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Chair: Mr. Peter Schiefke



Standing Committee on Transport, Infrastructure and Communities

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• (1300)

[English]

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

Welcome to meeting number 145 of the Standing Committee on Transport, Infrastructure and Communities.

Before we begin the meeting, I want to 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 of our participants.

Today's meeting is taking place in a hybrid format.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, December 5, the committee is commencing its study on Air Canada's plan to impose carry-on baggage fees and carry-on baggage fees in the air transport sector.

All witnesses have completed the required connection tests in advance of today's meeting.

Appearing before us for the first half of our meeting, from Porter Airlines, we have Michael Deluce, chief executive officer, by video conference.

From Air Transat Incorporated, we have Annick Guérard, president and chief executive officer, by video conference.

From WestJet Airlines, we have Alexis von Hoensbroech, chief executive officer; and Andrew Gibbons, vice-president, external affairs.

Welcome to all of our witnesses.

We'll begin our opening remarks. I will turn it over to our guests who are joining us here in person today.

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

Mr. Alexis von Hoensbroech (Chief Executive Officer, WestJet Airlines Ltd.): Thank you very much.

Good afternoon, Mr. Chair and honourable committee members. Thank you for having us here today.

My name is Alexis von Hoensbroech, and I'm CEO of the WestJet Group. I'm joined by Andy Gibbons, our VP for external affairs.

We all share the same ambition, which is providing affordable air travel options to Canadians. Unbundling our product and making parts of our services optional allows us to offer the lowest possible

price to those who need it and who want it. We are happy to discuss the specifics of this and receive feedback.

At the same time, there's strong evidence that a thriving low-fare environment, such as people experience in other regions of the world, can only be achieved if the government takes serious actions to reform this sector. It is time for government to bring down mandatory fees and charges that passengers have to shoulder on top of their airfare to a level that is more in line with other similar countries.

WestJet's track record is unrivalled. WestJet is the company that democratized air travel in Canada. In our 28 years of serving Canadians, WestJet has cut airfares in half. I suspect one would struggle to name many industries that have improved affordability so dramatically and so consistently.

Unfortunately, over the same period of time, government and third party fees and taxes have gone up by two-thirds.

Our latest affordability effort, the ultrabasic fare, was launched this past June to provide Canadian travellers with even more affordable options. Ultrabasic is a brand new fare that offers Canadians an average of 14% savings compared to previous fares for those travelling with just a personal item like a backpack.

While this product was criticized by some, the facts show that it has achieved strong results for customers, our operations and the country. This is not hypothetical. It is data reflecting consumer choice.

Here are some quick facts around ultrabasic. In just six months, over 2.5 million guests have chosen this fare. The reduced airfare has saved Canadians as much as \$48 million. According to our guest service, travellers are satisfied with this new option, as they are with all our other products.

Our ultrabasic fare has also positively impacted our efficiency and performance, which I know has been a topic of interest for this committee. The 1.2 million avoided carry-on bags have reduced delays, which occur when there are more bags than there is overhead bin space on a flight. Between this past August and November, we have seen a 54% reduction in delay minutes and a 67% reduction in flights impacted, meaning that more Canadians are getting where they want to go on time.

WestJet prides itself on being transparent about the cost of our tickets. Unbundling our tickets is about providing the most affordable option for those who choose it and not about creating new fares. Our fares are optional and transparent; government and third party fees are not. Before Canadians even buy their tickets, government and third party taxes, fees and charges can add up to as much as \$99 to a ticket price. This is more than three times what it is in the United States, where similar charges are around \$28.

Canadian charges, fees and taxes go in only one direction: up. These fees are part of Canada's out-of-date user-pays model for aviation infrastructure, where passengers pay more than the services they receive, with a portion of the ticket cost going directly into federal budgets. Moreover, there is little transparency or oversight regarding how these fares are determined or utilized.

These sky-high fees are truly the main hurdle to competition in Canada. We have all seen many new airlines come and go in Canada, with Lynx Air recently publicly linking their demise to the incredibly high government and third party fees and charges.

WestJet believes that the priority area that needs reform and scrutiny is the high cost and burden of these third party and government fees to the public. They are unfair, hurt our ability to compete and negatively impact Canadian wallets. Ultimately, these fees prevent millions of low-income Canadians from using air travel in a country that is so big that there is often no other option to travel but by air.

In closing, Canada has a robust air travel market, but we can work together to make it better. Canada's outdated user-pay model requires comprehensive review and reform. Many countries around the world provide air service and infrastructure at a higher quality and much lower cost. These should serve as a blueprint for a modern and more affordable Canadian air travel sector. Until such review is completed, Canadian regulators should refrain from introducing any additional financial burden to the sector that will further negatively impact ticket prices for Canadians.

• (1305)

Thank you again for having us here today. We welcome your questions and look forward to this discussion.

The Chair: Thank you very much, sir.

[*Translation*]

It's your turn now, Ms. Guérard. You have the floor for five minutes.

Ms. Annick Guérard (President and Chief Executive Officer, Transat A.T. Inc.): Thank you.

Good afternoon, Mr. Chair and members of the committee.

[*English*]

Thank you for this invitation.

[*Translation*]

This year, Air Transat celebrated 37 years in business. Founded and based in Montreal, our company carries over 5 million passengers every year to nearly 60 international destinations in 28 countries, mainly in Europe, North Africa, Latin America and the

Caribbean. We are guided by strong corporate values. Our customers and employees are at the heart of our concerns and all our decisions.

Air Transat's presence ensures healthy competition in the Canadian airline industry and competitive pricing in the markets we serve. We are committed to working with government and parliamentarians to preserve competition and ensure choice for Canadian travellers.

This committee has already been made aware that Air Transat, previously debt-free, is now facing financial challenges related to the impact of the pandemic, due to two years of suspended or limited operations as a result of travel restrictions. We face a high level of debt, which limits our ability to compete and grow.

We note the announcement made last week by Air Canada. We can now state that, since this announcement, all our Canadian competitors now apply some form of cabin baggage restriction or charge for certain passengers in certain markets.

The use of ancillary fees for optional services such as baggage and seat selection is common practice in Canada and for many international airlines. However, we feel it appropriate to use this forum to highlight the excessive and ever-increasing fees, taxes and regulatory burden that place the entire Canadian air transport ecosystem at a competitive disadvantage compared to other countries.

In recent years, we have witnessed a considerable increase in external fees and charges as part of Canada's so-called user-pay model, as mentioned by Mr. von Hoensbroech. For example, the air travellers security charge recently increased by 33%. In addition, charges for air navigation services have increased by almost 30% in 2023, and are set to rise again in 2025. In addition, Canada's major airports currently pay around 12% of their gross revenues in rent for Crown land, plus other payments in lieu of property taxes. At the same time, airports are making significant investments in infrastructure, and passengers are paying increasingly high airport improvement fees, which are nearly six times higher than what the American consumer has to pay.

The regulatory burden also represents a significant burden for travellers. The new requirements of the air passenger protection regulations, adopted in 2019 and amended in 2022, have also added to the bill for the air transport system. Other regulatory proposals from the Canadian Transportation Agency are currently under review, and would again result in considerable additional costs for the system.

Canada's air transportation system is essential. Canadian consumers and travellers are telling us they can no longer afford the constant cost increases we have to add to the price of an airline ticket. An airline like Air Transat, which does not dominate the market, is certainly no longer in a position to pass on these increases to its customers.

At a time when the pressure is on and airlines are withdrawing from certain markets, Air Transat's presence enables Canadians to benefit from a broader offer and make choices according to their needs and budget.

This is the approach we are taking to continually strengthen our network. We have a joint venture agreement with Porter Airlines under which we offer Canadians simple, transparent and affordable domestic and international travel options. We combine Porter's domestic and North American network with Air Transat's expanding international network. This commercial agreement is excellent news for travellers and for competition among Canada's air carriers, as it enables us to offer additional services from a growing number of cities.

To conclude, I would like to reiterate our commitment to playing a competitive and innovative role, as well as our willingness to continue working with the government and Parliament to advance the interests of the travelling public and our 5,000-plus employees.

Thank you.

• (1310)

The Chair: Thank you, Ms. Guérard.

[*English*]

Next, we have Mr. Deluce from Porter Airlines.

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

Mr. Michael Deluce (Chief Executive Officer, Porter Airlines Inc.): Thank you.

Good afternoon, Mr. Chairman and members of the committee. Thank you for the invitation to speak on behalf of Porter Airlines.

Porter has transformed within the last two years to become an airline serving more than three dozen markets across North America, as well as points around the world through various airline partnerships, including our joint venture with Air Transat.

We now operate in every province and are a genuine third option for Canadian air travellers, with over 10% of seats in the domestic market. This number is growing rapidly as our fleet of new Embraer E175-E2 aircraft is planned to more than double to 100 in the coming years.

Our focus is on providing an enjoyable experience for economy passengers by offering more value to these travellers than any other airline, through features such as complimentary beverages, including beer and wine served in glassware; premium snacks; free Wi-Fi; and earning 100% loyalty points regardless of the fare you purchase.

Economy passengers are diverse, ranging from day trippers and students on a budget to those looking for a premium all-inclusive

experience. Economy travellers have various needs, and we cater to everyone, including people who value the option of a basic fare.

We introduced basic fares in 2018. Today, we have six types of economy fares with varying benefits, and basic is the second most popular fare we offer based on the number of seats sold. Basic economy fares have made air travel more accessible for Canadians and an affordable option for millions of passengers globally, allowing airlines to introduce competition on a scale never seen before. In North America, every airline of note offers a version of basic fares, from ultralow-cost carriers to global network carriers.

Only about 8% of basic fare passengers elect to upgrade their tickets to include a standard carry-on bag to go along with their personal item. This amounts to less than 2% of Porter's total customers.

Our basic fare clearly provides a benefit to consumers who do not intend to bring a carry-on bag to save on their base fare. We make every effort to clearly identify what's included and what's not in every fare type through the purchase process. To ensure passengers are well informed about the features of their selected fare, there are multiple prompts highlighting this prior to the customer confirming their purchase.

It's clear that more Canadians are flying because of basic fares, with a significant majority preferring the value this option provides and understanding what it includes. For those with a preference for having other services as part of their ticket, we have even more options for them.

Through the introduction of new routes that keep prices low and our commitment to elevated economy air service, Porter has set a new standard in the Canadian airline industry. This is driving positive change for all Canadians through healthy airline competition.

Thank you for the opportunity to make this submission. I look forward to answering your questions.

• (1315)

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

Colleagues, we'll begin our line of questioning today with Mr. Lawrence.

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

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

My questions will be for WestJet and Mr. von Hoensbroech.

I just want to start out by saying I understand the argument of the industry with respect to unbundling for passengers who don't want the full happy meal or the full value meal—I think you used this example in the media—but might just want french fries or a hamburger.

The obvious question, though, is this: If you unbundle, then it should be at a reduced cost, so since you've brought out your ultra-basic fare, how much cheaper is an ultrabasic fare versus a basic fare?

Mr. Alexis von Hoensbroech: I see it in the exact same way you do, and I think that's probably also the main misunderstanding in the public space. We have actually reduced our average fare for ultrabasic by 14% over what it was before, when it was a normal basic fare. There's a substantial reduction in price, and over the last six months, this has actually added up to \$48 million of savings collectively for all those who booked this fare, so this is a considerable saving.

Mr. Philip Lawrence: Thank you very much.

I find sometimes that when we talk in generalities, we lose some of the point. I want to take a bit of a different approach and actually go through a fare with you. This is an actual fare that was purchased to fly from Winnipeg to Victoria on WestJet, obviously, in December.

The base fare starts at \$197. I think most would agree that's a reasonable price. After we go through all the add-ons, we're up to \$274. If you would be good enough, I'd like to go through each one of these additional fees and have you explain what they are and whom they go to.

The first one I have is \$30 for YQI and, in brackets, "other air transportation charges".

Could you explain what that is and who benefits from that charge?

Mr. Alexis von Hoensbroech: Yes, for sure.

First of all, we differentiate between those charges that we charge as an airline, which go straight into the airline.... These are what we call air transportation charges. They include the base fare and this YQI surcharge that you mentioned, and then the others are third party charges that come on top of it.

Why do we have a YQI surcharge? It's because there are infrastructure costs embedded in our base fare. For instance, navigation charges—those are domestic—are, I think, \$15 per passenger. They're part of what the airline has to pay, and they're not a flow-through that goes through the other taxes and fees. This is reflected in there, and the same is also true for the aeronautical charges that we pay to airports.

It's basically a reflection of infrastructure costs that are paid by the airline and not paid through the tax box of the passenger.

Mr. Philip Lawrence: To simplify it a bit, how much of that \$30, on average, would WestJet keep and how much would flow through to Nav Canada and other government...?

Mr. Alexis von Hoensbroech: It all flows through.

Mr. Philip Lawrence: It all flows through. Thank you.

Next up is the GST. I think we know what that is. It's \$11.82.

Next is the \$9.46 charge for the "air travellers security charge". I know what that is, but perhaps you could share with the Canadians what that is.

Mr. Alexis von Hoensbroech: That's money being paid for security screening. However, this money doesn't go to CATSA, which performs the security screening. It actually goes into the federal budget, which then pays CATSA.

We assume, and we have a strong belief to assume, that our passengers are actually overpaying for security charges. The \$9, which is the domestic charge, actually goes up to somewhere in the mid-twenties for international flights, although the process is the exact same thing. This charge was just hiked by 33%, and as far as I can see, there aren't 33% more additional agents doing screening, so it's a straight price increase for Canadians.

• (1320)

Mr. Philip Lawrence: Thank you for that.

The next is \$25 for an "airport improvement fee".

Mr. Alexis von Hoensbroech: That's the airports directly charging the passenger, on top of what the airports directly charge the airline, which is covered in the prior field I mentioned.

This must have been a flight from Victoria to Winnipeg, not the other way around, because Winnipeg charges a \$45 AIF, so this is actually at the low end of what you have been showing.

Mr. Philip Lawrence: The final charge is GST on the airport improvement fee, so it's a government tax on a government fee.

Another embedded government cost, in addition to whatever corporate taxes and otherwise WestJet might pay, is the carbon tax. Does WestJet pay the carbon tax. If so, how much?

Mr. Alexis von Hoensbroech: Absolutely.

We pay the carbon tax. Again, that's embedded in the airfare that we charge. It's first collected by the airline and then we pay it forward.

It's only charged for intraprovincial flights, so it would be only charged on a Calgary to Edmonton flight. That has been—

Mr. Philip Lawrence: I think that's an important point to highlight because the carbon tax is supposed to be there to make you select choices that reduce your carbon footprint. However, the way it works in the aviation space is if I fly from Toronto to Vancouver, I'm not paying the carbon tax—or the airline's not paying the carbon tax; whichever way you want to slice it—but if I fly a shorter flight from Toronto to Ottawa, I have to pay the carbon tax.

Mr. Alexis von Hoensbroech: That is correct.

The amount was \$10 million in 2024.

I want to highlight in that context that there are lots of additional carbon reduction costs coming into this sector, and by 2028, we will be paying far north of \$100 million on all of these things. By the way, half of it is just from British Columbia.

The Chair: Thank you very much.

Colleagues, just as a reminder, I'm going to be quite firm with the time today because I know everybody wants to get their questions in. If you see the yellow card, it's a 30-second reminder. If you see the red card, it means that I will be cutting you off. Thank you, everyone, for your co-operation.

Next we go to Mr. Badawey. Mr. Badawey, you have the floor for six minutes, sir.

Mr. Vance Badawey (Niagara Centre, Lib.): Thank you, Mr. Chairman.

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

My first question is to WestJet. How does WestJet's approach to baggage fees compare to other carriers throughout Canada?

Mr. Alexis von Hoensbroech: I believe our approach is very similar. First of all, many people can have a checked bag for free. If you buy a higher fare type, or if you're a loyalty member or you have a credit card from WestJet, you actually get your first bag or, sometimes, more that you can check for free.

Then, the price is actually very transparent. You can look it up on our website. The price differs from when you pay it. If you buy it at booking, you pay the least. If you buy it at the airport—basically, when you show up—then it is more because, obviously, we want this transaction to happen early in the process, so we give an incentive to do this early.

Mr. Vance Badawey: In the last quarter, since implementing these fees, what have the revenues been?

Mr. Alexis von Hoensbroech: We are a private company, so we don't disclose specific revenue numbers.

However, let me make a broader point, which is that, if you look around the industry, you will find that almost all airlines actually make more revenues on optional fees than they make a profit. That means, in turn, that airlines subsidize their base fare through optional fees, which is good because it actually allows airlines to offer lower fares to those who select lower fares and don't select an optional fee, compared to what airlines would be able to do if they were not able to get those fees. If it were all the same price, it would be higher for everyone.

Mr. Vance Badawey: You made some comments earlier about the fees that you're charged by the government, airports and security. You know, being in business myself for many years, one thing I tried to do, both with my customers as well as my suppliers and others that I was in partnership with, was to make sure that our company not only ran smoothly for us but, more importantly, it ran smoothly for the people that we serve. With that said, and to enter into that true partnership, one thing that this committee asked for previously was for you to disclose your finances. Now, I understand you are a private company, and you do have that choice. Of course, to date, it's not been good, and the answer has been, "No."

However, I go back to my earlier comment. One thing that I would be very interested in is seeing what that gross, that net is, taking into consideration the other side of the balance sheet, your expenses—some of which you've mentioned today—to see which areas we as a government can look at to partner with you to mitigate those affordability issues. At the end of the day, that's what

we're here for. That's why we're here right now. We're here for affordability for the passengers.

I'll ask the question again. This is with sincere intent, as a government, to look at the possibilities that may lie ahead of us with respect to affordability, so that we can work together towards affordability for the customer. Is there an opportunity for us to sit down and have you disclose your finances, so that we can look at exactly which areas we can work on?

● (1325)

Mr. Alexis von Hoensbroech: First of all, we are always happy to sit down and also to talk about specific numbers. I have no problems with that as long as it's in a closed room.

However, I want to say what I already said in my introductory remarks. If we really care about affordability in Canada, the main hurdle—and it has been said by all the others as well—are the sky-high and off-the-chart-high fees and charges that government-controlled entities charge airlines. This is far beyond what you see in other countries. If it's \$100 per ticket, it basically means that, if you are entering the market as a new entrant and you want to price-break by offering a double-digit ticket end price, you'd basically subsidize your tickets until you're bankrupt. The graveyard of "passed away" airlines in Canada is really big—just two airlines were added this year alone—and that's the reality. That's the challenge that makes it very difficult to offer those low fares Canadians would need, because this is a country where air travel is essential.

Mr. Vance Badawey: That's the whole purpose of this dialogue. At the end of the day, sir, these costs will land somewhere. Either it's going to be a subsidy by Canadians, or it's a user-pay system paid by you. The cost has to land somewhere, hence the reason for my earlier comments and questions, and my desire to sit down, to look at your balance sheets and to see exactly where you're standing with respect to your margins, what you're making—and what you can absorb, most importantly—and then, therefore, mitigate the challenge for you and your customers. More importantly, it's to mitigate the subsidies that would otherwise land on Canadians to then put more money in your pocket, and that's what's key here.

I want to see that. You're making a lot of claims here, but I want to see how credible those claims are by looking at the numbers on your balance sheet.

Mr. Alexis von Hoensbroech: I'm more than happy to discuss all those details. That's no problem at all.

What I want to say is that the user-pay model needs a reform for sure, because it's a user-pay plus model. Users pay in excess of the infrastructure that they use.

By the way, this is in sharp contrast to how you deal with other modes of transportation. Rail receives billions of dollars of subsidies, although only a tiny fraction of Canadians use it.

As a thought experiment, if we were to receive the same per passenger subsidy as Via Rail gets, we could not just let everyone fly for free, we could even hand them cash as they enter the airplane. That's the reality in this country.

Mr. Vance Badawey: What we're looking at here, again, is affordability. We want to make sure that the affordability lands on the people that it should land on. We don't need to have Canadians subsidizing and putting money in your pocket but affordability for the customers who fly on your planes.

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

[Translation]

I now give the floor to Mr. Barsalou-Duval for six minutes.

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

Welcome to all the witnesses. We're pleased to hear their explanations about the new fees that we've seen appear in the air transportation sector in recent years.

Ms. Guérard, your company is one of the only airlines that currently doesn't charge for carry-on baggage.

First of all, how was that decision made?

Also, do you intend to keep it this way in the future?

Finally, what percentage of your customers don't use carry-on baggage?

I asked you three questions at once, but I'm particularly interested in the answer to the last question.

• (1330)

Ms. Annick Guérard: First of all, we're taking note of Air Canada's announcement this week. As I said earlier, all of our Canadian competitors now charge passengers some kind of fee for carry-on bags in certain markets.

We're thinking about it right now. That said, for obvious competitive reasons, we're not necessarily going to announce our commercial intentions here.

We offer five fare families to give our customers more choice. Today, carry-on baggage is included in all options.

Since we don't necessarily have the same network as other carriers, we have to be careful when comparing ourselves to WestJet or Porter, for instance. Our network is international. People on long-haul flights are much more likely to bring carry-on baggage than people on shorter flights. On shorter flights, they are more likely to carry a backpack than a carry-on.

Mr. Xavier Barsalou-Duval: I understand that you don't necessarily have specific figures at your fingertips.

Ms. Annick Guérard: It varies from flight to flight.

Mr. Xavier Barsalou-Duval: In the media, some commentators or experts have said that about 90% of travellers would carry carry-on baggage. Does that number make sense to you?

Ms. Annick Guérard: The number really varies depending on the routes. For example, for our long-haul flights between Canada and Europe, almost half of the people check their luggage, so it ends up in the cargo hold. The other half have carry-on baggage in the cabin. It varies by destination.

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

I'll now turn to the representatives of WestJet.

We've learned that the famous new \$35 fees that will be imposed by Air Canada for carry-on baggage will be applicable not only on the way out, but also on the way back. In addition, those bags won't even be in the cabin, but in the cargo hold.

Do you have similar policies on your end? Will it still be possible to have bags in the cabin or will they be sent directly into the cargo hold?

[English]

Mr. Alexis von Hoensbroech: I certainly cannot speak to what competitors offer, so I don't know. I can speak to what we offer, and our ultrabasic fare specifies that, if you buy an ultrabasic fare, you cannot bring a large carry-on bag into the cabin. If you have a large carry-on bag, you have to check it in, and then it goes down into the cargo hold.

[Translation]

Mr. Xavier Barsalou-Duval: I understand, but if a person pays for cabin baggage and it meets the standards, will their baggage go in the cabin or the cargo hold?

[English]

Mr. Alexis von Hoensbroech: The ultrabasic customers cannot pay for cabin baggage. They can bring their small cabin baggage. If they have a large one, it can only go into the cargo hold.

Part of it is also that it's a choice. Everyone who buys this fare knows this. This is not a surprise. This is something that someone deliberately chooses. We had 1.2 million Canadians who bought an ultrabasic fare, did not bring a bag for the overhead bin and also did not check a bag. That's a real saving.

If they do show up with a bag, it has to go into the cargo hold.

[Translation]

Mr. Xavier Barsalou-Duval: Perhaps it's because of the language barrier, but I'm not sure I fully understood the answer.

The reason I'm asking you this question is that a lot of people decide to bring luggage into the cabin because they're afraid it will be lost if it's put in the cargo hold.

If all carriers force consumers to put their luggage in the hold when they're already afraid of losing it, they're ultimately being forced to accept a situation that's the opposite of what they want. Wouldn't you agree?

[English]

Mr. Alexis von Hoensbroech: There's not enough space in the passenger cabin for all the bags that people will potentially want to bring. They have to go into the cargo bay and that's just the case. If a passenger really wants to bring a big carry-on bag, then they can buy a different fare class.

Again, it's all down to choice.

• (1335)

[Translation]

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

[English]

Next we have Ms. Dance.

Ms. Dance, the floor is yours. You have six minutes, please.

Ms. Leila Dance (Elmwood—Transcona, NDP): Thank you so much.

I just want to thank everybody for coming today. Your responses really help us, as members of Parliament, be able to talk to our constituents and keep them informed.

I'm going to go back to the basic fares. I think there were some discussions about the number of people who actually travel with no carry-on baggage.

From WestJet, could you just give me that number again?

Mr. Alexis von Hoensbroech: So far, since we introduced it, 1.2 million did not check a bag, did not bring a carry-on bag, bought an ultrabasic fare and, collectively, saved more than \$20 million.

Ms. Leila Dance: Perfect.

Air Transat had a number that was about 50%, for those who travel with no baggage.

Ms. Annick Guérard: No, that's not what we said.

Ms. Leila Dance: I'm sorry.

Ms. Annick Guérard: I was just saying that, depending on the routes, people will travel with different baggage patterns, which is totally normal. Since we operate mostly long-haul flights, half of the time people will bring a carry-on and half of the time they will register their baggage in cargo.

Ms. Leila Dance: Perfect. Thank you very much.

Porter, have you had a chance to give a number on how many people fly without carry-on?

Mr. Michael Deluce: I've provided a number, which is that of the people who purchase basic fares with Porter, 8% bring a carry-on bag.

Ms. Leila Dance: I'm just trying to understand here what that actually looks like. The way I see it, more people will end up buying the basic amount or the baseline, whatever the baseline is for each—I know everybody has kind of a different name—and then will be paying for those add-ons.

What does that look like when we pay the base amount and then start adding in the cost for carry-on, the cost for checked bags and the cost for seat selection?

Does it end up costing travellers more once we start adding all those fees on?

Mr. Alexis von Hoensbroech: It's a bit like when you buy a meal at McDonald's. If you buy a cheeseburger, fries and a Coke separately, it's going to cost more than if you buy all the three as a value fare. It's the same here. If you buy an ultrabasic and then add everything you could potentially add, it will cost more than if you just upsell to the next higher fare class, which is an economy fare.

That's what many do. If they want to bring this, then they buy the economy fare and they get it all as part of it.

Ms. Leila Dance: You told us that a lot of airlines are making money on add-ons. If you're making the vast majority of your money on these add-ons, then isn't that encouraging airlines to just create more add-ons, so that passengers end up paying more in the long run?

Mr. Alexis von Hoensbroech: If airlines didn't receive revenues in optional add-ons, they would have to raise their base fare, which would be mandatory for all passengers, so again, it's all about choice. We want to offer the lowest price to those who care about the lowest price, and we offer a higher service set at a higher price for those who can afford it, and that's the right thing to do.

You want those people who are ready and willing to pay more to subsidize those who can afford the least. By the way, that's exactly what you do in your tax system. You tax those who can afford it more than those who cannot afford it. That's the right thing to do, and that's exactly what we are doing as an airline.

Ms. Leila Dance: Again, I'm going back to WestJet, unfortunately, just because he provided this information.

Let us talk about getting rid of the user-pay model. Who ends up paying for the fees, like security screening and any of those things? As a taxpayer, where does that money come from?

Mr. Alexis von Hoensbroech: I didn't say to get rid of the user-pay model; I said to reform it.

I worked in Europe for many years, and Europe also has a user-pay system, but interestingly, the fee per passenger is about half of what it is in Canada, and the infrastructure is better.

I think it's good to think about how this entire sector is being governed because the way it's being governed actually has created a sky-high cost structure for a below-average infrastructure, and that's a problem.

I'm not saying this for any reason other than because I believe that there is a great opportunity to improve air travel for Canadians, to have better infrastructure, better service and at least a portion of the market that receives lower ticket prices.

• (1340)

Ms. Leila Dance: What would be the one thing that the government has to change that would lower these fees for the average Canadian?

Mr. Alexis von Hoensbroech: We have made a few policy proposals. First, the government should stop collecting airport rents from the airports. They pay almost half a billion dollars in airport rents. The airports should keep this money to lower the airport improvement fees, repay their debt or invest in infrastructure, but not to fund the federal budget—that's number one.

Second, the government should do a proper review of how to properly set up a user-pay system or, potentially, like in the U.S., a partly taxpayer-supported system. That's a choice for the government. Either way is good, and either way would be better than what we have.

Third, until such a review has been completed, there should be no additional financial burden added to the sector because every burden that's being added to the sector will end up in the ticket price.

Ms. Leila Dance: Thank you.

The Chair: Thank you very much, Ms. Dance.

Next, we'll go to Mr. Vis.

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

Mr. Brad Vis (Mission—Matsqui—Fraser Canyon, CPC): Thank you, Mr. Chair. I'll be directing my questions to WestJet to begin.

I'll give an example about the sky-high user fees and charges. I parked my car at the Vancouver airport on December 8, and I picked it up on December 12 at the parkade adjacent to the departures area. The Vancouver airport authority charged me \$325 to park my car, they doubled those costs without telling anyone. Previously, I was paying \$177 to park my car there, now it's \$325, and they did that during the holiday season, so I take your comments about sky-high user fees very seriously.

How much business do we lose to the United States because of the sky-high airport fees that we're paying in Canada?

Mr. Alexis von Hoensbroech: There are a couple of airports that are very close to the U.S. border, in Buffalo and Bellingham, just to name two. We estimate that about seven million Canadians go across the border and fly from U.S. airports close to the border to enjoy the lower fees and charges that those airports offer. That's a border leakage that is detrimental to Canada because those people just go to the United States. They improve business in the U.S., and they are a loss for Canada.

Mr. Brad Vis: Is it safe to say that there would be a positive economic impact in the Fraser Valley if the Government of Canada reformed its user fee model and reduced its airport rents to encourage Canadians to use Canadian companies and Canadian airports?

Mr. Alexis von Hoensbroech: Yes, 100%. That's a correct assumption. There would be significantly more....

By the way, it's also interesting that almost no low-cost carriers from the U.S. fly into Canada because they want to avoid the high cost in Canada and the high regulatory risk that comes from flying into Canada.

We estimate that if the government-controlled fees and third party fees and charges were half of what they are, which would be more in line with other countries, this would stimulate enough demand to fuel another airline the size of WestJet. To reframe it, there are more than 10 million Canadians who are currently fenced off from using airplanes because of this high price hurdle that's imposed from third party fees and government-controlled fees and charges. That's the reality in this country, and that's what we collectively need to work on.

Mr. Brad Vis: High taxes and high user fees have a negative impact on the airport sector in Canada, both in terms of passengers and the offshoots in our broader economy where we have those key airports like in my community of Abbotsford.

Mr. Alexis von Hoensbroech: Exactly, and they fence off low-income Canadians who cannot afford a ticket because this price is just too high.

Mr. Brad Vis: Thank you.

My second question to WestJet is regarding the carbon tax. When a future Conservative government axes the carbon tax, can WestJet assure that the ticket costs will go down as a result?

Mr. Alexis von Hoensbroech: Yes, we will. So far, though, the carbon tax is \$10 million, because it's only confined to intraprovincial flying. As I said before, this is going up by more than tenfold over the years to come with all the provincial, national and international efforts to reduce carbon emissions, so it will become a very big burden for airlines and therefore for passengers if this trend continues.

• (1345)

Mr. Brad Vis: Can I safely say to my constituents who fly regularly for business to Edmonton and Calgary from Abbotsford that, by axing the carbon tax, they will see a reduction in the cost they're paying on their airline ticket?

Mr. Alexis von Hoensbroech: There's no carbon tax between Abbotsford and Edmonton, because this is an interprovincial flight.

Mr. Brad Vis: My apologies, thank you.

Mr. Alexis von Hoensbroech: It applies from Prince George to Vancouver, yes.

Mr. Brad Vis: It's from Prince George to Vancouver, okay. Thank you so much.

My third question relates to babies. I have a young daughter, and I have a young son, and constituents in my riding want to make sure that baby bags are not subject to bag fees, as we have discussed earlier.

Mr. Alexis von Hoensbroech: They are not subject to this.

Mr. Brad Vis: Thank you

The Chair: Next, we have Mr. Rogers.

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

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

I appreciate the guests today who are answering our questions in regard to these fees that are being charged by WestJet and now, of course, proposed by Air Canada.

There are a couple of points I want to make.

One is that, since the COVID era, WestJet has been noticeably absent—and I discussed this with Mr. Gibbons a number of times—from regional rural airports, which is creating a real problem for travellers like me. For instance, the only way I can get in and out of Gander is by Air Canada and provincial airlines. Accessibility is a big problem. Our major concern is access to regional airports like Gander and others in rural Canada. It's a real challenge.

I used to be a regular WestJet customer with the card that you talked about that gave me some benefits. I liked the airline. I enjoyed the service when I was able to access the service. Now, of course, I'm no longer a WestJet customer, because I can't get to it unless I drive a long distance to St. John's or somewhere else or fly to Halifax or somewhere to get to use the airline's services.

I'd like to know how soon you are going to be able to move from this urban model of flying that you currently have and get back into these regional hubs, I call them, like Gander, for example, in the rural parts of Canada, because that's sadly missing. These fees are not something I like, but that's a bigger concern right now.

Mr. Alexis von Hoensbroech: First of all, I want to dispute that. We do fly to many regional airports, especially in western Canada, and this is a big part of our strategy.

What I will say, though, is that especially those high fees and charges are burdening regional airports more than the big airports, because those routes are often very marginal. If then the prices go up and, therefore, fewer people fly or it cannot be put on the ticket price, then those routes can easily go under.

By the way, APPR is also a big risk for regional flying, because, if you have just one flight that becomes APPR-eligible, this can easily eat off the entire profit for the year, so then you can equally not fly.

I also want to say that I think it's a pity that you did not invite any of the CEOs of the northern regional airlines like Canadian North or any of those regions, because they have to deal with exactly this every single day.

Mr. Churence Rogers: I have five minutes here and not a lot of time to ask my many questions.

When I see routes being cut out in parts of Canada that are important to me, my region and my province, and fees going up, that leaves a very poor taste in my mouth—whatever airline it is. I would say the same to Air Canada.

Air Canada, to its credit, has maintained routes, either through Jazz or through provincial airlines, to keep servicing Gander and some of the smaller regional airports, but the cost of doing that has gone through the roof. If you talk to people in the Happy Valley-Goose Bay, Labrador and Wabush, flying intraprovincially costs enormous amounts of money to fly from one location to the other and to the capital city of St. John's.

Air Canada, why are you considering fees for baggage when you consider the costs they're adding to people's flights?

• (1350)

The Chair: I'm sorry, Mr. Rogers. Air Canada is on the second panel. It's not on this one.

Mr. Churence Rogers: Oh. I'm sorry.

The Chair: If you have a question for Porter, WestJet or Air Transat...

Mr. Alexis von Hoensbroech: To your regional concern, there are great examples around the world. The U.S. has an essential air service program. Europe has a public service obligation program that supports small regional flights.

I think Canada should look at those programs and consider whether they are something Canada could adapt for Canada.

I think Andy has one more comment.

Mr. Andrew Gibbons (Vice-President, External Affairs, WestJet Airlines Ltd.): Mr. Rogers, I want to touch on Newfoundland and Labrador because it was two years ago at this committee that you asked, very point-blank, whether or not WestJet would leave that province. What we said at the time was that we had no intention of leaving that province and we intended to grow.

Since then, you've seen us address the biggest air access gap the province had, which was direct flights to Europe. Actually, next summer, we'll have a daily flight between Europe and the province—to and from—which has been so incredibly well received. Even in a small community like Sydney, Nova Scotia, we added a new flight for next summer.

We have a very strong growth story in Newfoundland and Labrador. I know we are missed in Gander, and we are committed to working with you on that.

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

I'm going to have to cut you off there, unfortunately. I'm trying to stick to everybody's time.

[Translation]

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

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

Mr. von Hoensbroech, I've been listening to you for a while, but I'm having trouble following you. Correct me if I'm wrong, but a person who boards a plane with no baggage for a flight lasting two, three, four, five, or six hours is the exception rather than the rule, I think. I would very much like to see your data, to know what percentage of passengers travel with no baggage, whether checked or carry-on. This is a new thing. It was free of charge before.

The prices posted for flights do not include charges for checked baggage or carry-on baggage. Basically, when a consumer picks their flight, they don't see the actual price they will be paying. This is what I consider to be problematic. Ultimately, they can make a choice as to what airline to travel with, but what can they do to be sure that all the companies are charging the same for checked baggage and carry-on baggage? What can the consumer do to figure everything out?

[English]

Mr. Alexis von Hoensbroech: We had 1.2 million Canadians who bought an ultrabasic fare and did not bring a large carry-on bag and check a bag. That's a significant number. It's about half of all the ultrabasic passengers we had.

By the way, if someone has a WestJet credit card, they can buy an ultrabasic fare and check a bag for free. If they have a loyalty status, they can do the same, so there are many ways to enjoy the low fare.

With regard to prices—obviously, how much a bag costs is pricing—there can never be a uniform price among competitors because this is a price competition that competitors will never talk about.

[Translation]

Mr. Xavier Barsalou-Duval: So you are confirming that it is very difficult for a consumer to compare one carrier with another, because all they can compare are the ticket prices. They don't know how much they will be charged for baggage. These are hidden charges, in a way, and that can undermine their choice. I see this as a problem.

[English]

Mr. Alexis von Hoensbroech: I'm sorry. I disagree, because it's very transparent. People can look up the fees, so they don't blindly book something and then suddenly find out that they have to pay something else. They can see it. Part of the booking process is how much it will cost.

[Translation]

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

[English]

Next we have Ms. Dance.

The floor is yours for two and a half minutes, please.

Ms. Leila Dance: Thank you, Mr. Chair.

We've heard that if the external fees were lowered, it would cost less for travellers and they would be able to save money.

Knowing that companies like all of yours have the financial responsibility to their stakeholders to make as much money as possible, what's the guarantee that even if we can manage to convince the government to lower these fees, you won't just keep your prices at that same level or higher?

Mr. Alexis von Hoensbroech: That's very easy.

As I said before, we have been flying with five million empty seats and we would like to fill those seats. The way to fill those seats is to have people fly who otherwise wouldn't be flying. If the fees and charges were half of what they are today, this would allow us to offer tickets at an all-in ticket price that would get people off their couches to go into an airplane because they then can afford it.

This would grow the pie. There would be more than 10 million additional people in Canada who would then be able to fly who can't fly today. That's our gain. Our gain is not to put the price up, but to stimulate new people who would otherwise not fly.

• (1355)

Ms. Leila Dance: Don't you think more people would fly if it was more reasonably priced?

Mr. Alexis von Hoensbroech: That's exactly what I'm saying. More people would fly if the minimum price that you can offer is lower.

Right now, you basically cannot offer a ticket price that's below \$100. If you go to Europe, people fly for 39 euros or dollars or whatever. That's because the taxes and fees that are being added to the ticket are much lower in Europe. That's why Ryanair can actually do it. They offer the cheapest prices and they are the most profitable airline in Europe. I mean, if you just put these things together, it's pretty obvious where the problem sits.

Ms. Leila Dance: Yes, I've flown Ryanair. I was able, as a single mom, to hop around Europe with my son. I was able to afford their \$30 and \$40 tickets. It was extremely reasonable. I think that's the problem. I would have loved to have travelled across Canada with my son, but the prices here are just far outpacing those things.

I get that you're talking about those external fees, but I think that a lot of it is still the individual fee that people are forced to pay when it comes down to all these things.

I booked a ticket with my son a few years ago and we didn't even get to sit together. I was like, "What do you mean we don't get to sit together?" She said that it was the way it was booked because I had paid for my ticket and used points for his. They wanted to charge me to move him, so that we could sit together. I was shocked by it and tried to figure out a way to make that work. My son said he'd sit by himself, but I said that was not going to happen.

It's just one of those things. We see it in the south in the U.S., with some of their seats as well.

I'm just trying to wrap my head around it. I know I'm out of time.

Mr. Alexis von Hoensbroech: I have just one comment.

The Chair: Unfortunately, we don't have time.

Mr. Alexis von Hoensbroech: Families can sit together with no charge.

The Chair: Thank you very much.

Next, I will turn the floor over to Mr. Lawrence.

You have three minutes, sir.

Mr. Philip Lawrence: Mr. von Hoensbroech, did you have anything else? Did you just want to finish off the response to Ms. Dance?

Mr. Alexis von Hoensbroech: I just wanted to say that we try to seat families together. If they could not be seated together for whatever reason, they can change their seats with no cost.

Mr. Philip Lawrence: The balance of my time I'll spend with you, Mr. Deluce.

We heard from WestJet that high fees and the carbon tax are preventing air passenger travel. My question is more with respect to competition.

Porter has been able to do what many thought was impossible—just like WestJet, I guess, as well—which was to break into the air market. If, in fact, fees were decreased and if the carbon tax was removed and was more favourable, do you think that another Porter airline would have an easier route than you had?

Mr. Michael Deluce: Yes, absolutely.

As highlighted by other members here today, the tax environment is very onerous on travellers in Canada. With a lower tax regime, there would be a significant increase in overall passenger traffic, which would make it easier for new competitors and carriers with different financial models to enter the market, even those different from Porter, including ultralow-cost carriers, which really depend on low fares stimulating traffic.

Mr. Philip Lawrence: Thank you, and thank you for travelling. We really appreciate it.

Thank you for your testimony as well.

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

We'll turn the floor over to Mr. Iacono for three minutes.

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

My questions are addressed to all three airline companies. I would like short answers of yes or no, and a few words, please. To every airline: Was your airline company bailed out during COVID, and by whom?

Go ahead, WestJet.

Mr. Alexis von Hoensbroech: No, we didn't receive any government money during COVID.

Mr. Angelo Iacono: Go ahead, Air Transat.

• (1400)

Ms. Annick Guérard: Yes, we did receive money from the government.

Mr. Angelo Iacono: From who?

Ms. Annick Guérard: It was from the federal government, through loans.

Mr. Angelo Iacono: Go ahead, Porter.

Mr. Michael Deluce: Yes, it was from federal government, through loans.

Mr. Angelo Iacono: Thank you.

WestJet, did your employees not get any money from the federal government?

Mr. Andrew Gibbons: We received the Canadian emergency—

Mr. Angelo Iacono: Thank you. You did receive one. That's all I want to know, a yes or no.

Mr. Andrew Gibbons: Yes. I'm answering it as you asked.

Mr. Angelo Iacono: I want you to just give me a yes or no.

Do you truly believe that this is acceptable, at a time when Canadians' pocketbooks are hurting and when they've been saving for their travels, for you to react this way? When you were having a hard time, the Government of Canada bailed you out financially. Is that correct, to each airline? Was it directly or indirectly? Was it through you, directly, through a company or through your employees? Did the Government of Canada bail you out when you were having a hard time? Give a yes or no, please.

Mr. Andrew Gibbons: Sir, we testified today that we've passed savings on to consumers, so I don't understand what you're asking about.

Mr. Angelo Iacono: Thank you.

Porter, go ahead.

Mr. Michael Deluce: I'm not sure what the question is. I'm sorry, but can you repeat it?

Mr. Angelo Iacono: When you were having a hard time, did the Government of Canada bail you out?

Mr. Michael Deluce: Yes, as I mentioned earlier, we were recipients of a LEEFF loan.

Mr. Angelo Iacono: Porter, thank you.

Air Transat, what's your response?

Ms. Annick Guérard: We received the LEEFF loan. Just so that everybody understands as well, other countries have received subsidies.

Mr. Angelo Iacono: You've all had good net profits, is that not right? But do you know who financed—

Ms. Annick Guérard: No.

Mr. Alexis von Hoensbroech: That's not correct, sir.

Mr. Angelo Iacono: Excuse me, I have a question to ask.

Do you know who finances the Government of Canada? Does anybody know, from the three companies that are here today?

I guess you don't know, but let me tell you: It's Canadian citizens, those same citizens who travel on your planes and who, today, need a little support and relief. Here you are, imposing all these fees on Canadians. If you don't remember, it was Canadians who bailed you out in hard times.

Thank you very much for showing good support and consideration towards Canadians—

Mr. Alexis von Hoensbroech: Unlike the government, airlines have been very successful in lowering fares.

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

Mr. Philip Lawrence: Mr. Chair, I have a point of order.

Generally, you give the witness the same amount of time as you've spoken. Mr. Iacono took all of the time. I think WestJet deserves 30 seconds to respond.

The Chair: I will say this, Mr. Lawrence. Members are free to ask questions or to make statements during their time. He's chosen to make statements and ask questions.

Mr. Angelo Iacono: I have a point of order, Chair.

The Chair: Colleagues, Mr. Iacono, I just want to say we are done with the first hour. We do have a second panel here.

I'll listen to your point of order, Mr. Iacono.

Mr. Angelo Iacono: I did ask for specific responses. It was a yes or no.

The Chair: I referenced that.

Mr. Angelo Iacono: Thank you.

The Chair: You did ask questions. You used a portion of your time for questions and a portion of your time for comments. You're allowed to do both, sir.

With that, I want to thank all of the witnesses for appearing with us here in person or online, and for sharing their testimonies today.

I will suspend the meeting for two minutes to welcome the next round of witnesses.

• (1400) _____ (Pause) _____

• (1410)

The Chair: I call this meeting back to order.

Colleagues, appearing before us for the second hour are, from Air Canada, Michael Rousseau, president and chief executive officer, by video conference; Mark Galardo, executive vice-president, revenue and network planning, and president, cargo; and David Rheault, vice-president, government and community relations.

Welcome to all of you.

We also have, from Air Passenger Rights, Dr. Gábor Lukács, president.

Welcome to you. It's good to have you back, sir.

We will begin with our opening remarks.

Monsieur Rousseau, you have five minutes, sir.

Mr. Michael Rousseau (President and Chief Executive Officer, Air Canada): Thank you, Mr. Chair.

I'm here today following some recent changes made to Air Canada's fare structure.

I'm accompanied by two members of Air Canada's executive team: Mark Galardo, Air Canada's executive vice-president, revenue and network planning; and David Rheault, Air Canada's vice-president, government relations.

[*Translation*]

I am sorry not to be speaking to you in French. I am still taking courses, but at my age it's difficult. Thank you for your understanding.

[*English*]

Before providing more detail on our recent changes, it is important to underline the context in which these changes were made, a context that is characterized by solid competition in the domestic market, which means lower prices, more choice for passengers and increased pressure on carriers to compete more effectively. The changes we have announced have been and will continue to be communicated to our customers with the utmost transparency.

The growth of airlines such as WestJet and Porter and the entry of Flair have profoundly changed the market dynamic. Over the last 10 years, the proportion of domestic routes where three carriers compete has more than tripled, reaching 54% in 2023, the same proportion as that of the United States. There is no doubt this increased competition has driven air fares down.

Since 2011, according to an analysis by Intervistas based on data from Sabre, the average fare in the domestic market has been reduced by about 20% in constant dollars. During the same period, the number of domestic passengers has increased by about 27%. More people are travelling, and people are paying less for their tickets. As a reminder, the average domestic fare had already gone down by about 35% in constant dollars between 1990 and 2001, according to Stats Canada.

In this context, airlines must evolve their offerings to meet the changing needs of passengers. Part of this evolution, which is to benefit passengers, has been the unbundling of fares, which allows passengers to buy only the features that they are interested in.

Today, Air Canada offers a range of fare options tailored to different preferences, including, or not, services such as checked baggage, ticket changes, refundability and on-board meals. This provides customers the flexibility to choose the options most important to them while enabling Air Canada to compete effectively. Our recent change to Air Canada's lowest fare, the basic fare, which no longer includes carry-on baggage, represents another step in this direction. With online tools and price comparison platforms, shopping for fares has never been easier. Consumers can readily identify the lowest fares available.

True competition requires companies to respond to market forces. This is exactly what we're doing. We are aligning our lowest-fare policies with those already offered by our competitors—WestJet, Porter and Flair—to be in a better position to compete for price-conscious customers. By doing this, Air Canada is ensuring consistency for consumers when comparing fares across airlines. It is important to note that all other Air Canada fare types continue to include free carry-on baggage. It is also included in all fare types, including basic, for markets other than North America and sun destinations.

This committee would like to continue the discussion around affordability. I encourage you to revisit your previous recommendations, which include a review of all costs imposed by the government on airports and airlines and the reinvestment of all rents collected back into the airport infrastructure. Currently, taxes and government-imposed fees represent about 30% of the average domestic fare. If these fees were lowered, it would make a tangible difference for people travelling in Canada.

In today's competitive environment, Air Canada must respond to real-time dynamics to remain a competitive option for travellers. Similar fare structures at other carriers have not raised concerns from Parliament. Travellers tend to prioritize the lowest advertised price even if additional fees make the final cost higher, and small differences in pricing can determine whether we are considered at all.

We will all probably agree that competition is the best way to ensure the best service and prices for Canadians. It does that by allowing customers to compare products and by letting the market decide which will succeed and which are not wanted. To remain competitive, we must ensure our fares are comparable with those of our competitors while offering travellers the flexibility to pay only for the services they value.

• (1415)

Our goal is to provide affordable options without compromising on the quality of service, ensuring that Air Canada remains an accessible and competitive choice for Canadian travellers.

We are available to take questions.

[*Translation*]

Thank you.

[*English*]

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

Next we'll go to Dr. Lukács.

Dr. Lukács, the floor is yours. You have five minutes, sir.

Dr. Gábor Lukács (President, Air Passenger Rights): Thank you.

Mr. Chair and honourable members, Air Passenger Rights is Canada's independent, non-profit organization of volunteers devoted to empowering travellers. We speak for passengers whom we help daily in their struggle to enforce their rights. We take no government or business funding. We have no business interest in the travel industry.

Once upon a time, travel was simple. We bought a ticket. We were quoted and paid a price that covered all aspects of our trip. This commercial norm is codified in the Canada Transportation Act. Section 55 defines basic fare as “one-way air transportation of an adult with reasonable baggage between two points in Canada”. Subsection 86(1) requires the Canadian Transportation Agency to make regulations to enable passengers to readily determine the total amount to be paid for the air services they buy.

You rightly wonder why, despite clear legislative language, Canadian passengers are facing a myriad of junk fees for services

inherent to air travel—seat selection fees, checked baggage fees, carry-on fees and even a fee for checking in at the airport. Junk fees are deceptive marketing tactics that hinder readily determining how much passengers will end up paying.

The airlines' decision to charge junk fees is a rational act to maximize profits in the face of ill-advised regulatory policies. It is not the airlines; it is cabinet who is to blame for approving or failing to vary the agency's decisions and regulations that have eroded existing legal safeguards against junk fees. Make no mistake: The buck stops with cabinet, not the agency.

The agency requires cabinet approval for any regulation it makes. Under section 36 of the act, the agency cannot make regulations on its own. Furthermore, cabinet has the power to vary or rescind any decision, order or regulation made by the agency. The source of that power is section 40 of the act. For example, cabinet is empowered to revise the air passenger protection regulations, APPR, on its own motion, at any time, and without waiting for the agency for years.

When it comes to the erosion of existing safeguards against junk fees, there are two noteworthy landmarks. First, in 2012 cabinet approved regulations requiring airlines to advertise the total price of air travel. Alas, they treated baggage fees as an “optional incidental service”. These provisions were initially in the air transportation regulations, but made their way into the APPR under the current government's watch. Second, in 2019 the agency exempted ultralow-cost carriers from complying with the “basic fare” requirements in the act. This decision enabled some airlines to not offer any fares that include baggage. Cabinet did not step in to rescind or vary the agency's decision on these exemptions.

The airlines did not break the law by introducing junk fees. Rather, cabinet's poor judgment enabled the airlines to introduce junk fees and made junk fees so profitable.

There is a simple way to end junk fees in air travel in Canada. The APPR's price advertising provisions should be varied to clarify that a personal item, a standard carry-on, the first piece of checked baggage and checking in at the airport are not optional incidental services. Any charges for these services must be included in the total price being advertised and quoted. Doing so would also foster fair competition by making it easier for passengers to compare fares offered by different airlines. Airlines would still be at liberty to offer a discount to passengers who make an informed decision to not use some services.

We ask you to urge cabinet to promptly exercise the powers conferred upon them in section 40 of the act by varying the APPR's price advertising provisions to end junk fees for Canadian passengers.

Thank you.

• (1420)

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

We'll begin our line of questioning today with Mr. Lawrence.

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

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

My questions will all be directed towards you, Mr. Rousseau.

I want to first of all level set and make sure that Canadians are aware of the actions that Air Canada has taken. It's my understanding that, on December 4, you announced that, starting January 3, your basic fare would no longer include carry-on luggage. Is that correct?

Mr. Michael Rousseau: That is correct for just the North American and sun markets.

Mr. Philip Lawrence: Thank you for that.

If someone wanted to have a carry-on, they could either upgrade to a higher fare or they could pay a \$35 fee. Is that correct as well?

Mr. Michael Rousseau: They pay a \$35 fee to check it in, yes, that's correct.

Mr. Philip Lawrence: Okay, thank you.

Your predecessors at WestJet made an excellent point of unbundling the various elements, and that makes sense to me, but my fear is that, instead of those dollars going back to those folks who want to travel without a carry-on, they will just go to Air Canada's bottom line.

I hope that you could assure Canadians and assure the transport committee members that the difference, that delta, that \$35 difference in fee, will result in your fees dropping on your basic tickets to North American and sun destinations by \$35 on average. If not, why not?

Mr. Michael Rousseau: That's going to be a function of the competitive marketplace that we operate in. As I mentioned in my opening comments, we have three very good competitors in Flair, WestJet and Porter, so the basic fares, now that they're completely comparable, will be also priced probably comparably as well.

Again, we'll see how the market reacts with four competitors offering the same product in a very transparent fashion. I cannot put forward any type of potential price changes, because it's against the law for me to do that, frankly, but the market will determine that now that the market is more competitive.

Mr. Philip Lawrence: Clearly you have done internal work that would show the revenue that will be generated by charging basic ticket fares \$35 to check a carry-on item.

I would remind you, sir, that this is not just a kangaroo court; this is Parliament here, and we have the ability to compel any document that we require. I would ask you again: What will be the revenue generated—and you've done these calculations—by the carry-on fee?

Mr. Michael Rousseau: I don't have that information. I can certainly refer it to Mark Galardo, our EVP of network and revenue management, to provide a little more detail.

Certainly some of the information that you may ask for will be confidential and commercially sensitive, but we are certainly willing to work with the committee to provide the information if it's not commercially sensitive, if not today, certainly shortly after the meeting.

• (1425)

Mr. Philip Lawrence: Thank you, and I appreciate that.

This committee does have the ability to keep information confidential if it deems it so, so that might be a solution, and we would definitely like that.

I'd like to just flip back to pricing again.

I know as well that, as a major corporation, a billion-dollar corporation, you would have done pricing analysis, economic analysis, as to what the introduction of a carry-on fee would do to pricing. I don't think you just wake up in the morning and decide the price of a flight from Vancouver to Winnipeg.

WestJet told us that the difference between their ultrabasic and their basic was 14%. What will be the difference between the flight costs on average on January 2 and January 3?

Mr. Michael Rousseau: It's going to be a function of the competitive forces, but possibly Mark Galardo can provide a little more detail on that type of question, if I can refer that to him.

Mr. Mark Galardo (Executive Vice-President, Revenue and Network Planning and President, Cargo, Air Canada): The work that we did was to assess how to make sure that Air Canada is very competitive in the domestic market. Our view was that offering this product would make Air Canada competitive and would, therefore, obviously help its revenue streams be competitive. That's the assessment that we did, and we deemed that being uncompetitive was not a good outcome for Air Canada.

Mr. Philip Lawrence: Mr. Galardo, I think you might have given away the plot a little bit there. You just said that the reason you put in a fee, or removed carry-on baggage as part of a basic fare, was to increase revenue. That's why you've done this...?

Mr. Mark Galardo: No, I said we did that to remain competitive with changing market forces in domestic Canada.

Mr. Philip Lawrence: I think if we checked the Hansard, it might say it a little bit different than that. But that's fine.

I would, then, ask for unanimous consent for a motion asking Air Canada for documents with respect to the revenue increase from the removal of carry-on items from their basic fare as well as their impact on pricing.

Do I have UC for that, Mr. Chair?

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

We'll stop the time.

Mr. Badawey.

Mr. Vance Badawey: If he's going to ask for that from Air Canada, he has to ask for that from all the carriers.

Mr. Philip Lawrence: So I don't have UC.

Mr. Vance Badawey: You don't for that one, but if you include all the air carriers, you can have all the UC you want.

Mr. Philip Lawrence: Sure.

The Chair: We have a motion on the floor to ask for all documentation relating to the revenues generated from the payment of carry-on baggage or the projected income calculated....

Do I have unanimous consent?

Seeing no objection, that is so carried.

Thank you very much, Mr. Lawrence. Your time is up.

Next we will go to Mr. van Koeverden, who is online.

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

Mr. Adam van Koeverden (Milton, Lib.): Thank you very much, Mr. Chair. I appreciate the opportunity to address the transport committee today.

My questions will be for the CEO of Air Canada, Mr. Rousseau.

Mr. Rousseau, thank you for coming to committee today. I understand that in 2023, Air Canada reported a profit of \$2.28 billion, a 32% increase from 2022. Is that more or less correct?

Mr. Michael Rousseau: I believe that's correct. Those were two totally different years, one just after the pandemic.

Mr. Adam van Koeverden: Of course. Congratulations on the profits.

I understand that your executive compensation was over \$12 million last year. Is that correct?

Mr. Michael Rousseau: It is public record that my compensation, both variable and fixed, primarily variable, was roughly \$12 million.

Mr. Adam van Koeverden: Did that include your bonus?

Mr. Michael Rousseau: That included my bonus.

Mr. Adam van Koeverden: Quick math tells me that in the first week of January in 2024, you earned more than the average Canadian will in all of 2024. Considering the current cost of living crisis that Canadians are experiencing and the necessity of air travel in Canada, do you think that's fair?

Mr. Michael Rousseau: That's a difficult question to answer from a personal perspective. I'm paid a competitive rate versus other CEOs who have similar roles and responsibilities.

Mr. Adam van Koeverden: Okay.

Air Canada recently announced that you'll be charging for carry-on baggage. I take an Air Canada flight almost every week to work. I'm lucky to be able to leave some things in Ottawa, but a lot of Canadians travel on the weekend or for work or for other reasons not as frequently, and they might have to travel with more. Can you explain to Canadians why you'll be charging them for carry-on baggage that requires no handling by baggage carriers and that just goes into an overhead compartment?

• (1430)

Mr. Michael Rousseau: First of all, that change is only on our basic fare. We have seven different fare structures. It's only on the basic fare. There are many other commercial decisions we make that benefit customers. For example, as of just yesterday, we will be offering free Wi-Fi for all Aeroplan members.

Mr. Adam van Koeverden: [*Technical difficulty—Editor*] for frequent flyers, correct?

Mr. Michael Rousseau: There are nine million Aeroplan members. You can join Aeroplan for nothing. If you're an Aeroplan member, you have free Wi-Fi in our planes.

Mr. Adam van Koeverden: Okay.

Mr. Michael Rousseau: There are other examples from throughout the year where we have provided significant value benefits to all our passengers.

Mr. Adam van Koeverden: I'm a passenger on Air Canada frequently. I can attest to the experience being a good one, generally, but I also know that it's very expensive to travel on Air Canada. Would you say that Canada is a high-competition market for air travel?

Mr. Michael Rousseau: All the statistics indicate that it is one of the most competitive markets compared with Australia, Europe and the United States.

Mr. Adam van Koeverden: Sorry. Compared to Europe....

How many options do I have if I would like to fly from Toronto to Ottawa in terms of airlines?

Mr. Michael Rousseau: Off the top of my head, I don't have the answer to that question.

Mr. Adam van Koeverden: Would it be more than five?

Mr. Michael Rousseau: I do know that 54% of all routes in Canada have at least three carriers on them. That's the same percentage as the United States.

Mr. Adam van Koeverden: Okay.

Prior to being an MP, I was an athlete. I travelled a lot in Europe, and I can attest to the fact that there were quite a few more airline options when travelling in Europe and in the United States. Canada's different in that regard. Will this \$35 charge apply to a really large backpack if somebody's going on a hiking trip?

Mr. Michael Rousseau: Again, I think that will be up to the gate agent to make that decision, but we have specifications as to size, and—

Mr. Adam van Koeverden: Let me put it this way, then. Let's say I'm planning on taking a trip and I'd like to do some hiking, so I bring some shoes and whatever. I plan on putting it underneath the seat, so I plan on bringing it on as my personal item, experiencing no cost associated with that. However, I arrive, I check in and the gate agent says, "Actually, that's too big to go under your seat," even though I could probably get it in there, and they tell me that it's actually carry-on baggage. What will I be charged at the airport to put it in the overhead compartment?

Mr. Michael Rousseau: We believe our gate agents will be reasonable in the circumstances.

Mr. Adam van Koeverden: Do you know the amount it will cost, though?

Mr. Michael Rousseau: I believe that, at the gate, it will be \$65.

Mr. Adam van Koeverden: With this additional \$65 fee that you'll be charging Canadian passengers—passengers from anywhere, really—do you expect increased revenues in surplus of your over \$2-billion profit?

Mr. Michael Rousseau: Well, we also invest a tremendous amount of money. All the profits we make, we reinvest.

Mr. Adam van Koeverden: Is that a yes?

Mr. Michael Rousseau: We reinvest in airplanes, flying Canadians all around the world, and other opportunities and benefits for consumers as well.

Mr. Adam van Koeverden: Yes, I know. I appreciate that and, like I said, I think the flying experience on Air Canada is good, but my question is, will this increase your revenues next year? Will this fee increase the amount of money that Air Canada makes?

Mr. Michael Rousseau: Again, to the earlier question, we will provide to the committee a financial analysis that will detail that.

Mr. Adam van Koeverden: Thank you.

Do you expect to be compensated more in 2024 than you were in 2023? Do you generally make more year over year?

Mr. Michael Rousseau: No, that's not the case because the vast majority of my pay is variable pay, so it depends how we do year over year, and that could be subject to the board of directors' approval.

Mr. Adam van Koeverden: It's fair to say, though, that, if this fee increases the overall revenues of Air Canada—you increase your bottom-line revenues, which are currently in excess of \$2 billion—you will receive additional pay. It's possible, I suppose. Is that not right?

Mr. Michael Rousseau: This is all outlined in the proxy as to how I'm compensated, but my bonus is based on how well we do versus our plan, not how well we do versus last year.

Mr. Adam van Koeverden: I get it.

My next question is about other people at Air Canada. We understand that you're compensated very well. We appreciate that it's a competitive corporate market, and we want talented people to be running airlines.

I understand that a lot of the folks on board, who serve us drinks and keep us safe, make sure that we have what we need in flight,

they—the flight attendants and the pilots—are not paid for when they're at the airport if they're not on the plane. Is that correct?

Mr. Michael Rousseau: They're paid based on our contracts that we have, with either CUPE or ALPA, which represent the flight attendants and our pilots, respectively.

• (1435)

Mr. Adam van Koeverden: I'm a member of Parliament for Milton, so I have a lot of pilots and inflight staff in my community. I understand that, if they're delayed, if they're sitting in the airport, then they're not paid for those hours worked. Is that correct?

Mr. Michael Rousseau: Again, it's all a function of the contractual terms.

Mr. Adam van Koeverden: Just answer yes or no: Are they paid when they're not flying?

Mr. Michael Rousseau: I'd have to go back to the contracts to determine that, basically, under what circumstances.

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

Thank you, Mr. van Koeverden.

[*Translation*]

Mr. Barsalou-Duval, the floor is yours for six minutes.

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

Mr. Lukács, Mr. Rousseau, Mr. Rheault and Mr. Galardo, thank you for being with us today.

I would like to begin with a comment about your opening remarks, Mr. Rousseau, and about you learning French.

I have to say that I am one of the people who were shocked three years ago to hear you say that you were proud not to speak French when you had lived in Montreal your whole life.

Your inability to say more than a few short sentences in French today, not to mention the big trouble you had saying them, leads me to ask whether your commitment to learning French is serious or not.

I do not want to be disrespectful, because I think everyone deserves respect, but respect is a two-way street. Air Canada is a company based in Montreal, Quebec. Quebecers expect you to learn French. I wonder whether you are serious about doing this.

Mr. Michael Rousseau: Thank you for your question.

[English]

I am serious about learning French. It's certainly taking me longer than I thought, but I'm continuing down that road.

[Translation]

Mr. Xavier Barsalou-Duval: Right. I am going to come back to the topic on the agenda, but you will understand that your answer failed to convince me. I hope you will be able to keep up a conversation in French the next time you come to the committee, or at least that you will get there someday.

You are certainly not unaware that Air Canada's announcement that it would be charging \$35 for carry-on baggage was met with great indignation in Quebec. There was discussion of it in all the newspapers and on radio and television. Comments from the public were pretty unanimous. People were visibly angry.

Might this public indignation result in you reconsidering your decision to charge these fees?

Mr. Michael Rousseau: Thank you for your question.

[English]

We're always open to modifying something based on market conditions. That's the definition of a good company. As we said earlier, we made this change to align ourselves with our three principal competitors. If something should change in the future, we would obviously consider any type of change that makes sense.

[Translation]

Mr. Xavier Barsalou-Duval: In any event, I know that a lot of people are hoping so, and I am one of those people.

I think Air Canada is the largest air carrier in Canada. If I am not mistaken, you have nearly 50% of the domestic market in Canada, and I know it is even higher in Montreal.

Mr. David Rheault (Vice-President, Government and Community Relations, Air Canada): It is in the forties as a percentage. It is less than 50%.

Mr. Xavier Barsalou-Duval: At 47%, it is not far off 50%.

In short, nobody is disputing that Air Canada is the largest air carrier in Canada. In general, we expect an industry leader to set an example. In this case, however, we find that Air Canada is engaged in a race to the bottom.

Is that how you do things? Are you proud of deciding to aim low when it comes to the services offered to the public?

[English]

Mr. Michael Rousseau: Overall, we believe that we're improving services to our clients. I mean, this is one example of a commercial decision. As I mentioned earlier, we make thousands of commercial decisions that benefit consumers, including the one yesterday regarding Wi-Fi and the one earlier this year providing beer and wine to our economy customers and a better snack. There are many, many decisions that we make from a commercial perspective with the overall intent of improving the value proposition for customers and obviously winning market share and the loyalty of the Canadian consumer.

• (1440)

[Translation]

Mr. Xavier Barsalou-Duval: You are telling us that you are trying to improve your services and give consumers more for their money, but you have refused to commit yourself to ensuring that the average ticket price drops by \$35 for the same services as you are currently providing. So this means that a consumer who would like to get the same product can expect price increases, not price decreases, basically.

[English]

Mr. Michael Rousseau: Again, as I mentioned earlier, I'm not allowed to signal any type of price change in an open forum. That's against the law in Canada. I cannot respond to your question other than to say that the market forces will determine the pricing on all different fare structures as we go forward.

[Translation]

Mr. Xavier Barsalou-Duval: Let's talk about that, about market forces. In the future, when people pay the base fare, which will not include carry-on baggage, and they decide to pay to add one piece to their flat rate, will the total price be higher or lower than the price of flat rates that include a carry-on bag, taking into account market forces?

Mr. Michael Rousseau: Thank you.

[English]

I don't know if I fully understand your question. Again, this fare structure aligns with the competition. Our basic fare structure now actually does align with our three primary competitors.

As I said earlier, having four competitors offer the same product in a very transparent fashion should be good for competition.

The Chair: Thank you very much.

Next, we'll go to Ms. Dance.

You have six minutes, please.

Ms. Leila Dance: Thank you very much.

I just want to thank all the witnesses for coming in today. It's really important that, as members of Parliament, we have stuff that we can bring back to our constituents.

I'm going to start off with Air Canada. I'm going to ask some quick questions to compare those numbers that we heard from WestJet and the other providers in the earlier session.

Can you tell us roughly what percentage of your profits come from these auxiliary fees and such?

How do you make those fees each year? What falls under that category?

Mr. Michael Rousseau: We don't look at it that way. We look at our total revenues and we look at our total costs to determine what our net profit is in light of the competitive environment. Again, all our prices are fully transparent in many different distribution channels.

It's impossible for me to answer that question.

Ms. Leila Dance: Okay, that's fair. I just know the other airlines were able to.

I do have some of your fees in here. A checked bag is \$35 to \$42. For advanced seating, it's \$15 to \$80. Earphones are \$3 to \$21. Pets in cabins are \$50 to \$120. Pets in baggage are \$105 to \$270. It kind of goes on and on here. I won't keep going.

We were told—correct me if you feel it's different—that these add-ons are where airlines are making most of their money. If that's the case, how do you feel knowing that we, as consumers, see those add-ons, as much as they are, as profits and that it's hurting customers and making it harder for Canadians to travel annually?

Mr. Michael Rousseau: Again, we look at the overall cost to the consumer when we generate our revenue. Although we have visibility on the fees that you mentioned, it's all part of an overall delivery of a product to the customer that hopefully is competitive. It has to be competitive for us to stay in business.

Ms. Leila Dance: That's fair.

We heard from the other airlines specifically about the external fees.

My colleague mentioned some of the other fees that come along with that, like air travel security and the airport improvement fees. The other airlines suggested that maybe if the government was able to lower those fees, it would save travellers money. We also know that companies like yours are responsible to their stakeholders and for showing them that you're making money.

What is the guarantee that if we can manage to get the government to lower some of those excess external fees, we will see those savings being passed on to the consumer?

• (1445)

Mr. Michael Rousseau: I want to reiterate something I said in my opening comments. The average fare in Canada has dropped by 50% since 1990. That has been, again, a function of competition and a function of investment in better planes. Canadians have seen price declines in constant dollars, inflation adjusted.

However, to your point, Canada has a very unique model here. It's a user-pay model, which doesn't exist anywhere else in the world and it does cause higher prices for passengers to pay. We've talked about this for decades. Unfortunately, it hasn't changed.

I don't know what my competitors said in the earlier hour, but certainly if some of these fees did come down, then that should generate more traffic. Filling more seats on a plane is good for everybody—for consumers and for Air Canada—because it should lower the price.

Ms. Leila Dance: WestJet mentioned filling five million empty seats on their carriers and such. I can only think that even if we

dropped everybody's fee just a little bit and had a bunch of people purchasing seats, there would still be a huge profit.

Before my colleague mentioned the number in the billions, I had no idea. I think that there has to be a better way to lower prices so that more Canadians can travel, which will, in theory, still continue to make the airlines billions of dollars.

Mr. Michael Rousseau: Yes. We invest billions of dollars on new planes to take Canadians around the world, to be more efficient from a carbon-emissions perspective and for a lot of good reasons.

Ms. Leila Dance: Thank you.

The Chair: Dr. Lewis, the floor is yours, and you have five minutes, please.

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

I just want to thank the witnesses and also to inform you, Chair, that I would like to give a minute of my time to my colleague, Mr. Lawrence.

My question is going to be for the CEO of Air Canada, Mr. Rousseau.

Mr. Rousseau, we know that government regulations, fees and taxes overall in Canada carry a big weight on the airline operations in Canada. This is one of the reasons why it's more expensive to fly in Canada than in other countries. We heard this during our study of airline competition, and we also heard that here today.

Would you agree that when governments dump higher taxes and fees onto airlines, that has a consequence of raising the prices of tickets for the average traveller?

Mr. Michael Rousseau: I absolutely agree with that statement. It also potentially provides barriers to entry for new entrants.

Ms. Leslyn Lewis: We also heard today that this government's airline taxes, rents and fees are out of control. We heard evidence that 30% of the domestic fare is for government fees. Isn't it true that other countries avoid flying through Canada just to avoid the high out-of-control government fees?

Mr. Michael Rousseau: That may be true. I don't have evidence of that. That would be a logical conclusion to the high cost structure that we have here in Canada.

Ms. Leslyn Lewis: We heard that here today, but thank you for giving that forthright answer.

If we look at this government's taxes, fees and regulations, like the carbon tax, it's clear that they are largely responsible for why Canadians pay more to travel to travel in Canada than in other countries.

• (1450)

Mr. Michael Rousseau: It's a combination of factors. One, our business model is a user-pay model, as I mentioned before. For example, airports have to charge customers an AIF to build a capital fund to build infrastructure. In other countries, that's funded differently. There's a combination of taxes from the Government of Canada and from the fact that we have a unique model here, a user-pay model.

Ms. Leslyn Lewis: How much carbon tax is Air Canada paying in 2024?

Mr. Michael Rousseau: That's a very good question. I wish I had the answer, but I can certainly provide it post this meeting.

Ms. Leslyn Lewis: Okay. We heard from WestJet that they paid \$10 million, and we heard that they'll likely pay in excess of \$100 million by 2028. Can you give us an idea of what the impact is for a much larger airline than WestJet?

Mr. Michael Rousseau: WestJet's not public, so I don't have their information, but in 2019, we were roughly three and a half times their size.

Ms. Leslyn Lewis: If WestJet will potentially be paying in excess of \$100 million by 2028, I would assume that your share will be around \$300 million. Can you explain what impact a carbon tax of that size would have on the cost of flights for average Canadians?

Mr. Michael Rousseau: We fly roughly 50 million customers a year, so that would increase the cost by roughly \$6 or \$7.

Ms. Leslyn Lewis: Essentially, the increase in the carbon tax would be passed on to customers who would pay higher fares.

Mr. Michael Rousseau: I mean, that would be a logical assumption to make.

The Chair: Thank you very much.

I'll now pass the floor to Mr. Lawrence.

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

At this point, I'd like to move a motion,

That at the conclusion of the meetings on Air Canada's Plan to Impose Carry-on Baggage Fees, the committee expand the study by an additional three meetings with a focus on how government policy has increased the cost of air travel and;

A) Produce a final report for this study that includes proposed areas where these fees can be reduced with the intention of lowering costs Canadians pay for airfare;

B) Report to the House its recommendation that the government undertake a review of all federal fees, taxes and charges applied to airlines and airports and that the review include proposed areas where these fees can be reduced with the intention of lowering costs Canadians pay for airfare within 30 days and that this clause of the motion be reported to the House at the earliest opportunity following the adoption of this motion.

We have it translated, and it should be arriving in your email—

Mr. Adam van Koeverden: I have a point of order, Mr. Chair.

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

I'll turn the floor over to Mr. van Koeverden, on a point of order.

Mr. Adam van Koeverden: Thank you, Mr. Chair.

Do you have a speaking list already for this motion? Can I be on it next?

The Chair: We do not, Mr. van Koeverden, but what we are going to do is probably suspend to ensure that we can all get a copy of this, and then members can determine how we'd like to proceed.

Mr. Adam van Koeverden: Can I speak before we do that?

The Chair: I'm going to let Mr. Lawrence finish, and from there, I'll turn the floor over to Mr. Badawey, who had his hand up first—

Mr. Adam van Koeverden: Okay.

The Chair:—and then, if it's the will of the committee, I think we'll probably suspend so that we can discuss this off-line, and then come back to see whether we'd like to handle this today or perhaps at another date.

I'll let you finish, Mr. Lawrence.

Mr. Philip Lawrence: Thank you.

This is in keeping with our study today, and I think we've heard some compelling evidence.

Actually, if I am not telling tales out of school, Mr. Badawey and I were discussing the issues and the need to dig down deeper, and I think the additional three meetings would give us the opportunity to do so.

Thank you.

The Chair: Mr. Badawey, please go ahead.

Mr. Vance Badawey: With respect to the time we have left with the witnesses, which is very valuable, can we actually have this in writing and deal with it at the next meeting? This was asked by Mr. Lawrence in the first place.

I would ask Mr. Lawrence if we can have this so that we can deal with it at the next meeting under a UC motion.

Mr. Philip Lawrence: Mr. Badawey, it is in writing, and it is, of course, translated, so it is available for you to review.

If we want two minutes, we would like to have a vote today. If you have the votes to adjourn it for another day, that's fine, but we would like to have this voted on and dealt with today.

The Chair: Okay, colleagues, what we'll do is—

Mr. Adam van Koeverden: Chair, prior to suspending—

The Chair: Yes, Mr. van Koeverden.

Mr. Adam van Koeverden: I think it's very important that we complete this meeting. I have questions for the witnesses, and I would move to adjourn debate on this for now and come back to it at another date.

It's a dilatory motion, I believe.

• (1455)

The Chair: We'll go to a vote on the motion to adjourn debate.

(Motion agreed to: yeas 7; nays 3)

The Chair: I'll turn the floor over now to Mr. Badawey.

You have the floor, sir, for five minutes.

Mr. Vance Badawey: Thank you, Mr. Chair.

I want to start off by saying this. It's not indifferent to what I was saying to the witnesses earlier, in the earlier panel. This is all about affordability. That means adjusting your discretionary costs accordingly, in the best interests of the customer.

I'll take the business side first. One of the things that I'm interested in—and it goes to Mr. Lawrence's motion—is looking at your balance sheets. It's looking at the costs, the revenues, your debt-to-operating ratio, your capital, your operating sides of the balance sheet, your net margins on auxiliary fees and things of that nature.

I find it really hard to believe that when we're looking at affordability, a CEO can earn \$12 million in a year, yet once you collect auxiliary fees from customers, it doesn't even come close to that as a discretionary cost.

With all of the costs imposed by the government, it comes in the form of one of two ways: either as user fees to the Canadian taxpayers or as a direct fee to the sector. Those fees are subsidized by the Canadian taxpayer, or they come in the form of user fees by the airline sector. It's that simple.

When we talk about “unbundling”, it simply identifies the expenses. Who pays for those expenses? Are they paid for by user fees, or are they paid for with subsidies by Canadians?

Now I'll inject parliamentary theatrics into the discussion—the politics—as outlined by our Conservative colleagues. Their narrative today, which was outlined by one of the members, is that either it's fees, or it's the carbon tax. Let's dig a bit deeper on that. I apologize for being repetitive, but I want you to understand this.

Fees are the costs of doing business within your sector. The carbon tax is a cost related to climate change. Once again, we go back to the premise. The premise is that those fees within your sector are paid for through user fees, or they're subsidized by Canadian taxpayers. Carbon tax fees are paid for by the polluters, or they're subsidized by the Canadian taxpayer.

Once again, who pays? Quite frankly, isn't that what this discussion is all about today? Is it a subsidy by the Canadian taxpayer, or is it user fees? We can have many meetings coming up, speaking about all of the auxiliary fees, the operating, the capital, your debt operating and all of that. It all boils down to one thing. Who pays? What's non-discretionary? What's discretionary?

My question goes to Mr. Lawrence's motion. This was a question I asked the CEO from WestJet. Do you really want to deal with this? Then let's deal with it. Let's sit down and see those balance sheets. Let's see the net revenues, the net profits that you're making. Let's make decisions based on those discretionary costs and decisions versus the non-discretionary, and let's come up with some

new solutions with respect to the user fee structure versus the subsidized structure.

Is Air Canada willing to do that, Mr. Rousseau?

• (1500)

Mr. Michael Rousseau: I need to think about that for a while.

We're a public company. All of our numbers, our balance sheet, and our P and L are all public information, so you can see what we make and what we invest in. As I said earlier, we typically invest all of our profits into technology, better planes or something beneficial to the consumer.

Mr. Vance Badawey: I'm assuming the answer is yes.

Mr. Michael Rousseau: I'd like to understand better the scope of what you're suggesting.

The debate on our model here in Canada, as a user-pay model versus a subsidized model, which the U.S. has, for the most part—and it's much closer to the U.S. model—has been going on for some time. I think we all understand the pros and cons of each one. I'm certainly willing and able to continue that debate as we go forward.

Mr. Vance Badawey: That's the crux of today's discussion. We can talk about the politics. We can talk about the parliamentary theatrics that have been going on for the last two hours, but the bottom line is affordability, and based on that, is it a subsidy from the Canadian taxpayer, or is it a user fee? If we want to get to the bottom line, if we want to get to that, then I believe that discussion—

I'm talking. Shut your mic off.

To get to that point, that discussion has to happen.

Mr. Philip Lawrence: I have a point of order.

Mr. Vance Badawey: Again, the question I had for WestJet was to in fact ask for those so that we can get to those conclusions. Again, it goes to Mr. Lawrence's motion because, if we don't get to those conclusions, Mr. Lawrence's motion is useless.

I'm asking Air Canada for the same thing.

If you really want to have that discussion, then let's have it.

The Chair: Thank you, Mr. Badawey.

I have a point of order that I have to address with Mr. Lawrence.

Mr. Philip Lawrence: I understand that we get passionate. I know Mr. Badawey to be an honourable member, but I don't think telling a witness to “shut his mic” is appropriate.

Mr. Vance Badawey: What's not appropriate is when somebody has the floor; others need to turn their mic off.

The Chair: Thank you very much.

I'll ask all members to ensure that they direct any questions through the chair. I'll make sure that any actions that are required are indeed put in place.

Is that still something you'd like to discuss, Dr. Lewis, or was that addressed by your colleague, Mr. Lawrence?

Ms. Leslyn Lewis: The inappropriateness of speaking to witnesses who come here and give of their time.... I think it's highly inappropriate to treat witnesses like that.

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

I'll now turn the floor over to Mr. Barsalou-Duval.

[*Translation*]

The floor is yours for two and a half minutes.

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

After hearing everything that has been said today, I think it is obvious that the reason given by Air Canada to justify this measure is competition. Its executives say they need Air Canada to remain comparable to its competitors.

I have already stated my own disagreement with that argument. Air Canada is an industry leader. It is the airline that sets the pace in the industry. So it could decide to aim high rather aiming low, particularly since it had profits of \$2.279 billion in 2023 and over \$1 billion in the last quarter. Air Canada is not exactly destitute.

That said, Mr. Chair, I would like to move the following motion and seek the unanimous consent of the committee to pass it:

That Air Canada inform the Committee of the number of hours that Michael Rousseau, the president and CEO of Air Canada, has spent learning French since 2021. The answer is to be broken down by week, month and year.

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

[*English*]

We have all heard the terms of this.

I see your hand up, Mr. van Koeverden.

• (1505)

[*Translation*]

Mr. Adam van Koeverden: Have you started making a list of members who would like to speak to the motion?

The Chair: I'm going to make one. We'll start with you, Mr. van Koeverden.

Mr. Adam van Koeverden: Thank you, Mr. Chair.

In fact, I was wondering the same thing about Mr. Rousseau. When I started this job five years ago, my French was very limited, as in his case. I didn't brag about it. I am proud of my progress, but I know I have a lot more work to do. It is important in Canada to work in both official languages.

The question I have regarding Mr. Rousseau is this: how many lessons does he take every week to improve his French? For that reason, I agree with Mr. Barsalou-Duval's motion.

I congratulate Mr. Rousseau on his progress, but I encourage him to keep going.

The Chair: Thank you, Mr. van Koeverden.

Are there any other comments?

[*English*]

Seeing none, do I have unanimous consent to adopt the motion put forward by Monsieur Barsalou-Duval?

(Motion agreed to)

[*Translation*]

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

[*English*]

Ms. Dance, the floor is yours. You have three minutes and 30 seconds to end us off today.

Ms. Leila Dance: Thank you.

Dr. Lukács, you've been sitting here the whole time very patiently, not saying anything.

Voices: Oh, oh!

Ms. Leila Dance: You've been in the gallery listening to all of the major airlines talking. I just want to know what your thoughts are on the numbers that they gave and the effect that it will have on passengers. Moreover, what are your thoughts on the claims that are being made by the airline about how these things will lead to lower costs for passengers?

Dr. Gábor Lukács: I feel that perhaps two different questions got entangled here today. One question is about price transparency. When an average consumer, even a naive consumer, goes online to shop for their ticket, how easily will they know how much they are going to be able to travel for? What will be the total at the end? All these add-on junk fees actually get in the way of knowing what the price to be paid is at the end of the day.

Airlines could still give passengers discounts for not having a carry-on or any baggage, and I have no issue with that. It's just how the information is presented to the consumers that I am concerned about, from a passenger rights perspective.

The second question is a question of how air travel in Canada is funded. It's an important question, but it feels as though perhaps we are digressing from why this committee convened for today's meeting. In terms of the funding model, certainly there would be a lot to do to look at how airports are being funded. The airport improvement fee is a question. There's no oversight around how the airports operate. There's a long history of how those powers were transferred from the government to the airports, and it's a way of evading responsibility to the public.

Having said that, I also agree with those who question where the money is going to come from eventually. Somebody has to pay for it. There's no free lunch. For those airline executives who claim that some of those fees should be lowered from what they call government taxes, I want to hear, personally, as a passenger, who is going to pay for it. I have a neighbour in Halifax who told me that he hasn't flown for 30 years for various personal reasons. Why should he be subsidizing my air travel? How can we do it fairly? These are all important questions. From a passenger perspective, though, the immediate question is this: How is it possible, in 2024, that even though there are laws talking about price transparency and even though there are regulations, still such junk fees exist?

That is a problem the government could and should address very quickly. The government could do it with a stroke of a pen as a form of a Governor in Council order, and I urge you to do that. Thank you.

The Chair: Thank you very much.

Colleagues, if you'll permit, I have one question I'd like to ask, which I actually received via social media because I've been livestreaming this on my social media platforms. I'd like to pass this along to you, Mr. Rousseau, and the team from Air Canada.

We all want to see a flourishing air sector in Canada. We all want to ensure that there's competition. Competition drives down price, in theory. There are certain routes where Air Canada is the only provider. The people who use those routes, Montreal to Saint John, for example—there are a couple of them across the country—have no choice, and there is no competition. Therefore, in theory, this fee would be detrimental to them because they'd have to absorb the cost since there's no other alternative.

The question that was asked, which I just received on Facebook, is this: Has Air Canada given any thought to perhaps, on the routes

where there is no competition, removing this increase to ensure that there's no rural-urban divide, which exists a great deal in this country?

The question is posed to you, Mr. Rousseau, or to anybody who's joining us here in person.

• (1510)

Mr. Michael Rousseau: We'll give that consideration. We hadn't thought about that. Please understand, though, that we may be on a route by ourselves, but any other airline can join and can be a competitor on that route. They choose not to. Air Canada provides more regional service than any other airline in Canada. We're not scared of competition, so if our competitors want to come on those routes—and I know there's space available at the regional airports—then they can do that. They chose not to do that, basically.

The Chair: Thank you very much, Mr. Rousseau. We do look forward to hearing back from you after considering that, and we'd share that and perhaps would include it in our report.

With that, I want to thank all the witnesses for joining us today. Dr. Lukács and the representatives from Air Canada, thanks for contributing to this very important study for Canadians.

I want to wish everyone happy holidays.

Of course, I want to say a special thank you to our clerk. It is her last meeting as the clerk of our TRAN committee. We wish you all the best in your next challenges.

Voices: Hear, hear!

The Chair: With that, safe travels, everyone.

This meeting is adjourned.

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