GOVERNMENT TURNS A BLIND EYE TO REGIONAL AVIATION CHALLENGES

The air industry has accepted that the pandemic has created severe restrictions but the senseless lack of response by the Government in supporting this segment of aviation will have long lasting effects on regional air service and consequently to the overall economy of Canada's outlying regions.

The absence of financial aid from the Government has had serious consequences. Regional air carriers have had to take drastic measures to ensure their survival since March 2020. Survival mode has meant that some carriers have halted operations altogether, as they calculated that this was the best way to weather the storm. Most, however, chose to cut back staff and services and limit operations to their core competencies and continue to offer services so desperately needed by the communities they serve.

Commercial aviation in this country will be extremely weakened and fragile when it finally emerges from this devastating crisis. Aviation is an important enabler, even a driver, of the Canadian economy, but nowhere does aviation play such a critical socio-economic role than in Canada's outlying regions.

Canadian airports have been just as devastated as air carriers during the last 15 months. We look forward to seeing if the recently announced financial aid program offered by the Government for airports lives up to expectations. The privatization of airports in the 1990s has resulted in extraordinary infrastructure development driven by the new airport authorities. Today, Canada's national airports now run by the private sector are considered world class, which is a far cry from their sad state at the time of their divestment by Transport Canada.

Since privatization, airports have made massive investments in their infrastructure and have driven up their debt significantly. These investment decisions were supported by the sustained annual increases in the number of passengers. While airports were generally yielding strong surpluses, short term debt obligations are significant. The most important revenue streams for airports are generated by aeronautical fees, passenger fees, ancillary services and parking. Airports report that passenger levels, and consequently revenues generated, are down by over 90% in 2021 compared to 2019. Consequently, short-term debt obligations are forcing airports to look for revenues wherever they can find them, so carriers and passengers should expect continued pressure for increased user fees.

NAV CANADA has suffered the same fate. A not-for-profit corporation with a large, complex and highly technical infrastructure requiring constant investment and costly specialized labour has quickly used up its cash reserves. Even though NAV CANADA provides a mandatory infrastructure and services, it has inexplicably been denied financial assistance by the Government and has consequently been given little choice but to raise air navigation fees by almost 30%.

Consequently, the challenges that our industry faces during the post-pandemic recovery are heightened by these very significant cost increases. In addition, demand for air travel could drop as it reacts negatively to price increases, particularly for leisure travelers, with the business traveler traditionally being more influenced by flight frequency and routing than fares.

The Canadian Government is adding to the factors compromising our industry's post-pandemic recovery by depriving the air transport industry sector of specific financial assistance other than high interest government sponsored loans to air carriers.

One of the many challenges facing carriers is the return of the business travel segment, a very important market as it accounts for the majority and most profitable of seat sales for most carriers. Unfortunately, it is very difficult to estimate at this point the impact of video conferencing on business travel, but one can assume that the demand for travel for intra-company in-person meetings will inevitably recede as technology improves and people grow accustomed to working with video conferencing tools. Moreover, it will most likely be more difficult to obtain private and public sector travel authorizations until our economy is fully ramped up, if ever.

One can only conclude that, given the absence of any substantial financial aid to smaller carriers, regional air transport, although key to so many regions of Canada, remains low in the Government's priorities. Governments, particularly in minority situations, seem more interested in ostentatious gestures aiming for greater appeal to the electorate than avoiding long term consequences of the pandemic on regional air transport.

The medium and long-term consequences, however, are that Canada's regions will suffer from a reduction in service as it will be extremely difficult for regional carriers to return to pre-COVID-19 levels of service. Carriers will be unable to adequately rebound from the austerity measures resulting from the pandemic because of cash flow problems resulting from increased airport and navigation fees, lower passenger revenues, and for those who adhered to the meager government financial aid program for regional transport, a larger debt load to support.

It is painfully obvious to the regional airline sector that, unlike our key trading partners and most other G20 countries, the Government has decided to stand on the sidelines and wait until after the next election before even considering the consequences of the pandemic on regional air transport and the communities they serve. This is a totally unacceptable outcome for this vital industry which connects all points in Canada and truly enables our economic recovery and sustainability.

ATAC
Air Transport Association of Canada
Association du transport aérien du Canada
Air Transport Association of Canada
1110 - 222 Queen Street, Ottawa, Ontario, K1P 5V9 • Phone: 613-233-7727 • Website: atac.ca