

## **SUBMISSION OF AIR TRANSAT TO THE CANADA TRANSPORTATION ACT REVIEW PANEL**

Air Transat is Canada's second largest independent air carrier in terms of passengers carried. Since commencing operations in November 1987 with one aircraft, we have grown to a fleet of 24 large jet airliners serving a network of over 85 destinations in Canada and in over 31 countries worldwide. We are based in Mirabel, Quebec and currently employ approximately 2700 people. In 1999, Air Transat carried approximately 2 750 000 passengers.

As a wholly-owned subsidiary of Transat A.T. Inc, Canada's largest holiday-travel company, the focus of Air Transat's commercial strategy has been, and will remain, the serving of the leisure/holiday travel market, both domestically and internationally. Despite the highly publicized and fundamental restructuring which has taken place in the Canadian airline industry over the last twelve months, it is not our intention to re-invent ourselves, nor to pursue or experiment with other business models or plans. We will remain committed to our strategy of serving the discretionary, leisure travel segment and will pursue opportunities where they occur in this respect.

It is in the above context that we make the present submission to the *Canada Transportation Act* Review Panel. Our objective in this regard is to ensure that Canada's air transportation legislative framework, as well as resulting policies and regulations, are properly adjusted and responsive to the new reality in the Canadian air transport industry. Specifically, it will be necessary to ensure the following:

1. That a highly competitive environment, with as few barriers to entry as possible, is maintained within the industry context of a single dominant player and several smaller carriers.
2. That the federal government be mandated to play a role in ensuring that essential aviation infrastructure is managed in a manner consistent with the public interest and with the objective of ensuring that competitive access is maintained and promoted.
3. That federal government air policies be reviewed on a regular basis.
4. That the oversight powers of the *Canadian Transportation Agency*, while being enhanced to protect the consumer from the abuse by Canada's largest carrier of its dominant position, be nevertheless tempered in scope in order to avoid undue regulatory and administrative burden on smaller competing carriers or new entrants.

To this end, we recommend that the following additions and/or amendments be made to the current legislative text:

## **Art. 5 - National Transportation Policy**

- Paragraph (b) should be amended in order to ensure that competition *is* the primary factor for providing viable and effective transportation services which are in the national interest. In the context of a Canadian airline industry which satisfies the generally accepted definitions of a monopoly, the legislation must be absolutely clear and unequivocal in its commitment to fostering and promoting competition. Consequently, the caveat "whenever possible" should be deleted.
- A provision should be added which recognizes that the proper management of critical transportation infrastructure and related assets is a key component to ensuring a viable and efficient national transportation system. In the case of air transport, it also has a direct impact on effective competition.

Consequently, where such infrastructure is managed by non-governmental authorities e.g. airports, air traffic control services, etc., the federal government should be expressly obligated to adopt policies or regulations which:

- ensure that carriers have access to appropriate airport facilities and that the most desirable of such facilities are not monopolized by the dominant Canadian carrier.
- ensure that airport charging practices are transparent and that fees and charges are reviewed regularly in order to avoid airports costs from becoming a barrier to entry or to competitive expansion.
- A provision should be included which provides that administrative transportation policies adopted by the Governor-in-Council be subject to mandatory reviews on a regular basis e.g. every 5 years, or on a more frequent basis should circumstances warrant. This will ensure that administrative policies remain effective and constitute an important tool towards the realization of the policy objectives outlined in this section. Examples of where the current policy review system has failed include the international charter policy, which had become completely ineffective before it was amended last spring *after 22 years*, and the international air policy, which currently precludes effective competitive entry in many cases and can not be reviewed immediately as a result of an agreement between the government and the dominant Canadian carrier.

## **Art. 47 - Extraordinary Disruptions**

Although this provision is designed to deal with urgent situations or circumstances which may cause serious disruption to the national transportation system, the fact remains that the powers accorded to the minister of transport to act are extraordinarily broad. At a minimum, and given

past experience, para. (2) should be amended in order to place greater onus on the minister to consult as *many affected parties as possible* prior to taking or imposing potentially drastic measures.

**Art. 66 - Unreasonable fares or rates**

Para. (2) of this provision causes Air Transat concern because it provides the Agency powers to deal with the "inadequacy" of the range of fares or rates which may be offered by a carrier. Air Transat has a very simple fare structure. In general, on domestic routes we offer a small number of fares which are usually at the level of typical advance purchase excursion fares offered by larger carriers but with relatively few restrictions e.g. no advance booking or minimum stay requirement. Would this constitute an "inadequate" range of fares, even though the small number of prices offered are at the lower end of the scale and quite competitive?

In order to avoid the possibility of being forced to set up and maintain a much wider range of fares and, consequently, a more complicated and expensive fare structure overall, the Agency's powers to act in this case should only be triggered when the range of fares offered is clearly not competitive or in the public interest.

November 9, 2000