

## **Ensuring Viability of Northern Essential Air Services during**

### **COVID-19**

**May 10, 2020**

Canada is a large country with a small population. Air transportation is a vital component of our economy and in the daily lives of Canadians especially in the three territories which account for about 40% of Canada's land mass and only .3% of our population.

The notion of a proactive approach to air service viability is not novel or new. Air Canada was owned by the Canadian government until 1988 and all Canadian air services were regulated until 1987 when services in southern Canada were deregulated. Economic protection in the north was relaxed in 1996 and by 2005 the north was fully deregulated.

Other countries, including the United States, Norway, Sweden, Finland, Denmark, Australia, and Russia currently have or did have programs to support air services to remote regions.

Northerners and northern air carriers have benefitted from competition in a growing and healthy economy although economist RP Erickson identified some challenges in a 2015 report to the CTA Review Panel. In his paper Erickson says:

“The reality of 10 years of airline deregulation in Canada's North are the foremost challenges currently facing Canada's major northern air carriers. The larger southern based airlines are competing aggressively on major trunk routes to southern gateway airports with no obligation to provide regional or local service beyond northern gateways.”

The coronavirus pandemic has triggered a backslide to the 1950's in terms of air travel demand and the huge drop in demand has in turn triggered a need for financial relief for air carriers providing essential services. Northern carriers are thankful for the funding provided under the Northern Essential Air Services Relief Program but, knowing that demand is not likely to return to pre-pandemic levels for many months and perhaps not for years, we see a real need to take steps to make sure that the need for relief funding is minimized and that available funding will last for as long as possible. This can be accomplished by ensuring that relief funding is used for survival rather than competition. This can happen by taking steps to ensure complementary rather than overlapping route structures between northern and mainline carriers for at least as long as financial relief is required for mainline carriers and/or northern carriers.

Ancillary benefits to this approach would include protecting northern jobs, protecting indigenous investments and investments by non-indigenous northerners, and strengthening the northern economy.