



COVID-19 and Canada's air transportation sector: response, recovery and restart

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Ministerial statement



Canadians rely on air transport to connect us to each other and the wider world and support our prosperity and quality of life. Canadians deserve a well-functioning air system that meets their needs.

The global COVID-19 pandemic was the worst crisis in the history of commercial aviation. It placed extraordinary stress on our air transport system and the people who work in it. The effects of this were seen as traffic recovered and there was congestion in airports in Canada and around the world.

The Government of Canada was there in the worst of the pandemic to protect services for Canadians and ensure the viability of the system. We provided targeted support to maintain airport and air carrier viability, and to ensure that people in remote and northern communities continued to have service. General programs, such as the Canadian Emergency Wage Subsidy, also helped many workers and companies across the sector.

But our work is not done, and the Government is now focused on taking action to ensure that the air transport sector meets Canadians' needs into the future. As announced in Budget 2023, we are strengthening our air passenger protection regime. We are investing in better aviation security screening, and implementing a verified traveller system that will further reduce wait times while protecting passengers. And we are ensuring that air operators share data to support smoother operations. The Government has also taken action to improve transparency and accountability across the airport ecosystem, including by way of new service standards, and to improve data availability regarding accessible transport in all modes.

Canada boasts a world-leading air industry, and the Government of Canada will continue to work with operators and workers to ensure that Canadians' air transport needs are met.

Introduction

COVID-19 placed an extraordinary strain on Canada's air transportation sector and tested its ability to provide the services Canadians rely on. The Government of Canada was there to support the sector, both through the worst of the crisis and through the challenges of recovery. This document outlines the government's efforts, focusing on three periods:

1. The immediate crisis caused by the pandemic (2020-2021)
2. The challenge of rapid recovery (2022)
3. Moving forward into sustained growth (2023 and beyond)



Air travel is vital to Canadians

Given our large land mass and spread-out communities, air travel is more important in Canada than in most countries. Canadians use air travel to access critical services, visit friends and family, and support domestic and international trade and tourism.

Our geography, population distribution and weather also create unique challenges for Canada's air sector. Despite these challenges, Canada's air sector was performing well prior to the COVID-19 pandemic, with international recognition for quality for services and infrastructure, and growth in connectivity and choice for Canadians with little or no government assistance.

Air transport is a major contributor to the Canadian economy and an important source of jobs. Before the pandemic, Canada's air transport system employed around 107,000 Canadians while contributing over \$14 billion in real gross domestic product (2012 price base) and \$12 billion in federal and provincial taxes.



Figure 1. Scheduled passenger traffic in Canada, June–September 2023 (Source: OAG Flight Mapper)

1. Navigating a crisis: Understanding the impacts of COVID-19 (2020-2021)

The impact of COVID-19 on air transportation was unprecedented, and the sector was among the most heavily affected. When the pandemic struck, travel volumes fell by 90% for a year, generating some of the largest losses of any major sector both in terms of revenue and job loss.

Despite these impacts, the air sector played a key role since the start of the pandemic by continuing to provide essential air services, including travel to medical appointments from remote communities, air ambulance services, community resupply, getting goods to market, search and rescue operations, and responding to wildfires.

While recovery began in 2021, the Omicron variant presented a major setback for the sector and its recovery.

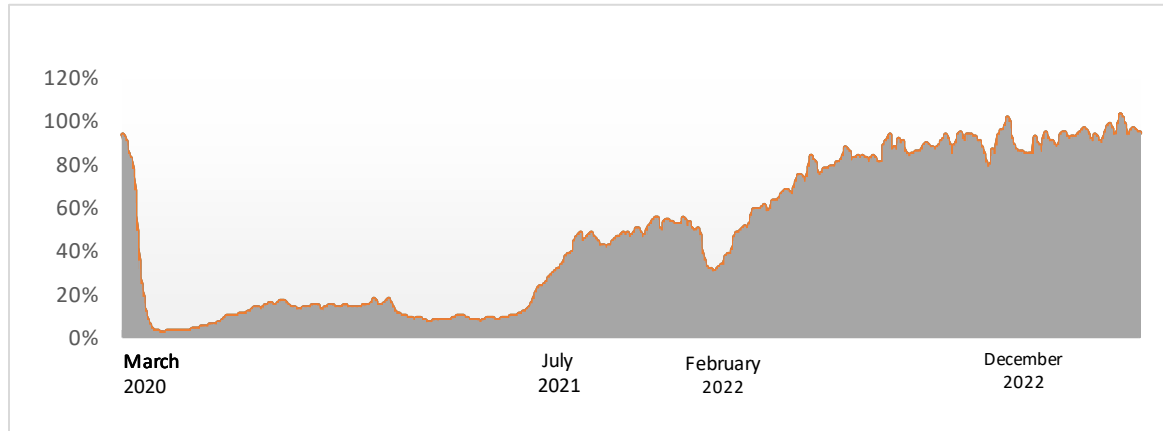


Figure 2: Passengers Departures from Canadian Airports as a % of 2019 levels
Source: CATSA, as of June 12, 2023



The government took action to support Canada's air sector

In the wake of the unprecedented challenges faced by the global aviation industry, the Government of Canada acted to support Canada's air sector. Recognizing the vital role that aviation plays in connecting communities, driving economic growth, and facilitating international trade, the Government implemented innovative programs and initiatives.

COVID-19 Government Support Measures

- Airports
 - Airport Rent Relief
 - Airports Capital Assistance Program (ACAP)
 - Airport Relief Fund (ARF)
 - Airport Critical Infrastructure Program (ACIP)
- Regional and Remote Air Services
 - Regional Air Transportation Initiative (RATI)
 - Northern Carriers Aid (NCA)
 - Remote Air Services Program (RASP)
- Sector-wide support
 - Canada Emergency Wage Subsidy (CEWS)
 - Large Employer Emergency Financing Facility (LEEFF)

These measures were designed to help airlines, airports, and the broader aviation ecosystem, with the goal of maintaining the sector's ability to operate, restoring consumer confidence, and ensuring its long-term resilience.

Through a combination of financial support, policy reforms, and collaborative partnerships, the government demonstrated its commitment to safeguarding the future of Canada's air industry and bolstering its crucial contribution to the nation's prosperity.



Airports

In March 2020, the government announced **Airport Rent Relief** from March to December 2020 by waiving rents for the 21 airport authorities that have ground leases with the federal government. We extended the same relief to Ports Toronto, which operates Billy Bishop Toronto City Airport.

This support helped airports reduce cost pressures and preserve their cash flow as they dealt with the effects of COVID-19 on revenue streams. We offered more support from January to December 2023 through a combination of rent waivers for smaller airports and deferrals for the largest four. In total, the rent waived amounted to \$162 million, and the total rent deferred amounted to \$151 million.

The **Airports Capital Assistance Program (ACAP)** supports small and regional airports in making critical investments in safety-related capital infrastructure. This is necessary because smaller airports – which are essential to the economic and social fabric of the communities and regions they serve – don't always make enough money to cover required safety-related capital investments. The program provides up to \$38 million per year in funding to support small airports with safety-related maintenance projects. To provide additional support to small and regional airports during the pandemic, the program received a one-time top-up funding of \$186 million for two years from 2021 – 2023.

Airports Capital Assistance Program

- Since being set up in 1995, the government has invested over \$1.25 billion for 1,239 projects at 201 local, regional and National Airports System airports across the country. The program funds a range of capital projects, including constructing, expanding, rehabilitating, and upgrading airport runways, taxiways, aprons, airfield lighting, and navigational aids
- During the pandemic, the minimum federal cost-share was increased to 50% and the program was expanded to include 8 small federally owned airports with less than one million passengers in 2019 (Gander, Charlottetown, Saint John, Fredericton, Moncton, Thunder Bay, London, and Prince George)
- This financial support helped make sure that Canada's smaller airports could immediately make required safety improvements despite revenue losses due to COVID-19

In May 2021, the **Airport Relief Fund (ARF)** provided \$64.8 million in financial relief to 22 airports struggling with reduced air travel during the COVID-19 pandemic. The program helped eligible airports maintain operations and mitigate the risk of insolvency. In the same year, the **Airport Critical Infrastructure Program (ACIP)** was launched to provide over \$570M in funding over 5 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.

Regional and remote service

Given the crucial role regional airports and carriers in commercial flight access, supporting essential supply chains, and driving economic development, the government implemented measures to help address these challenges.



In April 2020, the Government of Canada announced that up to \$17.3 million would be provided to **Northern Carriers** to ensure that essential goods like food and medical supplies could reach communities in the Territories that depend on air transport.

The Government announced more funding of up to \$174 million in August 2020 to ensure continuity of essential air access to remote communities through bilateral agreements with provinces and territories under the **Remote Air Services Program (RASP)**. The program helped maintain air service to remote communities and complemented existing funding mechanisms for air carriers.

- These funds helped maintain a minimum level of service to regional communities during the pandemic. The funds were 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.
- The program helped many Northern and Arctic communities that rely 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 **Regional Air Transportation Initiative (RATI)**, delivered by Canada's Regional Development Agencies (RDAs), provided \$206 million over two years to eligible regional businesses and airports that directly contribute to regional air transportation.

- The fund was designed to help maintain regional air connections and services during the pandemic and reconnect regional routes across the country.
- The initiative also supported eligible regional businesses, including airlines, and airports that directly contribute to boosting regional air transportation. For example, funding helped smaller regional air carriers improve their Information Technology (IT) infrastructure so they could more easily interline with larger air carriers



Economy-wide support

Since the beginning of the global pandemic, the Government made a suite of support measures available across multiple sectors of the economy, including the **Canada Emergency Wage Subsidy (CEWS)** which has provided \$3.3 billion to the air sector to support airlines, airports, and support activities.

The **Large Employer Emergency Financing Facility** (LEEFF) was implemented by a new federal Crown corporation Canada Enterprise Emergency Funding Corporation (“CEEFC”), to provide short-term liquidity assistance in the form of interest-bearing term loans to large Canadian employers who had been affected by the COVID-19 outbreak. The facility was created to provide bridge financing to large Canadian employers to help these enterprises to protect Canadian jobs, help Canadian businesses weather the economic downturn, and avoid bankruptcies of otherwise viable firms where possible. Several air carriers used the program, including Air Canada, Transat, A.T., Sunwing, and Porter Airlines. This financing was accompanied by targeted, low-interest loans to air carriers to ensure that they could provide refunds to passengers for travel cancelled due to the pandemic.

2. Recovering from the pandemic, together (2022)

The public health situation improved in 2022, and Canadians began to travel again. Passenger numbers grew by 280% between January and June of that year, placing huge pressures on a system that was still recovering and dealing with a complex labour market. This growth was a positive sign for the global air sector, but it was also accompanied by major issues with air transport operations where passengers across the globe experienced long lines, cancelled flights, missed connections, and delayed baggage. These challenges required collaboration between all partners within the ecosystem to be able to respond to the return of passenger demand.



Airport Recovery Operations Committee

In spring and summer 2022, passenger volumes in the air sector began to rise rapidly, creating more challenges for the system. Long wait times for security screening, departure delays and cancellations, gate holds, mishandled baggage, and long customs and immigration lines led to frustration for travellers.

To effectively address these issues and find solutions, the Government convened the Airport Recovery Operations Committee (AROC) in May 2022 as a way for major airport operators and air carriers, the Canada Border Services Agency (CBSA), Canadian Air Transport Security Authority (CATSA), NAV CANADA, and the Public Health Agency of Canada (PHAC) to actively monitor and coordinate efforts to reduce the impact of service disruptions. This committee was also used to gather information to provide regular updates to the Prime Minister’s Task Force on Improving Service to Canadians.

The Minister of Transport and senior department officials met regularly with senior leaders from across Canada’s air sector to identify ways to build on our progress and to address issues of airport congestion, such as flight delays and cancellations, mishandled baggage, and labour shortages, among others. This has helped operators to work together on identifying the key challenges, implementing concrete actions and proactively plan for travel peak periods.



Significant efforts by all stakeholders to recruit, train, certify and retain employees across the sector

- In 2022, over 2,000 new screening officers were hired across Canada to increase CATSA’s ability to reduce line-ups for security screening.
- TC supported CATSA in implementing a more flexible onboarding process for new recruits so they could be on the ground as quickly as possible.
- Additionally, CATSA increased the use of pre-certified screening officers to perform non-security functions, freeing up certified screening officers to focus on critical security tasks. The optimization of resources allowed for a more efficient and effective screening process, improving the overall experience for travellers.
- TC also accelerated the issuance of Transportation Security Clearances and Restricted Area Identity Cards for CATSA screening officers to support the hiring process and build immediate capacity.
- The CBSA also recruited new officers, including additional Student Border Services Officers to better manage international arrivals and border processing.



Process improvements were undertaken to streamline the traveller journey in Canada's airports

- PHAC worked with air industry, CBSA and TC to assess and mitigate the impacts of border health measures on congestion and flow while continuing to protect Canadians.
- The Greater Toronto Airports Authority and the CBSA put in place additional kiosks and eGates at Toronto Pearson International Airport customs hall areas.



Communications and information-sharing was enhanced throughout the traveller journey

- Airports, airlines, and other partners communicated with CATSA daily to provide forecasted passenger volumes to help CATSA adjust its scheduling to ensure screeners were available where and when needed to support busy travel times as air travel quickly recovered.
- All stakeholders increased communication with travellers and stakeholders through social media, signage, and multimedia screens to better prepare them for the pre-board screening and arrival processing requirements and facilitating a smoother passage in and out of airports.
- The Canadian Transportation Agency developed an information resource to help passengers who are experiencing flight cancellations, delays or lost luggage issues during their travel.



Improved air passenger rights regulations

- On September 8, 2022, new regulations came into effect to ensure passenger's rights were respected. The regulations now require airlines to provide passengers with either a refund or rebooking, at the passenger's choice, when there is a flight cancellation, or a lengthy delay, due to a situation outside of an airline's control that prevents it from ensuring that passengers complete their itinerary within a reasonable time.



National Summit on the Recovery of the Air Sector (November 2022)

In November 2022, the Minister of Transport led the National Summit on the Recovery of the Air Sector, bringing together senior industry partners from 49 organizations, including airport operators, air carriers, industry associations, labour groups, consumer rights groups, and government departments and agencies to discuss critical issues facing commercial passenger air transportation and the future of the air sector in Canada.

The Air Sector Recovery Summit Participants discussed a broad range of challenges, strategies, and next steps to support a strong and resilient air transportation sector.

Topics included:

- COVID-19 lessons learned and future challenges
- supporting digital transformation
- managing costs and infrastructure
- Integrating how we manage services at airports, including through data management
- transparency, accountability, and passenger rights

Stakeholders were also asked to complete an online questionnaire to share their views to inform the government's approaches to advancing the recovery of the sector.



The Council of Ministers

The Council of Ministers Responsible for Transportation and Highway Safety is a key intergovernmental forum on matters related to or affecting transportation in Canada and internationally. This forum was used to explore efforts related to the recovery of the air sector and deliver an air transportation system that is more accessible, accountable, and transparent to users, stakeholders and travellers.

In February 2021 and 2023, federal and provincial Ministers met to explore challenges specific to Canada's air transportation sector. Officials often engage through the council to support intergovernmental actions on a range of topics.

3. Moving forward (2023 –)

Ensuring that all Canadians have access to safe, efficient, and reliable air travel is a top priority for the Government of Canada. The summer of 2022 demonstrated that further action and collaboration was needed to ensure a strong recovery of the sector. As we enter another year of recovery, the government continues to take concrete measures, including:

- Improvements announced in Budget 2023 to provide better protections for air passengers, improve airport operations and security screening,
- Modernizing the travel journey, and
- Enhancing transparency, accountability, and accessibility for Canada's air sector.



Budget 2023

Protecting passengers

Budget 2023 included the announcement of intentions to amend the *Canada Transportation Act* to 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. The changes were then introduced as part of Bill C-47, Budget Implementation Act, 2023, No 1, tabled in Parliament on March 28, 2023.

By virtue of these changes, air carriers would be required to compensate travellers unless they can prove that a disruption was caused by specific allowable circumstances, which would be predetermined in regulations established by the Agency, in consultation with the Minister of Transport. Air carriers would also be required to have an internal process in place to deal with claims for compensation within 30 days.

The amendments would also overhaul the process for resolving air travel complaints, by increasing the Agency's ability to provide timely dispute resolution services to Canadians.

In addition, the Agency's enforcement authorities would be strengthened by increasing the maximum amount of administrative monetary penalties (fines) from \$25,000 to \$250,000 for corporations and giving the Agency the authority to enter into compliance agreements with air carriers.

These measures build on the Government's March 14, 2023 announcement of \$75.9 million in additional funding for the Agency over three years to ensure that it has the resources to increase its complaint processing capacity, increase its compliance and enforcement capacity, and develop a cost recovery regime, enabling the Agency to efficiently deliver on its mandate for Canadians.



Modernizing aviation security screening

Budget 2023 provided \$1.8 billion to CATSA to maintain and increase service levels, improve screening wait times, and strengthen security measures at airports.

This funding will help reduce CATSA's wait-times, particularly at peak periods, without compromising aviation security. Resources would also be used to enhance the security of Canada's non-passenger screening program and to support CATSA's ability to meet increased demand as passenger volumes grow.



Data sharing for transparency and sector coordination

Bill C-47 also includes amendments to the *Canada Transportation Act* that would give TC the authority to develop regulations to ensure data sharing among key partners in the airport system while still protecting the information. Regulations will also be created to require air carriers to publish performance information on their websites.

The Government of Canada will continue to work closely with stakeholders to determine how best to increase the performance of airports and airlines. This will include working with the industry to enhance the sharing of information between stakeholders in the airport ecosystem to increase efficiencies.

Budget 2023 provided \$5.2 million to collect and analyze air sector performance data, to ensure that air sector performance is tracked and evaluated. We are formally engaging with airports, airlines, and other stakeholders to make sure their perspectives are considered in this process.

Improving the passenger journey



Right-touch solutions

On improving the passenger experience, the government 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. For example, the CBSA is modernizing the border crossing experience through its Traveller Modernization initiative, which includes using digital tools and facial matching technology to reduce the time spent at kiosks by roughly 30%.

“Air Right Touch”

- The Government is launching an initiative that will modernize the traveller’s experience at the airport from check-in through to boarding the aircraft. Passengers currently use a manual, paper-based process to access each checkpoint. The Air Right Touch Initiative will give passengers the option of using a self-serve, automated, integrated, and touchless seamless travel experience.
- This 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 passengers don’t need to present multiple documents as they access each airport touchpoint.
- This means we could verify a passenger’s identity at the beginning of their airport journey (at home or at check-in), instead of at the end (boarding gate). This would also automate how we verify photo IDs by using facial recognition technology at airports.



Verified Traveller

CATSA is set to launch the Verified Traveller Program, a faster and more efficient screening experience for eligible travellers at select airports in Canada, and will replace the existing Trusted Traveller Program.

There will be dedicated screening lines for verified travellers at six airports (Vancouver International Airport, Edmonton International Airport, Calgary International Airport, Winnipeg International Airport, Toronto-Pearson International Airport, and Montreal-Trudeau International Airport).

We hope this program will ease congestion at security screening checkpoints by offering benefits like keeping laptops, large electronics, compliant liquids, and gels in carry-on bags, and wearing shoes, belts, and light jackets during the security screening process.





Enhancing accountability, transparency and viability

Air sector consultation process (April 2023)

Building on the Minister of Transport's November Air Recovery Summit, the department consulted air sector stakeholders in April 2023, to discuss a range of key issues impacting air transportation.

This included airports, air carriers, CATSA, NAV CANADA, Indigenous organizations, and others. Provinces and territories were engaged through a working group established in the context of the Council of Ministers Responsible for Transportation and Highway Safety.

A **consultation document** provided stakeholders with background information and identified areas for potential consideration, including:

Airport modernization

- Improving airport accountability and transparency
- Financing airports
- How airports are overseen and managed

Coordination, information sharing and service standards

- Improving coordination between partners in the air sector
- Better information sharing and data availability
- Holding air sector partners accountable through service standards

Regional connectivity and labour challenges

- Connecting rural and remote regions
- Labour shortages

In total, we held meetings with 68 stakeholders and received more than 50 written submissions.



Air transportation accountability act

We're committed to transparency and accountability in the air transportation sector. This will give Canadians important information on the quality of air services in Canada and help hold airports, airlines and other operators accountable for meeting their obligations. On June 20, 2023, the Minister of Transport, introduced Bill C-52 which includes the proposed Air Transportation Accountability Act.

Key measures would include:

- **Service standards and public reporting:** Creating regulations to require airports and other operators to establish service standards for different aspects of the passenger journey. The regulations would also require operators to publish performance against these standards
- **Noise consultation:** Formalizing a noise consultation protocol, making airport operators the single point of contact for the public, as well as outline a public notice and consultation process when airspace changes are being considered
- **Environmental obligations:** Requiring airport authorities to report on and publish their climate action plans, reporting, and targets
- **Diversity:** Requiring federally incorporated airport authorities to report on diversity among their directors and members of senior management, as defined by regulation, to provide consistency with other federally incorporated entities
- **Reporting requirements:** Authorizing the Minister of Transport to require airports and other operators to provide information to inform strategic decision-making



Accessibility improvements

Bill C-52 also proposes changes to the *Canada Transportation Act* to help achieve a barrier-free Canada for persons with disabilities. Transportation service providers in the federal transportation system – including air carriers and airports – would have to collect and provide accessibility data to the Minister of Transport and the Canadian Transportation Agency.

This information would allow the government to identify, remove, and prevent barriers to accessible transportation. Transportation service providers would also be required to create a process for handling accessibility complaints and accommodation requests by persons with disabilities.



Policy statement

The air sector is extremely capital intensive and requires significant ongoing funding in infrastructure for maintenance and growth. As airports and air carriers continue to recover from the significant financial burdens brought on during the pandemic, it will remain important that the right conditions are in place to support the sustainability and viability of Canada's air sector.

The Government is in the process of developing a policy statement designed to show the air transport sector, and private sector investors what opportunities there are for investment in Canada's airports while still maintaining the current, private, not-for-profit based airport authority model that operates within the structure of a user-pay policy. This would seek to show how airport authorities could see additional participation from other private sector entities to enhance airport facilities while controlling fees charged to users.

Next steps

Only now, over three years after the pandemic began, Canada is seeing a return to 2019 levels of air passenger traffic. So, while the signs are good that Canadians are again getting the service they need, it is important to recognize that the COVID-19 pandemic has resulted in a global air transport system a reduced capacity to absorb shocks, given significant debt, fewer aircraft, and skilled labour shortages. There is generally less redundancy in the system compared to before the pandemic, so when things go wrong – like weather events – the impacts can be greater.

Canada's air sector has experienced real challenges since the onset of the pandemic, revealing complex issues. These pressures will require further analysis, collaboration, and action. Canada boasts a world-leading air industry, and the Government of Canada will continue to work with all stakeholders to make sure that we're meeting the air transport needs of Canadians. This will include closely monitoring progress as the system increasingly recovers and working collaboratively with the sector to address ongoing challenges and opportunities.

Regional air services

For example, traffic growth in Canada has been uneven across regions and between larger and smaller communities. During recent consultations, stakeholders highlighted that the pandemic's lasting impact has been particularly severe in Canada's rural and remote areas and for **regional connectivity**, where longstanding access challenges were exacerbated. For a number of smaller and regional communities, scheduled air services have been slower to recover. Examples included a reduced number of flights or fewer direct connections to other larger communities. Several stakeholders reinforced the importance of air connectivity as an enabler for tourism and economic development, and for accessing key services in larger communities. Transport Canada will work with Provinces and Territories, federal partners, and stakeholders to monitor this recovery, understand the causes of ongoing challenges, and identify solutions.

Labour shortages

Many stakeholders also identified a link between the slower recovery of air services in some regions with broad **labour shortages** currently facing the aviation industry. The recovery from the pandemic has revealed a major worldwide challenge in terms of a shortage of skilled workers across the sector, including pilots and aircraft maintenance specialists. According to Statistics Canada data, around 45% of pilots, flight engineers, and flying instructors are between the ages of 45 and 64. Over the next ten years, the air sector and partners must continue to adapt as these workers retire, creating further pressure on an already tight labour market.