachrach:** Mr. Goudie, the only subsidy program that we see in Canada is the one that Quebec has to directly reduce airfares for rural residents. Would a program like that be better managed by the federal government so that all Canadians in rural and northern Canada can have access to those affordability measures, or is this something that each province and territory should contemplate based on its unique conditions?

**Mr. Rex Goudie:** That's a good question.

**Mr. Taylor Bachrach:** Maybe that's a good question for us to ask ourselves.

**Mr. Rex Goudie:** From an airport corporation perspective or, really, at the end of the day, from a consumer perspective, there's one taxpayer. Whether it comes from the province or from the federal government, the benefit will accrue, and ultimately the benefit accrues to the consumer.

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

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

We'll start our second round with Mr. Lawrence.

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

**Mr. Philip Lawrence (Northumberland—Peterborough South, CPC):** Thank you very much, Mr. Chair.

I apologize to the witnesses, because I have two hopefully brief but important administrative issues that I just want to take care of.

If the chair would be kind enough to give us the schedule for the next three meetings, say, that would be terrific.

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

I believe we have the minister appearing on Thursday with officials. Then we have the break week. When we get back, I believe we will be conducting the business of the McKinsey study. Then, after that, we will be going to the Bloc Québécois for their study, and we invite Mr. Barsalou-Duval to share with members, perhaps after the meeting, what that study will be on.

**Mr. Philip Lawrence:** Thank you, Mr. Chair.

I have just one other quick administrative note.

I'm just giving notice—not moving, to be clear—this motion:

Given that, this year alone, the Liberal Carbon Tax has added \$2 billion to trucking costs according to the Canadian Trucking Alliance, and that this \$2 billion is passed down to consumers, raising the cost of living and making heating and eating more expensive, the committee report to the House that the Liberal Carbon Tax has failed the transport industry.

Thank you. I'll go on with my question now, if that's—

**The Chair:** Sure. You're just putting it on notice.

**Mr. Philip Lawrence:** I'm just putting it on notice; I'm not moving it. Thank you very much.

In listening to some of the testimony, I am a little bit mindful of an old Ronald Reagan quote. President Reagan used to say of liberals that if they see something move, they'll tax it. If it continues to move, they'll regulate it, and if it stops moving, they'll subsidize it.

Being mindful of that quote, before we embark on the idea of subsidies, should we not go ahead and slow down the amount of money that the federal government is taking from your northern communities through transportation otherwise?

I believe Churchill quoted the adage that if you're in a hole and want to get out, the first thing you need to do is stop digging.

I would go, first of all, to you, Mr. Beaulieu. How much does your company pay in carbon tax?

• (1635)

**Mr. Michael Beaulieu:** That's a great question, but I don't really have an answer for you in totality. We don't, and have not created, a mechanism to provide that degree of detail. It's something that I could ask to see if I could get back to the committee with at a future time.

**Ms. Yvonne Jones:** I have a point of clarification, Mr. Chair.

**Mr. Philip Lawrence:** We would appreciate that.

Could you describe what the impact on your company would be, even just anecdotally, if, in fact, the carbon tax was quadrupled?

**Mr. Michael Beaulieu:** From a retailer perspective, our transportation costs are embedded in the pricing in our stores. It's our northern communities and the residents of our northern communities who would ultimately pay for those higher costs. For our cargo contracts, whether trucking or air, there's a base rate, but there's also the fuel surcharge. We've noted that the fuel surcharge for every lane, whatever the mode of transport, has been impacted by the carbon tax.

**Mr. Philip Lawrence:** Thank you.

So a quadrupling of the—

**Ms. Yvonne Jones:** Excuse me, Mr. Chair.

**The Chair:** Just one second, Mr. Lawrence. I'll stop the time.

**Ms. Yvonne Jones:** I don't want to take from Mr. Lawrence's time, but just for a point of clarification, the committee might want to look at areas where the carbon tax applies. There are lots of areas in the Arctic region of Canada where it doesn't apply. I'm not saying it doesn't necessarily apply to the North West Company in one way, shape or form, but a lot of the carbon taxes don't apply in those regions.

**The Chair:** Thank you, Ms. Jones. Perhaps you or another colleague will have more time to speak to that and can ask that question, but Mr. Lawrence does have the floor.

**Mr. Philip Lawrence:** Yes. No worries. Thank you.

From another member, I might have suggested that that was inappropriate, but I know that, as a good east coaster, you made an earnest clarification there. Thank you for that.

Mr. Goudie, I'm relatively new to being the critic for transportation. One thing that I have found interesting is our fee structure and

how it's kind of unique for airports. Could you tell me how much is charged on average by your airport, per fare?

**Mr. Rex Goudie:** Per fare, we have the passenger facility fee of \$20. I would say that's the cheapest in Atlantic Canada. Our airport terminal fees are competitive, at, I think, \$222 for our Q400. Our landing fees are cheap. Again, we benefit from the fact that DND operates the airfield.

In terms of fees from the Goose Bay Airport Corporation, we have arguably some of the cheapest fares in Atlantic Canada.

**Mr. Philip Lawrence:** My question was not in any way to slight the airport you operate. I'm just trying to get to the bottom of this. When I have consultations, and I'm sure I'm not the only member who does, the airlines blame the airports, the airports blame the airlines and so on and so forth. My question is legitimately trying to get to what percentage of that is affected by airports.

If we were to change the model, and of course Canada's model is unique, how much lift could we get from that? You seem quite well educated on the topic. If you could perhaps speak to how much that could affect fares in general, that would be greatly appreciated.

**Mr. Rex Goudie:** It's a good question. There are a number of fees and fares. The airlines would say it makes up 40%, I think, of the cost of airfares.

I want to go back to the study that was done by InterVISTAS. That was base airfares. It didn't include the fees and taxes that are charged outside of the base airfares. I'm not sure if I'm answering your question, but from an airport perspective, the fees we charge from a user perspective are a bit different for Goose Bay, given that we're operated by DND and they cover the airfield.

• (1640)

**Mr. Philip Lawrence:** Perfect. Thank you very much.

It's great to spend time with some good northern east coasters—salt of the earth folks.

Thank you.

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

[*Translation*]

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

**Mr. Stéphane Lauzon (Argenteuil—La Petite-Nation, Lib.):** Thank you, Mr. Chair.

[*English*]

Thank you to our witnesses, Mr. Beaulieu, Mr. Andrews and Mr. Goudie.

[*Translation*]

My questions will be in French today.

Mr. Beaulieu, you're about the only one who talked about weather conditions, which are also problematic for air delivery.

Can you tell us a bit about how climate change has disrupted air deliveries in recent years?

[English]

**Mr. Michael Beaulieu:** From a climate change perspective, we've now seen several years of extreme wildfire activity across the country. We know that last year in particular, northern Alberta, the Northwest Territories and northern Quebec were significantly impacted by wildfires.

Servicing all of Nunavik and the Eeyou Istchee area of Quebec was impaired when the Billy Diamond Highway was closed intermittently over a one-month period, impacting the delivery of food for all residents of northern Quebec and Nunavik and the Eeyou Istchee, who were at significant risk. We worked diligently to re-design our supply network through northern Ontario, and we were then flying goods across the bay to service those communities instead of through La Grande-Rivière airport.

In northern Alberta, we lost a store to wildfire. It was small in comparison to the tragedy of the entire community. I believe there were over 80 homes burned in Fox Lake, Alberta, and there was significant disruption.

The city of Yellowknife was evacuated.

We've seen low water conditions on the Mackenzie River that have caused the cancellation of barges.

We've seen the erosion of foundations in some of our stores, and we are having to now invest millions of dollars in infrastructure because of melting permafrost. We've seen soft runways in places in northern Manitoba that have restricted the size of the aircraft that are able to land.

All of these things drive costs into the business and create hardship for our northern and remote communities and the folks who live there.

**Mr. Stéphane Lauzon:** Wow, that's a long list.

[Translation]

Do you really think that a government that is currently responsible must face up to climate change by implementing the concrete measures that a government should take to reduce greenhouse gas emissions? These measures could help improve the weather.

[English]

**Mr. Michael Beaulieu:** I believe it's a real issue, and I believe government has a role to play in positively making change.

[Translation]

**Mr. Stéphane Lauzon:** Thank you very much.

Mr. Andrews, you spoke to us about two important topics discussed at city council. It's about affordability and reliability. You also told us about the chamber of commerce's involvement.

Can you tell us a bit about the role that city council and the chamber of commerce could play in helping us make good decisions?

What were their analyses?

**Mr. George Andrews:** Thank you for the question, Mr. Lauzon.

I speak a bit of French, but I'll switch to English to answer you.

[English]

It's a serious concern for everybody. The chamber of commerce and our council have had conversations. We're all trying to push the same way to receive the maximum benefit for our communities and our regions. Part of that is business development.

The impediment in terms of business development is the cost of air fare. If a company comes in, whether it's bringing its supplies and/or staff in or sending goods or products out by air, the cost is huge.

When I look back at the average increase for our airport, in excess of 30% since 2019, as opposed to some other ones and the national average of 9.2%, that is a concern.

The chamber is working towards that.

Reliability for us is critical. If a person comes from western Canada or another part of Canada or the world and they come into my community, and 54% of those 100 flights in the last number of days were late and some were cancelled, they sit at the airport with anticipation.

• (1645)

[Translation]

**Mr. Stéphane Lauzon:** Thank you.

My time is up.

I would like you to submit your recommendations to us so that we can append them to our files.

**The Chair:** Thank you very much, Mr. Lauzon.

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

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

Mr. Andrews, in your opening remarks, you said that air transportation is an essential service in a region like yours. I believe a member from your region repeated that afterwards.

In Quebec, when a service is designated as essential, it means that the government must contribute to it. It funds systems such as hospitals, health care and schools. Education is free.

I'm not saying that air travel necessarily has to be free. The main point I want to make is that these services receive government support.

Are you satisfied with the support you are currently getting from the government to buttress regional air service?

[English]

**Mr. George Andrews:** As an end-user and as a community leader, I'll have to say no. The reason I say that is I see people having to fundraise for the cost of travel to a medical appointment, making turkey dinners to try to get this for people.

On the other side, I could see an opportunity where a province has upped and gone into the subsidy role in helping people travel between the provinces.

From my perspective, the level of service is critical. It is an essential service when there is no road contact. It's 2024. We can't expect people to stay in our communities and do nothing with no economic development and no things like that.

There is a definite role, and the essential side of things needs to be addressed by government.

[Translation]

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

So you would be in favour of some sort of system that would fund or subsidize regional air transportation.

Is that correct?

[English]

**Mr. George Andrews:** Absolutely. Like I said, it should be something that would give the savings to the actual end-user and not to the companies in the hope that it would be passed down to the user.

[Translation]

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

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

[English]

Thank you, Mayor Andrews.

We'll go next to Mr. Bachrach.

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

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

I believe either Mr. Andrews or Mr. Goudie mentioned the new duty time rules as being one of the regulations that really impact the costs that airlines face in the north. There is this idea that, perhaps, when we look through a northern lens, as Mayor Andrews said, those rules don't make as much sense.

My understanding is that the duty time rules are based on safety and trying to ensure that we have well-rested pilots. Is there a way to look at the duty time rules through that northern lens without compromising safety, or do you feel, simply, that the new rules go too far and place an unnecessary burden on the companies that are forced to pay extra pilots?

**Mr. George Andrews:** I personally think there's nothing that trumps safety. Safety is critical and paramount. It puts an undue burden on the remaining staff who are left with the companies. That's more the issue. At 11 o'clock at night, sitting in an airport in Halifax, I shouldn't get an email about duty times. That should al-

ready be done. I put that onto the companies from a planning perspective, so at no point in time is safety a thing.

For me, safety is paramount. It's the way it is managed, and that comes down to the companies and how they manage their staff.

● (1650)

**Mr. Taylor Bachrach:** Mayor Andrews, we've talked a lot about the cost of air service for northerners. I don't think any of our witnesses today have yet mentioned the availability of flights. It's certainly an issue that's come up in my community and in northern British Columbia.

Is the availability of flights also an issue, or the service levels that the airlines are providing, or is it mostly just the total cost?

**Mr. George Andrews:** Availability plays a huge part. When I received a phone call from the Air Canada representative, saying they were pulling out of my community, they assured me that because there were still two providers, competition, service and requirements wouldn't be an issue. My first response was that Air Canada didn't have a very successful rate in terms of regular flights and availability, and now they're putting that burden into an arrangement with another company.

We're seeing now what the end result was with Air Canada, which was availability, frequent cancellations and repurposing aircraft to go to charter operations for fly-in, fly-out. We're seeing that; we're living it, and it's costing us additional money because it costs us additional hotels, meals and things like that when people are travelling.

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

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

On behalf of all committee members, I would like to thank all of our witnesses who have appeared thus far for your testimony on this very important study. I ask that all witnesses log off now.

I'm going to suspend, colleagues, for two minutes as we switch over to the second round of witnesses.

The meeting is suspended.

● (1650)

(Pause)

● (1655)

**The Chair:** I call this meeting back to order.

Colleagues, I am pleased to welcome the second round of witnesses for the second slot. We start with Central Mountain Air and Douglas McCrea, who is followed by, from Perimeter Aviation, Michael Pyle; and from Summit Air, Myles Cane.

We start off with Mr. McCrea. Mr. McCrea, you have five minutes for your opening remarks, sir.

**Mr. Douglas McCrea (President, Central Mountain Air):** Thank you. Good afternoon. My name is Douglas McCrea. I'm the president of Central Mountain Air. Thank you for the opportunity to speak with you today.

Central Mountain Air is located in northern British Columbia. For reference, we're considered a small airline as categorized by the air passenger protection regulations. At Central Mountain Air our company purpose and values include providing a safe, affordable and seamless travel experience for all of the clients and communities we serve.

Next I'll simply mention some points for consideration from our perspective that may contribute to reducing the cost of air travel in our region as well as improving air service in Canada. We feel that additional structured assistance for rural and remote communities is required to support air development and future operations. Construction of hard-surface runways from current gravel surfaces, and de-icing equipment availability are becoming standard items for consistent day-to-day operations. On the national front, we feel that Canada can support and advance the development of sustainable aviation fuels and infrastructure.

Policy and regulation dictate the way air carriers operate, and one size does not fit all. Baggage security regulations, cargo security, fatigue during duty, air passenger protection and CTA charges need regular review and, where possible, change for continuous improvement.

In addition to the already high cost of operation, Canadian air carriers face a myriad of external taxes, visual and buried fees, including airport rent, AIFs, PFCs, TSCs, GDS and Nav Canada fees and single-supplier de-icing fees, to name a few. Again, a review and rejig are required.

Interline agreements allow a passenger to travel on multiple airlines on one travel itinerary instead of two or more. It simply allows a reduction with no duplication of fees and the ability to through-check luggage to a passenger's final destination. A more open interlining architecture amongst large and small carriers should be advanced, allowing fair pricing strategies, reduced airport fees and a more seamless travel experience for the traveller.

In closing, despite its great size, Canada is one of the world's most sparsely populated countries. Air operations, we feel, are essential. Aside from the large mainline carriers, small carriers are able to contribute towards improved air services and fair pricing for Canadians. It's certainly not limited to them, but the points I mentioned previously currently add to the incremental cost for the air traveller. The aviation industry requires financial and regulatory reform to set it on a new course for success.

• (1700)

**The Chair:** Thank you very much, Mr. McCrea.

Next we go to Mr. Pyle. Mr. Pyle, the floor is yours. You have five minutes for your opening remarks, sir.

**Mr. Michael Pyle (Chief Executive Officer, Exchange Income Corporation, Perimeter Aviation):** Thank you.

Good morning, honourable members of the committee, and thank you for your time today on this important topic.

In my position as CEO of Exchange Income Corporation, otherwise known as EIC, I am here testifying on behalf of Perimeter Aviation and Bearskin Airlines, two of our aviation subsidiaries.

More broadly, I lead a dedicated team of aviation professionals who manage vital air carriers throughout Canada, including our wholly owned airline brands of Calm Air, Perimeter Aviation, Bearskin and PAL Airways. Wasaya Airways and Air Borealis are jointly owned with first nations and indigenous partners. Keewatin Air, Custom Helicopters, PAL Aerospace and Carson Air provide air ambulance and specialty aviation services.

Each of these air operators has significant track records and experience in providing critical services to remote, northern, indigenous and first nations communities. Together, our family of air operators accounts for over 325 years of experience and investment in northern aviation. We know first-hand that the challenges faced by northern air operators are very different from those of our southern counterparts, and we have learned that the quality of our service and investment in infrastructure are fundamental to our success. Consider the challenges of offering a commercial operation that can move only four or six passengers out of a community on a given day.

Our fleet is diverse and highly customized to meet the demands of the environments in which we fly, while we also operate within the limits of the infrastructure that supports the northern aviation communities and accommodate all the needs of the communities we service. We've invested heavily in basic infrastructure that is needed at northern airports, far beyond what would be typical for traditional airlines, to stabilize our operation and deliver better service.

For instance, the need to build and maintain our own maintenance facilities, fuel farms and ground handling equipment in remote locations, the need to provide staff with housing, and the need to develop our own storage facilities to keep goods at a regulated temperature until our customers can pick them up are all examples of the substantial capital investment EIC has made that our southern cousins would never have to consider.

The communities we serve are very thinly populated and small. For most of the year, they can be accessed only by air. Airlines depend on cargo, especially food, alongside passenger service, to support sustainable service. Any disruption can disproportionately affect remote communities, raising costs and limiting access to essentials. To ensure our operation remains stable and sustainable for the long term, we've built a complex network that links multiple destinations, spreading volume and efficiencies across a network rather than just between two points.

We tailor our operation and invest heavily in our product, because we know that aviation is vital in the places we operate. Alternative access is limited or, in some cases, non-existent.

Air services are crucial for delivering government services like health care, education and public safety, while also being critical in linking the economic opportunity in the north. In that context, our airlines are more akin to public utilities, built on essential services and bonded to the communities we serve.

This is a structure that has allowed our operators to weather market fluctuations. For instance, by partnering with governments and communities, EIC carriers were able to maintain our entire network during COVID, not abandoning a single destination during the pandemic.

At the same time, the investment northern carriers must make to operate shifts the nature of competition. The north cannot sustain multiple providers with overlapping services. Instead, we frequently see multiple providers bidding on long-term contracts for either government or private business, such as mining or natural resource development, that allow the certainty required to build the ecosystem we need to operate and recover our costs over a longer period of time. With reality in mind, we believe that healthy competition in northern aviation should first seek to ensure consistent service, long-term investment and the maintenance of critical infrastructure.

- (1705)

Any policy focused on northern aviation must consider the unique challenges faced by operators and by communities. Southern solutions on regulations, competition or encouraging sustainable investment cannot simply be copied and pasted into the north. Government has a critical role to play in addressing those challenges and finding solutions for sustainable northern aviation. Regulatory frameworks that consider the realities of northern operations or investments in infrastructure that stabilize the operating environment while reducing the cost to communities and our passengers would be welcomed by the industry.

With that in mind, I again commend you for taking on this study. I welcome any questions you may have.

**The Chair:** Thank you very much, Mr. Pyle.

Mr. Cane, I want to confirm that you do have opening remarks. If not, would you like us to proceed with the first line of questioning?

**Mr. Myles Cane (Senior Vice-President, Operations, Summit Air Ltd.):** No, I have some opening remarks. I didn't prepare formal speaking notes for the committee, but if it's okay, I can go ahead with some.

**The Chair:** By all means. The floor is yours, sir. You have five minutes.

**Mr. Myles Cane:** Thank you, Mr. Chair and members of the committee.

My name is Myles Cane. I'm the senior vice-president of operations for Summit Air. Summit Air is a wholly owned subsidiary and member of the Ledcor Group of Companies. I have been involved in Arctic aviation for a period of 33 years. I've performed various roles. I've been an aviation mechanic. I've been an aviation pilot. I've held a variety of management roles over the past 20 years. My role at Summit is very much operational. I'm based in Yellowknife, Northwest Territories.

I'm also the vice-president of the Northern Air Transport Association on the executive committee. For those of you who are not aware, it's a membership group of over two dozen northern airlines. We meet annually at our AGM and meet regularly with our regulator and various other government factions to forward our initiatives and interests in the Arctic.

Summit Air is a business that's a bit different compared with the usual model of aviation carriers. We're a charter business. We're not a scheduled carrier at all, but we support an important market for industry and investment in the north in that we support oil and gas, mining, food retailers and government. The private sector and tourism are our primary clients. We also have a diverse fleet. We have over 25 aircraft now and 300 employees. We have bases in the south, in Alberta, but our primary base is in Yellowknife.

I would welcome questions today that fall into three different categories. First of all, I want to echo some of the comments of the previous witnesses on the essential nature of aviation in the north. My role in NATA has seen a lot of participation in providing comment and guidance to new government regulation. We've seen some shocking disregard for this guidance from the subject matter experts on this jurisdiction, who all operate safe airlines 24-7 in this area. We see new regulations coming down the pipe that have an even more dire impact on the Canadian north and on the constituents and residents of the Canadian Arctic, who will see a further degradation in quality of living and an increase in costs in these areas.

I welcome those questions. These are tied into airport infrastructure issues. Our airports are woefully behind the times in terms of capabilities, lighting and equipment. I also welcome questions around the Competition Act and recent merger activities in the Canadian Arctic with several different carriers.

Those are my opening remarks. Thank you for asking me to participate in this committee.

• (1710)

**The Chair:** Thank you very much, Mr. Cane.

We'll begin our line of questioning today with Dr. Lewis.

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

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

I want to thank the witnesses for coming today.

My first question is for you, Mr. McCrea. You mentioned that sustainable aviation fuels and infrastructure were very important for the future of aviation. What do you specifically mean by “sustainable” infrastructure? How do you define that?

**The Chair:** I'm sorry, sir, but you are on mute. We'll stop the clock here and ensure that you're given the appropriate time to respond.

**Mr. Douglas McCrea:** I'm sorry.

I think as a whole that we shouldn't hold back on advancing or building the infrastructure. I believe it's an up-and-coming requirement for the future and for the environment. We should give it our all to get involved in the production of same.

**Ms. Leslyn Lewis:** You also mentioned that CTA charges need regular review. Can you elaborate on what types of charges?

You spoke about external taxes and buried fees. Can you elaborate on and list the types of fees that your airline pays? For example, what are the airport fees that are added to the fare? What are the landing fees, the terminal fees, etc.?

**Mr. Douglas McCrea:** Well, there's the common fee, which is the AIF. If airports actually charge it as an AIF, it displays on the ticket. It's in full view of the person buying the ticket.

There are lots of buried fees. There's a fee they call the passenger facility charge, which doesn't show on the ticket. Airports charge that directly to the airline. Buried fees like that don't show necessarily on the day-to-day...or are not in the public's view.

**Ms. Leslyn Lewis:** Can you tell me what percentage of the fees make up the fare?

**Mr. Douglas McCrea:** I cannot, at this point. I could figure it out and get it to you in the future.

**Ms. Leslyn Lewis:** That would be helpful, if you could undertake to do that.

My next question is for Mr. McCain.

Mr. McCain, you stated that you have a unique business that deals with charter.... You also stated that you work with the oil, gas and mining...and food retailers.

Now, we heard from earlier witnesses about the cost of living. We heard about the food crisis in the north. We've also heard that the cost of transportation in the north is increasing at such an exponential rate that not even nutrition north, a food program that was set up to deal with affordability of food in the north, can offset these inflationary costs.

Can you elaborate on how all of the hidden costs and the red tape in your industry have to be transferred to the food industry, as outlined by a prior witness?

• (1715)

**Mr. Myles Cane:** I'm assuming you're referring to me. It's Myles Cane.

Is that the witness you'd like to answer the question?

**Ms. Leslyn Lewis:** Yes.

**Mr. Myles Cane:** Okay.

Yes, we are a charter airline. We have several contracts with food companies across the Arctic. Any of our elevated costs must be passed on to our customers, who in turn pass on their elevated costs to their clients, who are buying the groceries.

There are many examples of how our increased costs have to be passed on. One example is the carbon tax. Another example is the flight and duty regulation changes, which were not actually based on any science but were bearing a slavish devotion to adhering to EASA regulations, basically. EASA, of course, is a network that is largely connected by road, where foodstuffs are not regularly flown unless they're gourmet, shellfish or seafood, whereas in our jurisdiction, Yellowknife is the end of the road, and there are 56 communities north of here that require all of their fresh foodstuffs to be flown in.

If you want to apply a number to the cost of the flight and duty regulations, I think most airlines had to increase their pilot workforce by 20%.

I see a red card.

**The Chair:** Thank you very much, Mr. Cane, and thank you, Dr. Lewis.

Next, we'll go to Mr. Hanley.

The floor is yours for five minutes, please.

**Mr. Brendan Hanley (Yukon, Lib.):** Thanks to all three of you for this really interesting testimony.

I want to start with Mr. McCrea. You specifically brought up interline agreements, which is certainly an area of interest and actually was one of the key motivations for me to ask for this study to proceed, given the importance and the potential that it brings for northern carriers.



I'm going to reflect how Joe Sparling, the CEO of Air North, described it in his testimony in May:

Mandatory interline and code-share agreements...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.

He reflected that this has already been achieved in other industries, such as telecommunications and railroads. There are parallels already.

Could you reflect on how government can facilitate interline agreements? What do you see as the pathway?

**Mr. Douglas McCrea:** I believe it needs a bit of a push. At this point in time, it's certainly up to the discretion of both companies to enter into an interline agreement. I agree with Joe's comments that, at the end of the day, it opens up the playing field. It certainly would allow the travelling public to more or less see the world on one ticket rather than on multiple travel itineraries with different airlines. If both players came to the party, we would see a combination of the fare, which would be more pleasing to the passengers as well.

That's what I'd suggest.

• (1720)

**Mr. Brendan Hanley:** Thank you. That's very helpful.

Mr. Pyle, does this apply to any of your companies? Is this an area of interest for you?

**Mr. Michael Pyle:** I don't think there's any downside to facilitating these processes, and we're in discussions about that on a regular basis. However, in our business, most of what we're servicing are indigenous and first nations communities across the north, and about 90% of those would be attending a southern centre, whether it be for medical appointments, shopping or those kinds of things. Very few of our passengers would follow through into tourist or vacation travel. There are some who may travel, say, down from Rankin Inlet to Winnipeg and then across to Toronto for government meetings or those kinds of things. In that case, it would be helpful.

It's more the convenience factor, I think, than the absolute price factor, because they could check their luggage. They don't have to worry if one flight's delayed, because the other automatically looks after it, so there's definitely a benefit to it. I would agree with that.

I don't think it's a huge part of our business, however.

**Mr. Brendan Hanley:** Thank you.

To continue with you, Mr. Pyle, I was curious that you mentioned the importance of partnerships, at least with some of the indigenous companies under your umbrella. Could you tell me a bit about what advantages that might bring and how they may be facilitated or further facilitated?

**Mr. Michael Pyle:** We have different forms of agreement in different parts of the country. We have some areas in Labrador and northwestern Ontario in particular where we actually own the airline with first nations, so we're the operator and they're an equity partner.

In other places, like Manitoba or Nunavut, we actually have community partnership agreements whereby we share some of the benefits of the airline service, whether it be providing free tickets to the community, economic development assistance on certain projects, bereavement charters and those kinds of things, and we put money back into the communities we serve. In my business in particular, we're largely looking after indigenous people, so the opportunities to put money back in are huge.

I'd like to point out one other where we have tried to cultivate indigenous pilots. We own a flight school in the Maritimes, and we tried to get indigenous pilots to the flight school. They struggled culturally, being that far away from home, so in the last two years we've opened up flight schools in three communities where we provide free pilot training to people in the hopes of developing first nations pilots to reduce the pilot shortage and provide pilots to the communities who understand the culture in those communities.

As it relates to northern Canada, the indigenous part of the business is very important.

**Mr. Brendan Hanley:** Thank you.

I guess I don't really have time for another question.

[*Translation*]

**The Chair:** Mr. Barsalou-Duval, you have the floor for six minutes.

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

Thank you to the witnesses for being with us today.

My first questions are for Myles Cane, from Summit Air.

I would like to respond to your opening remarks. You talked a lot about the relationship between airlines and officials, or at least those who create the new regulations. Your comments reminded me of what other witnesses have told the committee so far. Many airline representatives, at least those in remote and northern regions, feel that decisions are made by public servants in Ottawa without taking their reality into account, and they suffer the consequences.

Could you explain to us how that relationship is going? How are you consulted before Ottawa puts in place new regulations that could have an impact on your activities? What does that dialogue look like? Are they still—

• (1725)

**Mr. Taylor Bachrach:** Excuse me, Mr. Chair.

[*English*]

We haven't had interpretation for a while now. There's no English.

Start again from the top.

**Voices:** Oh, oh!

[Translation]

**Mr. Xavier Barsalou-Duval:** Is it working now?

**Mr. Stéphane Lauzon:** Yes, it is working.

**Mr. Xavier Barsalou-Duval:** I don't know where they want me to start over.

**Mr. Stéphane Lauzon:** I would say from the beginning, but I think we understood.

**The Chair:** You have five minutes left, Mr. Barsalou-Duval.

**Mr. Xavier Barsalou-Duval:** Okay.

Mr. Cane, how would you describe the relationship and conversations between you and the people at Transport Canada?

[English]

**Mr. Myles Cane:** I'm not sure if I was supposed to be having any translation, but I didn't hear anything.

**Mr. Michael Pyle:** I don't get any either.

**The Chair:** Thank you to our witnesses for letting us know.

We'll ask Mr. Barsalou-Duval to start again with his preamble, please. We'll bring your time back down to zero.

We'll let you start again, Mr. Barsalou-Duval.

[Translation]

You have the floor for six minutes.

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

Thank you to the witnesses for being with us today.

My first questions are for Myles Cane, from Summit Air.

Essentially, I was saying that your comments during your opening remarks echoed what a number of other airlines have told us. They feel, especially the small ones in remote and northern regions, that decisions made in Ottawa are not based on their lived experience or reality and are being unilaterally imposed on them.

How would you characterize your relationship with Transport Canada officials? Are compromises sometimes made?

How does that actually happen on a day-to-day basis?

[English]

**Mr. Myles Cane:** Again, was I supposed to receive a translation of the question?

[Translation]

**Mr. Xavier Barsalou-Duval:** Is there still no interpretation?

[English]

**Mr. Taylor Bachrach:** I think they are on the wrong channel.

**Mr. Myles Cane:** Does someone want to just translate the question?

**The Chair:** Mr. Cane, I believe what's happening is that you haven't selected translation. There's a button to press that would automatically provide you with the live translation feed that we have.

**Mr. Myles Cane:** Where would that button be?

**The Chair:** Perhaps I will ask the clerk to guide you through that, or perhaps the director of audio and video services here can help out.

**Mr. Michael Pyle:** Could you say that again? I can't find that on mine.

**The Chair:** Colleagues, if it's okay for everybody, we'll suspend for two minutes to make sure we've got all of this sorted out. We'll resume in two minutes.

This meeting is suspended.

• (1725) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1730)

**The Chair:** I call this meeting back to order.

[Translation]

Mr. Barsalou-Duval, you have the floor once again.

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

Hopefully, this time is the charm.

Thank you to the witnesses for being here.

I was telling Mr. Cane that his comments during his opening remarks were very similar to those of other witnesses who testified before the committee about the situation of regional airlines. It seems that decisions made in Ottawa by Transport Canada officials do not take into account the reality of regional airlines and that these decisions are unilaterally imposed.

How does that actually happen on a day-to-day basis? Tell us about your conversations with Transport Canada.

[English]

**Mr. Myles Cane:** Yes, that's precisely the concern.

In my operational role, I've had a relationship with my region, because Transport Canada is made of a bunch of regions, and whichever region you operate in as an airline is the region you deal with on an operational level. When it comes to policy, of course, it's Ottawa.

I haven't had too much experience with Ottawa in my role at Summit, but in my role at NATA I've had a significant amount of experience over the years. There's been a marked shift in the relationship and the behaviour of the regulator in the past five to seven years, I would say, in that it seems like there's a dogged determination to implement new regulations and almost ignore the impact of that on northern constituents. That's a bold statement, I realize, but I do feel strongly that that's the case.

It seems like the process of meeting with the operators and the subject matter experts is now a box-checking exercise rather than one that is designed to pursue meaningful input that will drive sensible regulatory change. We know that regulatory change is a requisite. We know that. Every industry has to change and modernize and get safer, but it shouldn't do that while leaving residents of Canada behind fiscally and from a health and safety perspective.

I have a great relationship with Transport Canada. Operationally, I do. I feel like on the regulatory Ottawa side, with my NATA role, it's a little more strained. I feel like there's this dogged sense to just carry on with implementing these new regulatory changes regardless of the impact on northerners.

[Translation]

**Mr. Xavier Barsalou-Duval:** Are there discussion forums between airlines and officials?

Are you in discussions with officials? Are compromises sometimes made, or are decisions simply imposed on you?

[English]

**Mr. Myles Cane:** It's something that was imposed. We were consulted with as far as the process is concerned, but the vast majority of solutions we proposed as alternate means were turned down.

You know, a lot of these have had dramatic impacts on northerners. The one I'm most particularly concerned about is the new approach ban regulations coming down, which are going to have a significant impact on operational capability in the north for all air carriers.

[Translation]

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

**The Chair:** Thank you very much, Mr. Barsalou-Duval.

[English]

Next we have Mr. Bachrach.

Mr. Bachrach, the floor is yours for six minutes, sir.

• (1735)

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

Thank you to our witnesses for making time for us, and I apologize on behalf of the committee for the technical challenges.

I'll direct my questions to Mr. McCrea.

Mr. McCrea, it's great to have you before the transport committee as a fellow Smithereen and someone whose company has provided—

**An hon. member:** Smithereen?

**Mr. Taylor Bachrach:** I know. "Smithereen" is our collective pronoun. We're very proud of it.

You're someone who has provided, through your company, some great service for northern British Columbians. I know you've provided both scheduled services and charter services, and I wonder if you could talk a bit about your experience in trying to compete with larger carriers in smaller markets.

As a small airline company, what have been some of the barriers that you've faced? What have been some of the challenges in trying to offer northern residents competitive airfares and the kind of service that you want to provide?

**Mr. Douglas McCrea:** Thank you.

We're continuously looking for opportunities where service is limited or the frequency of service is just not there. We feel the community can handle it. We've made attempts, on occasion, to operate some scheduled service to certain communities, one being Smithers. Sometimes, business-wise, our competitors don't like to see us playing in their sandbox.

At the end of the day, certainly, I would say that large air carrier brands and dominance come into play. They put the pressure on by changing fares or frequency. We don't have those pockets.

**Mr. Taylor Bachrach:** Mr. McCrea, do you feel that's the way of the world, or is there a way the federal government could put its thumb on the scale in favour of smaller carriers? I talk to a lot of people in our region who would love to see small, local companies providing service. That's something they want to see emphasized.

Is there a role for government in that, or, at the end of the day, is it "That's just business"?

**Mr. Douglas McCrea:** It's just business, to some degree.

Certainly, it's about an alignment of interline agreements to open up the playing field and a bit of policing when it comes to changing frequency or fare levels on a predatory basis.

**Mr. Taylor Bachrach:** Thanks for that.

I'll switch to the topic of interline agreements.

We had some interesting debate and testimony at committee from Mr. Sparling and others who are big advocates of interline agreements.

Does CMA currently have any code-shares with larger airlines?

**Mr. Douglas McCrea:** We do, yes. We have code-shares with Air Canada and interline agreements with both Air Canada and WestJet.

**Mr. Taylor Bachrach:** I believe what Mr. Sparling has been advocating for is a government mandate that would essentially require the larger airlines to provide those code-shares to smaller airlines.

If such a mandate were put in place, would it help companies like yours reach larger markets and provide competitive pricing and service to the people you serve?

**Mr. Douglas McCrea:** I think it would help.

At the end of the day, again, both parties need to agree on that level playing field and on fair practices.

**Mr. Taylor Bachrach:** Earlier, you mentioned upgrades to gravel surfaces and de-icing infrastructure. Obviously, in smaller communities, these are issues that would improve access.

In the area you serve, what are some of the communities you feel could use those kinds of upgrades?

**Mr. Douglas McCrea:** From the gravel runway standpoint, we go into a fairly small first nations village two or three days a week. Simply, it's about going forward with pilot experience. There is also damage to aircraft from the gravel runway.

It would be an improvement, for sure.

• (1740)

**Mr. Taylor Bachrach:** We heard from some of our other witnesses about duty time regulations and the impact they've had. I think one figure cited earlier was a 20% increase in pilot costs.

Is that a similar experience for Central Mountain Air? How have you managed those increased costs when it comes to duty time?

**Mr. Douglas McCrea:** We've certainly accommodated them. The regulations create a level playing field to some degree. I certainly think they could be reviewed to provide some sort of relaxation regarding the end of the duty period, in order to get through the day.

**Mr. Taylor Bachrach:** Thanks very much.

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

Colleagues, we have about 10 minutes left. If it's okay, we'll do a lightning round of two and a half minutes each and spread that around.

We'll start with you, Mr. Vis. The floor is yours.

**Mr. Brad Vis (Mission—Matsqui—Fraser Canyon, CPC):** Thank you, Mr. Chair.

Mr. Cane, you mentioned earlier that the flight and duty regulations led to a 20% increase in staffing, I believe you said, when they were implemented. Can you please clarify for this committee why those regulations caused such an increase and when those regulations came into effect?

**Mr. Myles Cane:** The regulations came into effect on January 1. Well, it depends. If you're an airline, it depends on the category of aircraft that you operate, and there was a split so that it was easier on the industry, but it was a requirement to hire more pilots.

Basically, it limited the amount of duty that pilots could fly. In the north, our pilots often fly more seasonally. They fly more in the summertime than they do in the winter, but the new flight and duty regs ignore that. They basically take something that was a table that would fit on half a page—the old flight and duty regulations—and turn it into an 11-page document.

That was the change. It's all-encompassing. It affects the local night's rest. It affects basically taking a pilot from one jurisdiction in Canada and naturalizing him to a new base. It's very complex, and that's okay. The fact of the matter is that we wanted something that would be right-sized for the north and make sense and also provide a higher level of safety. It's 20% more flight crew in an environment that already has a worldwide pilot shortage—

**Mr. Brad Vis:** I'm sorry, but just to clarify....

**Mr. Myles Cane:** I'm sorry. Do you mean clarify the worldwide pilot shortage...?

**Mr. Brad Vis:** No. Clarify what year the regulations came into effect.

**Mr. Myles Cane:** Doug, feel free to jump in here, but for 705 airlines, I think it was January 1, 2022.

Is that right, Doug?

**Mr. Douglas McCrea:** I'll go with that answer, sure.

**Voices:** Oh, oh!

**Mr. Myles Cane:** Yes, it has been two years. It was January 1, 2023 for the smaller air carriers with the smaller categories of aircraft—19 seats or less.

**Mr. Brad Vis:** Thank you.

Did these regulations lead to an improvement of safety in your operations and—

**Mr. Myles Cane:** That's.... I'm sorry. There's a second part of the question. Go ahead.

**Mr. Brad Vis:** No. Please answer the first one. That's fine.

**Mr. Myles Cane:** I would say no. They've led to increased administration costs.

Because the regulations are so complex now, it took us a while: It took a while for software to be invented that could manage them. We did not have in our database of safety.... We're all required to have a database of safety incidents and proactive reports, and there was not any type of reduction of fatigue-based reporting post implementation of duty regs.

In fact, fatigue was never on Transport Canada's TSB watch list until very recently.

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

Thank you, Mr. Vis.

Next, we'll go to Mr. Hanley.

Mr. Hanley, the floor is yours for two and a half minutes, please.

**Mr. Brendan Hanley:** Mr. Cane, you're still in the hot seat. I'll actually carry on with the same theme.

• (1745)

**Mr. Myles Cane:** Yes. Go for it.

**Mr. Brendan Hanley:** This is really about safety, I guess. Sometimes safety is put forward as an absolute. I think you and I might agree that safety is not always an absolute. It really involves a balancing of risks and—

**Mr. Myles Cane:** One hundred per cent—

**Mr. Brendan Hanley:** —certainly as it applies to flight duty hours, you've explained a bit about how that plays out in the northern reality when a pilot times out. Due to a shortage of pilots, it might mean, say, a less experienced pilot in a more risky situation. I think that understanding is important.

Plus, there's the pace of regulatory changes. You alluded to this. A lot has come at you in a short time. I wondered whether maybe in the remaining minute and a half you could reflect on how this could be improved, even as we.... You've mentioned that you're actually facing new regulations coming down the pipeline. What is the change that we could actually apply right now and in the coming months to make it more realistic for northern operators?

**Mr. Myles Cane:** I don't mean to make assumptions about our regulator, but it seems to me there's a mandate within the regulatory body to make a regulation change. The consultation process used to be this: "Let's talk to the SMEs in the industry and get their perspective." That consultation was taken to heart and considered, and changes to the proposed regulations were made.

The regulator was also steeped in a great deal of operational experience across all regions and in Ottawa. We've seen a decrease based on some cutbacks at Transport Canada. We've seen a decrease in skilled operational personnel working at Transport Canada and an influx of a more political bent to drive regulatory change.

What we need to see, as a country, is a regulator that is driven to consult not as a box-ticking exercise but to get it right across Canada, from coast to coast to coast, including the north. It's a very stark difference. An approach ban is coming out. In some Arctic communities—because of their lack of airport infrastructure, lighting and approaches—this will decrease their service markedly, in a big way. I'm including medevac travel and food transportation in that. It's going to have a big effect. With what we saw with flight duty, and with the lack of meaningful consultation, we're all very scared, as operators. This is going to march down the same path.

**The Chair:** Thank you very much, Mr. Cane.

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.

Mr. Cane, your comments remind me of a conversation I had with a small carrier. According to the airline, it kept its pilots for six months, on average, before they were recruited by a larger airline. He didn't see how he could recruit enough pilots to be able to maintain service. The only solution was to reduce the service offered, that is to say to reduce the number of flights. He was unable to provide the desired level of service because of the new rules and the current pilot shortage.

My question is about regulations.

Generally speaking, we understand that everyone wants the best possible safety. When it comes to enforcing regulations, is the need to distinguish between small and large carriers understood?

Do you have any examples of rules that are not exactly the same for small carriers as for large ones, or are the same rules generally applied, regardless of the size of the company?

[*English*]

**Mr. Myles Cane:** Similar regulations are applied, though there are some lines in the sand. There are three different categories of airline in Canada: air taxi, which is a small aircraft with fewer than nine seats; commuter, which has 19 or fewer seats; and airline, which is everything above. In terms of what's required to fly an airplane, the regulations are very similar for all three categories.

Yes, the example of that small airline keeping their pilots for six months is a thing. That's real. I'm happy to say that Summit Air is probably one of the middle sharks. We're not the tiny fish at the bottom. That's a smaller airline. We get pilots from the very small airlines. Then, ultimately, Air Canada and WestJet steal the pilots from us, because pilots tend to chase bigger aircraft. Let's face it: A lot of our pilots come from the denser population centres of Canada, because that's just where the population is. They want to return there.

One of the initiatives we're undertaking is promoting, training and retaining a northern pilot workforce and a northern mechanic workforce. Anything that can be done at a political level as far as incenting that would be much appreciated. We feel that's the solution to recruiting and retaining a workforce.

• (1750)

[*Translation*]

**The Chair:** Thank you very much, Mr. Barsalou-Duval.

[*English*]

Finally, today, we have Mr. Bachrach.

Mr. Bachrach, you have two and a half minutes, sir.

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

I'm interested in this flight duty regulation issue.

The federal government has the Transportation Safety Board, which is an arm's-length organization that makes recommendations based on safety. The board identified fatigue as one of the key issues on the watch list. I believe, in 2018, it was expanded to the air sector. We've certainly talked about it in the context of the rail sector a fair bit.

My question for Mr. Cane is this: If Transport Canada had done more extensive consultations—which you indicated would have been preferable—what kind of approach would you prefer to use in order to achieve the same goal of stepping up safety, without resulting in that 10-page or 15-page document you referenced earlier around flight duty regulations?

**Mr. Myles Cane:** That's a completely valid question. Please don't take this as a glib answer, but we provided that feedback at least six or seven times to our regulator.

In a nutshell, we provided areas that were causing... Let me give you an example. A pilot comes back from a duty mission, and because he or she is free from duty one minute after this hour, it requires a complete four-hour extra reset the following day. The regulations are rife with details like that.

We just proposed alternative means to kind of achieve fatigue balance and measure, and a lot of them were summarily ignored. We were kind of branded as not wanting change and as being worried about the bottom line of our airline. That wasn't the case. We embraced wholeheartedly the requirement for change.

I do want to say that there have been some things on the TSB watch list for the better part of a decade that have still not been actioned. As far as the timeline of items on the watch list, fatigue has a relatively short one if you look at when it actually first got added to the watch list, which was, incidentally, based on a solitary event perpetrated by Air Canada in San Francisco, it seems. There isn't a long history of this being an issue.

However, I don't want to get into that. What we want to say here about these regulations is that this ship has sailed. As an association

and as operators, we are eager to make sure that this same box-checking exercise of consultation and the lack of understanding of the impact on the north does not occur with future regulatory changes.

**The Chair:** Thank you very much, Mr. Cane.

Thank you, Mr. Bachrach.

On behalf of all members of this committee, I want to thank our witnesses for generously giving us their time today.

With that, this meeting is adjourned. Have a great evening, everyone.

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