



August 31, 2024

Mr. Matthew Boswell
Commissioner of Competition
Competition Bureau of Canada
50 Victoria Street, Room 2414
Gatineau, Québec
J8X 3X1

Submitted via email to: airlinemarketstudy-etudemarcheaerien@cb-bc.gc.ca

RE: Market Study: Competition in Canada's Airline Industry

Dear Commissioner:

Thank you for this opportunity to contribute to the Competition Bureau of Canada's public market study on competition in Canada's airline industry.

The Tourism Industry Association of Canada's (TIAC) serves as the national private-sector advocate for Canada's tourism sector. Acting on behalf of thousands of tourism businesses across the suite of industries our sector encompasses, we advocate for federal policies, programs, and initiatives that foster tourism's overall growth and development.

The importance of tourism to Canada's economic, cultural, and social fabric, as well as its contribution to our nation's brand globally, cannot be overstated. At the end of 2023, total tourism spending achieved an all-time highwater mark of approximately \$113.4 billion, and our sector demonstrated a strong return on investment to government as total government revenue attributable to tourism equals as much as 27% of visitor spending annually.

Airlines are critical partners for the Canadian tourism sector as our country's domestic carriers are a core component of a connected Canada. Not only do they play an essential role in bringing foreign tourists to Canada, but, in a country as large as ours, they play an important role in domestic tourism – flying Canadians from coast to coast to coast. Air connectivity supports national integration by linking remote and smaller communities to major economic centres, thereby strengthening the overall cohesion of the country. Moreover, the Canadian air travel industry supports and sustain jobs and local businesses that depend on regular transport links. Supporting airlines helps boost local tourism, which is a significant revenue source for communities nationwide. Our domestic carriers are essential for hosting and attracting international events, conferences, and festivals that contribute to local tourism and economic activity.

Canada's domestic carriers have admirably endured and climbed back from the dire challenges and volatile business climate that they faced during the COVID-19 pandemic. In the face of mounting debt loads, historic inflation, and persistent labour shortages, Canada's major domestic carriers have made strategic adjustments to their operations to ensure their stability



and bolster their service offerings to Canadians and international travellers. Despite the many business challenges faced throughout the last four years, Canada's network of domestic carriers has demonstrated a commitment to meeting the dynamic needs of high-demand areas while continuing to explore opportunities for improving service to smaller markets.

Driven by substantial private investment in expanding fleets and strategic efforts to streamline and create added value for their services, Canadian carriers are evolving with new opportunities and innovations, enhancing the overall travel experience for many Canadians. Canadian airlines have been focusing their resources toward optimizing the travel experience for passengers, and with expanded travel options on many of the country's highest volume routes, our airlines have demonstrated their commitment to offering competitive airfares.

We strongly believe that the Government of Canada should help maintain the competitiveness of domestic carriers and ensure that they continue to play a vital role in providing all Canadians with world-class, affordable access to regional, national and international travel options, and in promoting regional economic development.

At present, the competitive structure of Canada's airline industry compares very favourably to other leading and neighbouring markets.

Despite Canada's vast geography and relatively small population, the Canadian airline sector thrives in a competitive environment, both domestically and globally, highlighting its strength and openness to competition.

The Canadian market is served by approximately 70 international carriers, including major players such as Delta Airlines, Air France-KLM, British Airways, American Airlines, and Turkish Airlines, many of which are significantly larger than our domestic carriers. This extensive international competition underscores the vibrancy and competitiveness of Canada's air travel landscape. When one considers that Canada boasts three of the world's top 50 globally connected hubs -- a number that positions it alongside only the United States and China -- it is clear that Canada represents a dynamic aviation market where global strength complements a highly competitive domestic market.

At the start of the peak summer travel season, more than 20 distinct airlines operate within Canada's domestic market, with Air Canada, WestJet Airlines, and Porter Airlines collectively holding 82% of the capacity. This distribution matches or even exceeds the competitiveness found in other countries with similar or larger aviation markets.

For instance, Australia's domestic market, which is nearly 1.5 times larger than Canada's, has 13 carriers, with Qantas alone holding 58% of the capacity. Similarly, in France, 10 carriers serve the domestic market with Air France controlling 54% of the capacity. In the U.S., the largest and most competitive market globally, four carriers hold at least 10% of the domestic capacity, totaling 80%.¹ In short, Canada's market structure -- with 20 carriers providing more than 50,000 seats annually -- reflects a competitive environment that aligns well with international standards.

¹ Air Canada. "Air Canada's Submission to the Competition Bureau of Canada: Draft Market Study Notice - Competition in Canada's airline industry." June 17, 2024.



Unfortunately, the international competitiveness of Canada's domestic carriers is greatly impacted by the high cost of air travel in Canada that is inflated by unique factors such as its system of third-party air travel fees.

In 2023, international overnight tourist arrivals to Canada were 17% below the 2019 high as destinations the country over welcomed nearly four million fewer international visitors last year.

The central obstacle to providing more attractive airfares for Canadians and many international travellers to Canada is not a matter of domestic competition. Third-party fees are keeping the cost of air travel high as public policy does not reflect the modern reality that affordable air travel is core to the success of tourism.

Unlike the highly subsidized passenger rail system, it has been said that Canada's airline passengers are subject to a full user-pay model for the price of airfare, on top of which, the Government of Canada collects additional taxes and fees from consumers.

Passengers of Canadian airlines are directly charged levies in the form of fees and taxes that add additional costs to airfare. Collected as part of our national policy and regulatory framework, Canada's assortment of third-party fees is an undue burden to both travellers and air carriers when compared to other jurisdictions. Estimates from the National Airlines Council of Canada (NACC) reveal that, together, the cost of third-party fees and charges on an average domestic Canadian airfare can range from \$130 to \$160; the equivalent charges in the United States are less than half these amounts, and all taxes and fees collected in the US are re-invested in relevant infrastructure.

Since third-party air travel fees and taxes are not fully reinvested back into servicing or supporting the air travel sector or its important infrastructure, Canada's unique fee system places Canadian carriers at a competitive disadvantage when compared to other travel markets and their international counterparts.

By mitigating the high cost of third-party fees and ensuring that government revenues generated by the air travel are reinvested back into the industry in a meaningful way, the Government of Canada can safeguard the affordability of air travel, promote balanced regional development and pave the way for innovative solutions to enhance travel options for a wide number of Canadian and international travellers in the future.

We strongly encourage our government stakeholders to consider and adopt enabling policies and vital cost relief measures to help bolster the air travel sector's competitiveness, and, ultimately, foster a thriving tourism landscape.

We greatly appreciate the Government of Canada's efforts to ensure that the tourism sector remains a globally attractive, accessible, affordable, and sustainable contributor to Canada's local economies and diverse communities.



Sincerely,

A handwritten signature in blue ink, appearing to read "Beth", enclosed in a thin black rectangular border.

Beth Potter
President and CEO

CC.

The Honourable Soraya Martinez Ferrada, Minister of Tourism and Minister responsible for the Economic Development Agency of Canada for the Regions of Quebec

