GOVERNMENT RESPONSE TO RECOMMENDATIONS

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1	That the Government of Canada review all the costs levied on airport authorities and airlines through a lens of how they affect other economic sectors such as tourism.	**The Government acknowledges the recommendation, and some elements are being addressed through existing activities.** Canada's air transportation system is predicated upon the "user-pay" principle where general tax revenues are not relied upon to support the industry which results in many high-quality services not funded by taxpayers. Canadian airlines, air navigation services and most National Airports System (NAS) airports are operated by private entities that are independent of government. They must recoup their costs from users through various fees and surcharges in order to remain viable so that travellers fund the services they use. There are many factors that go into ticket prices. All airline tickets contain several additional surcharges, fees and taxes above the base airfare. The Canadian federal government charges are the Goods and Services/Harmonized Sales Taxes, the federal fuel excise tax (domestic flights only), the Air Travellers Security Charge and airport rent. Combined, these represent a fraction of an overall ticket cost depending upon route and base airfare variations. Charges imposed by private entities, such as airport authorities and airlines, or other governments (depending on the flight) represent the majority of the additional taxes, fees and surcharges on an airline ticket. Notably, the federal government has no authority over these charges. Transport Canada (TC) is committed to continuing to work with the industry to ensure a sustainable and resilient aviation sector in Canada. This includes considering the impact of costs on the industry and the broader economy, as recommended by the House of Commons Standing Committee on Transport, Infrastructure and Communities (the Committee). TC will continue to review the costs levied on airport authorities through its policy development processes.
2	That the Government of Canada plan to reinvest all rent amounts collected from airports in airport infrastructure projects through federal programs such as the Airports Capital Assistance Program (ACAP), the Airport Critical Infrastructure Program (ACIP) and the National Trade Corridors Fund (NTCF); to support airports in smaller communities though an extension of	**The Government acknowledges the recommendation, and some elements are being addressed through existing programs.** The Government of Canada recognizes the critical role that airports and airlines play in supporting economic growth, connecting communities and other modes of transportation. The air sector is capital-intensive due to the high costs of infrastructure and equipment needed for safe, secure, and efficient operations. The ACAP was implemented on April 1, 1995, with a goal of assisting regional/local airport owners with the costs of safety-related capital infrastructure. This is necessary because smaller

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	the Regional Air Transportation Initiative (RATI); and by helping smaller airlines absorb the costs associated with regulatory changes.	airports, essential to the economic and social fabric of the communities and regions they serve, do not generate sufficient revenues to cover required safety-related capital investments. To support the air sector during COVID-19 pandemic, the Government committed an additional $186 million (M) for ACAP to be spread equally over Fiscal Years 2021-22 and 2022-23, and for that period increased the minimum federal cost-share to 50 percent (%) and expanded program eligibility to include eight federally owned small NAS airports with less than one million passengers per year. The program supports small and regional airports in making critical investments in health and safety. A total of 163 new projects were approved for funding starting in 2021-22 at 77 airports, with a total value of $225.3M. An additional 45 new projects were approved starting in 2022-23 at 31 airports, with a total value of $57.1M. To support airports during the COVID-19 pandemic, the Government also launched the ACIP in May 2021, which provided over $570M in funding over five years to airports for eligible infrastructure projects related to safety, security, connectivity to mass transit systems, or testing and screening related to COVID-19 and its variants. This funding was allocated to 53 critical infrastructure projects at 19 airports across Canada. The NTCF also provides federal funding, in the form of contributions, for projects and activities that strengthen the efficiency and resilience of national trade corridors and supply chains, including those related to Northern infrastructure. Airports are eligible recipients under the program (NAS Airport Authorities and non-NAS airports). Since 2017, the NTCF has provided funding to 18 airports representing a federal contribution of $729M. The Airport Relief Fund was a funding program introduced to provide $64.8M in financial relief to Canada's airports, which were struggling with the financial impact of reduced air travel due to the COVID-19 pandemic. The program aimed to provide immediate financial assistance to targeted eligible airports to help maintain operations and mitigate the risk of airport insolvency. Apart from the above-mentioned measures, air sector stakeholders also benefitted from non-sector-specific measures, such as the Canada Emergency Wage Subsidy (CEWS).
3	That the Government of Canada prioritize supporting rural airports by using repurposed airport rents to help smaller airports absorb costs associated with regulatory changes.	**The Government acknowledges the recommendation, and some elements are being addressed through existing programs.** The Government of Canada understands the critical role that rural airports play in connecting Canadians and supporting economic growth in rural and remote communities, recognizing that rural airports face unique challenges, including lower passenger volumes, limited revenue streams, and higher

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	operating costs. That is why the Government has acted with supports to address these challenges.
	The ACAP supports small and regional airports in making critical investments in health and safety and to support the air transportation sector. ACAP received a one-time top-up funding of $186M over two years ($93M in 2021-2022, and $93M in 2022-2023). This financial support will help ensure that Canada's smaller airports were able to immediately carry out required safety improvements despite revenue losses due to COVID-19. The ACAP program provides funding for a range of capital projects, including the construction, expansion, rehabilitation, and upgrading of airport runways, taxiways, aprons, airfield lighting, and navigational aids. The program also supports the acquisition of safety and security equipment and the development of safety management systems.
	The RATI was a $206M program that was created as part of Canada's COVID-19 Economic Response plan to provide support over two years (2021-22 through to 2022-23) to eligible regional businesses and airports that directly contributed to regional air transportation. The fund was designed to help ensure that regional air connectivity and services critical to economic growth were maintained during the pandemic, and that regional routes were reconnected across the country. RATI was delivered by Canada's Regional Development Agencies (RDAs).
4	That the Government of Canada develop policies to encourage affordable, equitable air transportation in rural regions that lack competition between carriers.	**The Government supports the recommendation and action is ongoing.** The Government of Canada recognizes that regional airports and carriers provide a vital service, providing commercial flight access, supporting critical supply chains and promoting economic growth. In many instances, high fares are the result of small markets and long distances and limit the amount of service and competition viably possible. This leaves those communities less connected to hubs and other regional communities and puts the airports' financial futures in jeopardy. The Government is already taking action to help alleviate the effects of this problem. In 2018, Canada eased foreign ownership restrictions for airlines by raising the limit from 25% to 49% with caveats (i.e. no more than 25% of the voting interests are owned directly or indirectly by any single non-Canadian, either individually or in affiliation with another person). This change was made to encourage greater competition in the Canadian aviation sector which would have the effect of placing a downward pressure of air fares. In response, several ultra-low-cost carriers (ULCCs) have established in Canada and expanded their service offerings which has helped keep Canadian communities better connected and has strengthened

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		competition.
		The RATI provided support over two years (2021-22 through to 2022-23) to help ensure that regional air connectivity and services critical to economic growth were maintained during the pandemic, and that regional routes were reconnected across the country. The initiative made $206M dollars available to regional airports, airlines, and businesses for projects related to improving regional connectivity, restoring routes affected by the pandemic, modernization measures to improve operations, etc.
		The ACAP helps keep regional airports financially stable by reducing operating costs and protecting airport assets, among other things. During the COVID-19 pandemic, the Government committed an additional $186M to this program to alleviate the effects of the pandemic.
		In August 2020, the Government of Canada announced funding of up to $174M to ensure continuity of essential air access to remote communities through the development of bilateral agreements with provinces and territories under the Remote Air Services Program (RASP), which aimed at complementing funding by Provinces, Territories and Indigenous Governments have implemented to air carriers providing air service to remote communities. These funds have been fully subscribed. The program helped many Northern and Artic communities, which are largely dependent on air transportation for essential goods and services. The efforts to support Northern and Indigenous communities is aligned with the Government's reconciliation efforts. The Government of Canada is committed to working with other levels of government and industry to find solutions in rural regions.
5	That the Government of Canada move towards encouraging interline agreements between all Canadian air carriers to give regional customers better access to larger and international carriers and ensure affordability and reliability of regional airports.	**The Government supports the recommendation, and some elements are being addressed through existing programs.**
		The importance of connectivity, affordable air travel, and reliable regional airports is central to the work of TC. The Government is exploring avenues for addressing and ameliorating these issues for Canadians.
		The Government has implemented several programs over recent years to address the aforementioned issues. Regarding improving regional airports, the Government has invested over a $1 billion (B) into improving regional airports since 1995 through the ACAP. Additionally, the RATI also provided support to eligible regional businesses, including airlines, and airports that directly contribute to boosting regional air transportation. For example, support was provided to smaller regional air carriers to improve

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	Information Technology (IT) infrastructures so as to be better equipped to interline with larger air carriers.
	Finally, the RASP made available $174M to help maintain air connectivity to remote regions during the pandemic. These funds were provided to provincial and territorial governments who selected regional air carriers to disperse the funds to. These funds were provided to maintain a minimum level of service to regional communities during the pandemic. The funds could be used by airlines to subsidize the cost of operating the aircraft, fuel, labor, aircraft maintenance, etc. This funding helped keep regional communities connected during a difficult time for the transportation sector.
	Improving connectivity, affordable air travel, and regional airport reliability will continue to be a critical concern for the Government and inform its aviation sector related work going forward.
6	That the Government of Canada evaluate the performance of airports and airlines in meeting federally mandated service standards, including delays, cancellations, security screening, baggage handling, border and customs processes. TC should compare this data on Canadian airlines and their performance with other jurisdictions and publish the results.	**The Government acknowledges the recommendation, and some elements are being addressed through existing programs.** The Government understands that air travel is an important service, and that Canadians expect safe, efficient, and reliable air transportation. The Government recognizes that federally mandated service standards are currently confined to security screening, and that there is an opportunity to work with stakeholders and explore the establishment of service standards in other categories. The Government is committed to working with industry to implement short- and long-term solutions to reduce wait times, integrate service standards, and support sustainable growth and resilience to future shocks. The Prime Minister's Task Force on Improving Service to Canadians (the Task Force) called for urgent action to decongest airports and better manage passenger complaints. The Government of Canada is working hard to improve the delivery of services that Canadians rely on every day. The Task Force will continue to drive action to implement short-and-longer-term solutions that will reduce wait times, clear inventories, and improve the overall quality of service to Canadians. TC is currently in the process of developing a reporting tool that will evaluate the performance of airports and airlines, including delays, cancellations, security screening, and baggage handling. The dashboard would also display on-time performance both by airline and other service providers at airports, such as the Canadian Air Transport Security Authority (CATSA). It is anticipated that the tool will be available to the public in the upcoming months and will allow concerned travellers to assess and compare the performance and effectiveness of air carriers

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	that fly in the Canadian airspace. There is a need to improve accountability, transparency, and support sustainable growth and resilience to future shocks. This was reaffirmed at the Air Sector Recovery Summit hosted by the Minister of Transport on November 24, 2022, where operators, labour organizations, and passengers called for urgent improvements, focusing on service standards, digitization, collaboration, information exchange, passenger facilitation, financial viability, and airport rent reinvestment. TC officials are working with stakeholders to develop these concepts. In 2019, for the first time in Canadian history, an air passenger rights regime, called the *Air Passenger Protection Regulations* (APPR), was implemented to clarify minimum requirements and compensation based on whether an airline has control over the disruption or not. During the pandemic, the Government strengthened these rights to include refunds for situations outside the airline's control, including major weather events or a pandemic. The regulations reflect input received from the public, consumer rights groups, and the airline industry. On April 24, 2023, the Minister of Transport announced proposed amendments to the *Canada Transportation Act* that have been introduced as part of Bill C-47, the *Budget Implementation Act.* These proposed amendments would strengthen Canada's passenger rights regime, streamline the processes for administering air travel complaints before the Canadian Transportation Agency (Agency), and increase air carriers' accountability. Following royal assent of the *Budget Implementation Act*, the Agency would have the authority to initiate the regulatory process to amend the APPR in consultation with the Minister of Transport. New regulations are expected to be in place at the earliest opportunity. TC will continue to work closely with stakeholders to determine how best to evaluate the performance of airports and airlines. This will include collecting and analyzing data on delays, cancellations, security screening, baggage handling, and other factors that affect the passenger experience. Budget 2023 provided $5.2M over five years to TC to collect and analyze air sector performance data. This may serve as the foundation to ensuring that air sector performance is tracked and evaluated, as recommended by the committee. The Government is formally engaging with airports, airlines, and other stakeholders to ensure that their perspectives are considered in this process. Recognizing that improving the passenger experience requires collaboration and partnership, the Government is committed to working with industry to achieve this goal.

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	The Government is committed to transparency and accountability in the air transportation sector. This will provide Canadians with important information on the quality of air services in Canada and help hold airports and airlines accountable for meeting their obligations.
7 That the Government of Canada should immediately implement strategies to reduce the lengthy administrative delays in getting the medical certificates, security clearances, and other required documents for pilots, crew members and other airport personnel, without compromising safety.	**The Government supports the recommendation and action is ongoing.** Aviation medical certification is essential to ensure aviation safety and the safety of the Canadian public. To exercise the privileges of their aviation licenses, all Canadian pilots, air traffic controllers, and flight engineers must meet TC medical standards and hold a valid aviation medical certificate. TC is currently reviewing eligible applications for aviation medical certificates within the service delivery standard of 40 business days. In January 2023, over 90% of all medical certificates were processed within the service standard for non-complex files, with an average review time of 9 to 14 business days depending on the region. The remaining files were complex medical files requiring additional review to determine whether the applicants meet the applicable medical standards to ensure aviation safety and are therefore not subject to the 40 business day service delivery standard. However, priority is being given to applications necessary for the maintenance of essential aviation services and the preservation of livelihoods. TC is working to improve service delivery through the modernization of the aviation medical certification program. This includes hiring additional medical staff, improving triage and prioritization of applications, digitizing processes, and enhancing communication options between TC and applicants. The effective liaison with Canadian aviation industry stakeholders, including aviation associations, worker unions, airlines, and Nav Canada is being maintained to identify and expedite the processing of priority applications. The Government of Canada is committed to a safe and secure transportation system. One of the measures for protecting against security threats and illegal interference is through the Transportation Security Clearance program (TSC) managed by TC. Screening for a TSC involves a rigorous process of background checks of each applicant with the Canadian Security Intelligence Service (CSIS) and the Royal Canadian Mounted Police (RCMP), as well as Immigration, Refugees and Citizenship Canada (IRCC)

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	when required. Canada Border Services Agency (CBSA) and the United States Customs and Border Protection are also consulted if required.
	TSCs are prerequisites for Restricted Area Identity Card (RAIC), which are issued by the airports, not TC, to designate entry into the restricted areas of airports.
	On average, over 95% of TSC applications are processed by the department within the service delivery standard of 60 business days. TC continues to work on improving service delivery. As of January 2023, 76% of TSC applications had been processed within 20 business days. More complex TSC applications are not subject to the 60 business day service delivery standard.
	TC continues to work with industry stakeholders (airport authorities nationwide) on improving the TSC application process. This includes more user-friendly experiences for applicants and employers, digital and automated service solutions to reduce human intervention and burden, including at enrollment sites, and ongoing security of processing platforms.
	TC works with aviation stakeholders to prioritize applications, as required, to support the industry.
8	That the Government of Canada collaborate with Canadian airport authorities, labour organizations and other stakeholders to develop innovative data and digital solutions and invest in technology to improve operational performance and travellers' airport experience.	**The Government supports the recommendation and action is ongoing.** On improving the passenger experience, TC is currently working with key stakeholders to explore how best to modernize the air travel journey, to move from a manual, paper-based passenger identity and travel information verification process to an integrated, digital model. To that end, funding has been allocated towards implementing the "Air Right Touch" solution, an initiative that aims to leverage facial matching technologies to improve the passenger experience and increase passenger throughput as they access each of the touchpoints along their airport journey. This initiative will bring together operators at airports (such as airlines, airports, CATSA and the CBSA), to use digital solutions to share passenger information (such as identity, travel documents, passenger attributes and travel information) so that the passenger does not need to present multiple documents as they access each airport touchpoint. This could enable the verification of the passenger identity at the beginning of their airport journey (i.e., at home or at check-in), instead of at the end (i.e., boarding gate). This initiative would also automate verification of Photo-IDs by leveraging facial matching technology at airports. The intent is to implement this initiative in phases over the next four

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	years.
	Immigration, Refugees and Citizenship Canada (IRCC) is also working closely with air industry stakeholders to improve how visitors come to Canada, including technology investments towards the development of digital visas and digital immigration permits. This will leverage industry expertise in the co-designing of digital visas to ensure a successful transition, and to improve the overall airport experience of visitors coming to Canada.
	The CBSA is also working with stakeholders to modernize the border crossing experience as part of its Traveller Modernization initiative. Budget 2021 provided $337M for the CBSA to transform the travel experience by further leveraging digital tools and facial matching technology. The Agency began implementing Traveller Modernization in September 2021 with the deployment of Advance CBSA Declaration, which gives air travellers the option to make their customs and immigration declaration digitally, on mobile or via the web, up to 72 hours before arriving in Canada. Advance CBSA Declaration is now available at 10 international airports and reduces the amount of time a traveller spends at a kiosk and/or eGates by roughly 30%. As part of Traveller Modernization, the Agency will further enhance Advance CBSA Declaration and deploy new tools and processes through 2030.
	TC acknowledges that prompt and accurate data is crucial for making informed decisions based on evidence, and the lack of it impedes the Government of Canada's ability to respond appropriately and expeditiously. In Budget 2023, the government proposed to introduce legislative amendments to the *Canada Transportation Act* to require data sharing between air sector operators and the public disclosure of performance data. On April 24, 2023, the proposed amendments to the *Canada Transportation Act* have been introduced as part of Bill C-47, the *Budget Implementation Act*. By leveraging data, stakeholders can seamlessly integrate their services and provide passengers with a hassle-free experience throughout their journey. To measure the impact of air transport investments, make informed policy decisions, inform consumers, and hold operators accountable, sufficient performance data is essential.
9	That the Government of Canada assemble a panel of external experts to conduct a comprehensive lessons learned from the implementation of pandemic travel restrictions, including how staff shortages exacerbated airport issues, for the	**The Government acknowledges the recommendation, and some elements are being addressed through existing programs.** The Government of Canada acknowledges the impacts COVID-19 has had on the transportation sector and its employees and users. Since the outset of the pandemic, the Government has engaged regularly with all levels of

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purpose of documenting policies and procedures that worked, that didn't work and/or could be improved so that Canadian airports and airlines can be better prepared for any such future circumstances.	government, Indigenous groups, and operators in the air, rail, marine and road industries to identify emerging issues and mitigate disruptions to the transportation system, the Canadian economy, and to our supply chains.

The Government recognizes the importance of enhancing the efficient, and affordable operation of Canada's airports to foster growth and increase accessibility to Canadians

As the regulatory authority, TC helps to safeguard the integrity and security of Canada's aviation transportation system. Given the unique situation presented by COVID-19, the department has undertaken a review of the implementation and management of the COVID-19 temporary measures in all modes, including opportunities for the department to leverage long-term benefits, document good practices and lessons learned to support departmental preparations to manage future crisis. In response to this review and its recommendations, the individual modes, including air, have initiated an internal review of lessons learned throughout the pandemic, The goal is to identify strengths, weaknesses, areas for potential improvement, and opportunities for the future in the air sector. The review will focus on five key areas, such as: regulations or measures and authorities; governance; roles and responsibilities; engagement and communication (internal and external); and internal staffing resources and tools to complete/meet the requirements.

Understanding how recent events and enduring issues have significantly affected Canadian air transportation, the Government will continue to work across departments and external stakeholders to help examine and address labour shortages, security and certification processes, and other factors that contribute to airport delays.

In acknowledgement of the importance of conducting a comprehensive lessons learned exercise, and as noted above, work is already underway to achieve this goal and an external expert panel to conduct this review is not necessary or recommended. |