

MR. BUTTERS

TABLING STATEMENT

MR. SPEAKER: I WISH TO TABLE THE FOLLOWING DOCUMENT

THE SUMMARY REPORT OF THE AIR TRANSPORT COMMITTEE
OF THE CANADIAN TRANSPORT COMMISSION ON THE
ADEQUACY OF AIR SERVICES IN NORTHERN AND REMOTE AREAS

*This has not been distributed to members of the Legislature
although members of the Ex-Con have seen it.
Carolyn McCabe has copies for distribution and you
can table the document to-morrow.*

Bob A

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Tabled February 13, 1985



Canadian Transport
Commission

Commission canadienne
des transports

Air Transport
Committee

Comité des transports
aériens

Summary Report

of the Air Transport Committee
of the Canadian Transport Commission
on
the Adequacy of Air Services
in Northern and Remote Areas

SUMMARY REPORT
OF THE
AIR TRANSPORT COMMITTEE
OF THE
CANADIAN TRANSPORT COMMISSION

ON

THE ADEQUACY OF AIR SERVICES

IN

NORTHERN AND REMOTE AREAS

13 November 1984

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Canadian Transport Commission
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**THE ADEQUACY OF AIR SERVICES IN
NORTHERN AND REMOTE AREAS**

SUMMARY OF RECOMMENDATIONS

The Panel conducting this Inquiry into the adequacy of air services in Canada's northern and remote areas held public meetings at nineteen communities*. Having benefitted from receiving the views of concerned citizens, the organizations of which they are members, their governments and the air carriers which serve them, the Panel's Report addresses the socio-economic concerns which were raised with an emphasis on the various alternatives and the most efficacious means to reduce the cost of air travel "to/from and within" (i.e., "in") northern and remote areas.

*The locations are as follows:

Phase 1

Lourdes-de-Blanc-Sablon
Goose Bay
Sept-Îles

Phase 2

Ranklin Inlet
Baker Lake
Spence Bay
Coppermine

Phase 3

Fort Smith
Fort Simpson
Watson Lake
Dawson City
Inuvik

Phase 4

Thompson
Sioux Lookout
Moosonee

Phase 5

Kuujjuaraapik (Poste de la
baleine, Great Whale)
Kuujjuaq (Fort Chimo)
Frobisher Bay
Pangnirtung

As the Panel has reflected upon all the evidence which it heard and read, there are certain principal facts which stand out vividly from the public's submissions and which the Panel wishes to highlight:

- 1) The tone for the Inquiry, which was repeated throughout all the subsequent discussions, was set on the very first day at Lourdes-de-Blanc-Sablon, when Mr. J. Moyen, Directeur Général, Centre de Santé de la Basse Côte Nord, stated that air transportation in this area is a necessity and not a privilege. The theme of the essential nature of air services in northern and remote areas is, in the Panel's opinion, an undeniable reality; for many communities, there are no other alternatives: (a) to facilitate personal interaction with friends, relatives and business colleagues elsewhere in Canada; (b) to access medical facilities; and (c) to obtain needed food supplies, building materials and other vital essentials.
- 2) There is a number of common aspects to the demand for air services throughout all northern and remote areas; however, the manner in which these demands are met, reflecting perhaps the thinness, fragility and seasonality of many of the markets, and the ensuing satisfaction which is realized by consumers varies significantly from one area to another.
- 3) In comparison with air carrier operations in southern Canada, there is no question that air services in northern and remote areas are more expensive to provide and that air fares,

as a consequence, are correspondingly higher; the high cost of travel is a major concern of residents.

- 4) By way of responding to the travel requirements of residents within northern and remote areas and as a means of reducing the high costs of that travel, certain local service air carriers have successfully introduced low-priced air fare programs specifically designed for the operating environment of these areas; inasmuch as comparable fare products have been only recently introduced by the larger air carriers in the major markets of southern Canada, this development within northern and remote markets is noteworthy and commendable. The Panel notes, however, a certain lack of consumer awareness of many of these low-priced air fare products throughout these areas.
- 5) In the context of marketing and providing air services in northern and remote areas, it is essential that Canada's Native Peoples participate in these operations as much as possible and that opportunities to develop the required skills be provided; at present, this is not the case.
- 6) The condition of many of the airports and especially the lack of appropriate navigation aids and infrastructure is a visible reminder of the need for a long-term program for airport development in northern and remote areas; only by instituting and maintaining such a program can a truly reliable, cost efficient system of air transport be developed for residents.

Both air transportation policy and regulation concerning air services in northern and remote areas must continue to evolve in a manner which benefits the communities served and the consumer of these services and which encourages the air carriers to provide an adequate and cost-efficient air service. With due reference to the often-times difficult operating environment throughout these areas, in the Panel's opinion these objectives can be best realized by recommending solutions to improve service to consumers which include enhanced access to the lowest possible air fares, and to reduce the regulatory burden on the air carriers and to encourage competition between the carriers where achievable.

In order to accomplish the preceding, the Panel has made the following recommendations:

**Greater Use
of Native
Peoples'
Languages**

In order to enhance consumer awareness, the Panel encourages the air carriers providing service in northern and remote areas to avail themselves of the existing media outlets in addition to local community groups to publicize their fares, cargo rates and schedules as widely as possible in the local Native People's language. At the same time, the Panel wishes to recommend that CBC Northern Services re-examine its policy with respect to items of concern to its local listeners-- such as available air carrier discount fares and schedules in the areas--and to make itself

much more accessible to what is in effect a public service announcement.

It is the Panel's opinion that there is also a definite demand for travel-related information in the Native Peoples' languages. The Panel encourages the air carriers to assist the Native Peoples in making travel arrangements by providing, wherever feasible, telephone reservation services and related schedule information as well as airport check-in assistance and in-flight service announcements in the appropriate Native People's language.

Safety

In the interest of safety for the travelling public, the Panel recommends that the air carriers, in conjunction with the Aviation Safety Bureau, commit themselves to ensuring that in-flight emergency information, where applicable, be readily available on the aircraft in the appropriate Native People's language.

**Enhanced
Employment
Opportunities
for Native
Peoples**

There is a need to increase Native Peoples' involvement in providing air services in northern and remote areas. At the same time there may be limited numbers of Native Peoples with the required

skills preventing air carriers from augmenting their presence. From the Panel's perspective, an obvious solution to enhance employment opportunities for Native Peoples is the provision of various relevant training programs--including on-the-job training--funded by Employment and Immigration Canada. In addition, where there is an identified requirement for a more formalized program, the Panel recommends that the Governments of Yukon and the Northwest Territories and Indian and Northern Affairs Canada together with provincial educational authorities consider jointly sponsoring such a program at an educational institution like Thebacha College in Fort Smith, NWT.

Subsidy

The Panel does not recommend that the Government of Canada design and implement a direct subsidy program in connection with air services in northern and remote areas.

Many of the existing subsidy programs for air services currently in effect throughout Canada appear to offer little incentive to economically efficient operation. In view of this, the Panel recommends that the Government, with the assistance of the Air Transport Committee (ATC), undertake a review of the need for the subsidies currently

being paid to Quebecair and EPA. If these subsidies are still deemed to be in the public interest, then a cost-effective, incentive-based subsidy program should be designed in co-operation with the appropriate provincial governments.

**Capital
Asset
Acquisition
Program**

The Panel recommends the Government of Canada work with private enterprise to reduce the short-term risk associated with the provision of air services in northern and remote areas by designing and implementing a much-needed, front-loaded venture capital program to enable air carriers to acquire appropriate aircraft. Should this program be implemented, the ATC could ensure that all such assistance to air carriers is reflected in the subsequent fares and cargo tariffs charged to consumers in these areas.

**Government
Taxes, Fees,
Charges, etc.**

Many of the air carriers and residents, while expressing concern over the high cost of operations in northern and remote areas, noted that certain costs (fuel, landing fees and other airport user charges) are under the control of the federal and provincial/territorial governments. If a concerted effort was made to eliminate government fees, taxes, charges etc., at airports throughout

northern and remote areas the total costs of travel could be lowered by as much as 15-20%. As such, the Panel suggests to the Federal government that it consider lowering or preferably eliminating the federal sales tax, excise tax and airport fees, where applicable, applied to the price of fuel uplifted within northern and remote areas and that the provincial/territorial governments adopt similar measures of tax relief. The Panel also suggests the complete elimination of airport landing fees and the Canadian Air Transportation Tax as a further step toward cost reduction for airline operations.

In order to ensure that the consumer would immediately benefit from such actions, the Panel suggests that the ATC be charged with the responsibility to examine closely the tariff filings of the affected carriers so that all such savings as might be occasioned by these cost reductions are passed on fully to the consumer.

General
Pricing

The Panel recommends that the ATC continue to take an active role in monitoring fares and services in northern and remote areas. This not only involves reviewing applications for general fare

increases but undertaking a more pro-active role with regard to the concerns of the public.

Discount
Fares

The Panel recommends that air carriers operating in northern and remote areas be given the same downward flexibility as granted carriers operating in the pro-competitive environment in southern Canada.

Many participants stressed the importance of air travel as a means of visiting friends and relatives but indicated that certain conditions such as advance purchase and minimum stay requirements associated with special fares are not compatible with the lifestyle of the residents in these areas since they hamper spontaneous travel.

As such, the Panel encourages the adoption by all carriers providing service in northern and remote areas and its acceptance by the Air Transport Committee of pricing practices (for example, stand-by fares available to all consumers) to facilitate ease of travel within "communities of interest".

With respect to travel in these areas, the Panel encourages the carriers to make all deep discount inventory controlled fares accessible to residents of northern and remote areas.

Access to
Through Fares,
Joint Fares
and Reser-
vation
Systems

The Panel encourages all air carriers operating in northern and remote areas to make use of through fares and joint fare arrangements as well as to reach joint marketing arrangements which provide significant economies to consumers.

The Panel encourages all carriers operating in these areas to acquire and to implement computer reservation systems; this should enable the smaller carriers to effect a better awareness and control over requested capacity such that customers might be more readily and assuredly informed as to seating availability on any given flight. Where possible, with respect to joint configuration (passenger/freight) aircraft, some reservation system should be attempted with respect to space available for cargo and mail in order that both passengers and priority freight can be accommodated.

Cargo
Services

The Panel recommends any cost savings derived from the programs designed to lower fuel costs, airport user fees, etc., also be reflected in future cargo rates applicable to the movement of goods in northern and remote areas. It is anticipated that this will not only lower the costs of transport for both passengers and cargo

but aid, in some measure, in encouraging the economic development of many of these areas.

The Panel recommends that any future applications for cargo-related rate increases continue to be closely examined by the ATC to ensure that proposed increases are fully justified.

In an attempt to alleviate the uni-directionality of cargo shipments, many of the air carriers operating in northern and remote areas have introduced special rates to stimulate southbound traffic. The Panel encourages all air carriers to implement and the Air Transport Committee to accept innovative pricing practices to stimulate southbound cargo traffic.

**Mail
Carriage**

With its re-organization into a crown corporation Canada Post has begun to re-negotiate its mail service contracts in northern and remote areas with the intent of relying on cheaper surface transport to the extent possible and lowering the cost of its existing contracts with the air carriers. The Panel is determined that the interests of communities should not suffer as a consequence of the new attitude of Canada Post and therefore recommends that the Government of Canada and

Canada Post seriously reflect upon the various trade-offs and the consequences which their actions, if unco-ordinated, might precipitate; this issue should also be addressed in the context of the on-going monitoring role of the Commission with respect to these air services.

An important aspect drawn to the Panel's attention is the role of Canada Post in distributing food-stuffs to residents in northern and remote areas throughout Canada. The Panel observes that this practice is a very effective means by which to lower the cost of transporting food-stuffs to these areas.

The Line of Demarcation

The Panel recommends the maintenance of the proposed line of demarcation separating the regulatory approach in northern and remote areas from that in southern Canada; there should, however, be one alteration: the intercept on the Manitoba-Saskatchewan border should be at 53°N rather than 55°N to include the communities lying on the Canadian Shield in Manitoba.

Role of Competition:

1) Intra-Northern and Remote Area Markets

The Panel recommends that all applications for new year-round unit toll operations within these areas continue to be determined on the basis of present and future public convenience and necessity.

Air carriers operating unit toll services within these areas should continue to enjoy a limited form of route protection from the operations of a non-scheduled (charter) carrier. However, as a means of encouraging reasonable pricing practices, the Panel recommends that any unit toll carrier with route protection be required to demonstrate to the ATC the impact on its operation which a waiver might occasion. In making its judgement, the Panel recommends that the ATC place increased emphasis on the benefits of competition.

2) North/South Markets

While not advocating an "open skies" policy and with due concern for the maintenance of a high quality, year-round service, the Panel is convinced that it is appropriate for certain northern and remote area communities (see Table) to receive a limited amount of additional unit toll air service to/from southern Canada by another carrier

Table

NORTHERN AND REMOTE AREA COMMUNITIES
WHICH MIGHT BENEFIT FROM ADDITIONAL
YEAR-ROUND UNIT TOLL AIR SERVICES
TO/FROM POINTS IN SOUTHERN CANADA
BY (AN) ALTERNATIVE AIR CARRIER(S)*

Dawson Creek, B.C.	Inuvik, N.W.T.
Fort McMurray, Alta.	Sept-Îles, P.Q.
Fort St. John, B.C.	Thompson, Man.
Frobisher Bay, N.W.T.	Wabush, Nfld. & Lab.
Goose Bay, Nfld. & Lab.	Whitehorse, Yk.
Grande Prairie, Alta.	Yellowknife, N.W.T.

*Includes those communities like Sept-Îles, Wabush and Whitehorse which are presently served by two major southern unit toll carriers.

and to extend thereby the benefits of a competitive market place. The Panel suggests that all applications for such new, year-round, unit toll air services by another carrier to/from these points be licensed by the ATC on the basis of present and future public convenience and necessity but which also places an increased emphasis on the benefits of competition.

The Panel recommends that its suggested approach to continued regulation of intra northern and remote area unit toll air services be adopted where a community presently recipient of direct north/south air services is not on the list of possible markets for increased unit toll competition.

The extension of this particular more pro-competitive perspective for new, additional, year-round unit toll air services to other markets in northern and remote areas should be addressed in the context of the on-going monitoring role of the Commission and instituted whenever it is deemed feasible.

"Use It or
Lose It"
Philosophy

The Panel is mindful of the fact that a newly licensed applicant or incumbent air carrier may not effectively make use of its licence. In

such situations, the Panel recommends that a carrier be asked to "show cause" why its licence should not be suspended or cancelled and another carrier awarded the licence if, in the ATC's judgement, the unit toll licensee has failed to maintain a reasonable year-round level of service to a community.

**Service
Withdrawals**

Where a licensed air carrier gives notice that it intends to withdraw from a market in these northern and remote areas, the ATC and the communities affected should be so advised by the carrier at least 60 days in advance. Assuming there is a continued demand for the service, the Panel recommends that the ATC should widely advertise the opportunity to provide a service from which a licensed carrier wishes to withdraw and, if need be, actively solicit applications to provide the service.

**Licensing
Application
Procedures**

The Panel concurs with the suggestions it received from the air carriers that the ATC continue to streamline the present licensing application procedures and to expeditiously consider all such applications; further, with respect to this,

the Panel makes reference to the recent Hearing regarding domestic charters and air fares issues in southern Canada and the ATC's proposals regarding these same suggestions.

**Restric-
tions on
Licences**

The Panel received requests from some air carriers that the Committee review the various restrictions imposed upon the existing licences for services in northern and remote areas. The Panel recommends that the ATC accept requests identifying specific concerns with respect to restrictions on licences from air carriers operating in these areas and review the need for such restrictions within the context of a more competitive operating environment.

**Class 4
Positioning
Charges
Regulations**

The Panel is of the view that the concept of protecting a charter carrier's base by requiring a non-base carrier to assess a mandatory surcharge not related to any actual work performed, and which penalizes the user of the charter service, is inequitable in principle and impractical to enforce. Consequently, the Panel recommends that the Class 4 Positioning Charges Regulations be abolished.

Base Protec-
tion for
Charter
Carriers

A small charter operator's first objective is to serve the air transportation needs of the location named in its licence. In order to prevent the policy of fixed-wing base licensing from becoming meaningless for air carriers operating aircraft in Groups A to E, the Panel recommends a degree of protection and exclusivity should be provided by means of regulatory base protection. Under this proposal, an air carrier licensed to perform fixed-wing charter air services using aircraft in specified weight groups at a particular base in northern and remote areas would have exclusive right to charter traffic from that base. If any other Class 4 charter operator seeks to enplane passengers or goods utilizing aircraft of the same group as the group for which a carrier is licensed to operate from that base it would have to have the written authorization from that carrier.

In the event that an accord for a waiver of regulatory base protection cannot be reached between the applicant and the base charter carrier, the dispute will be referred to the ATC. The base carrier must demonstrate to the Committee the impact on its operations which a waiver of said base protection might occasion. In making its judgement, the Panel recommends that the ATC

place increased emphasis on the benefits of competition.

Licensing
of Charter
Carriers

The Panel recommends that, having once demonstrated present and future public convenience and necessity, licensed charter carriers authorized to operate aircraft in Groups A, B or C be exempted from all but the financial, ownership and operational requirements of licensing for any subsequent application(s) to provide services using fixed-wing aircraft in weight Groups A to C for which they have not been licensed previously.

Reporting
Requirements
and Travel
Conditions

The Panel recommends that the ATC review its procedures with a view to lessening unit toll and charter airline statistical reporting requirements.

The Panel also recommends that the ATC examine by seeking and acting upon the advice of air carriers, tour operators and the public with respect to:

(1) the extensive paperwork requirements associated with the operation of Advance Booking Charters and Inclusive Tour Charters; and

(2) the travel conditions associated with the preceding types of charters including the relevance of the minimum stay requirement for tourist markets such as hunting and fishing operations.

Monitoring

In announcing the New Canadian Air Policy, the Minister of Transport stated with respect to northern and remote areas that "There is a need also for regular CTC hearings on the adequacy of service and for more active CTC monitoring of the performance of carriers operating in this part of the system, to ensure that they serve their public as well as possible"*. This sentiment was shared by the public in these areas.

In setting up this monitoring process, the Panel recommends: (1) that a number of specific monitoring sectors be designated**; (2) that for each monitoring sector the ATC nominate a specific Commissioner and Commission staff members who together with representatives nominated by the

*"New Canadian Air Policy", Hon. L. Axworthy
Minister of Transport, 10 May 1984, p.6.

**For the northern and remote areas, these monitoring sectors would be: La Basse Côte Nord and Labrador; Nouveau Québec, Baffin Island and the Eastern and High Arctic Islands; northern Manitoba and northern Ontario; the Keewatin and the Kitikmeot region; the Mackenzie River Basin, northern Alberta and northern Saskatchewan; Yukon and northern British Columbia.

provincial/territorial government(s) will form a co-ordinating committee; (3) that each co-ordinating committee ensure that an on-going review process is instituted and that public meetings with respect to the adequacy and quality of air services in the monitoring sector are held (a) at least every two years, (b) at accessible locations in the communities in the sector, and (c) at times convenient to the citizens of these communities and (4) that at the termination of the public meetings in each monitoring sector, the co-ordinating committee ensure that a timely report on the adequacy and quality of air services is prepared and presented to the Air Transport Committee (and if the President of the Commission deems it appropriate, it may be transmitted to the Minister of Transport) for consideration and action where required.

The Panel is of the opinion that an on-going monitoring process may also be relevant to air services in specific areas of southern Canada and, as such, recommends that the ATC consider its institution in any parts of southern Canada where it would be useful.

Airport
Infra-
structure

At each location the Panel visited across the country various representatives of communities,

air carriers and territorial/provincial governments detailed their problems and concerns related to airport infrastructure in northern and remote areas of Canada. After hearing these concerns the Panel has concluded that they warrant consideration and action. The Panel, sharing the concerns of those who appeared before it, encourages the Minister of Transport to continue to fund the Arctic Air Facilities Program and thereby to develop a reliable means of access to northern and remote areas in Canada. In the opinion of the Panel, construction of adequate runway facilities and other airport infrastructure, including the deployment of suitable all-weather navigation aids and the like, is an essential and integral step to the realization of adequate, reliable, low-cost air transport to these communities.

The Panel encourages the various parties responsible for the provision and maintenance of airport infrastructure and facilities, which are essential to ensure any access to most of the communities in these areas, to co-ordinate their activities with a view to arriving at an agreed standardization of what constitutes an adequate airport infrastructure (length of runways, navigation aids and the like).

(Signed)

R.J. Orange
Commissioner
Chairman

(Signed)

J.L. Bourret
Commissioner

(Signed)

D.H. Chapman
Commissioner