



HOLDING PATTERN

CANADA NEEDS A SWIFT RECOVERY
AND COMPETITIVE AIR SECTOR

WHITEPAPER ON AVIATION RECOVERY

Whitepaper Overview

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InterVISTAS
a company of Royal HaskoningDHV

Whitepaper Overview



**Demand &
Supply**



**Connectivity
Matters**



**Future
Costs**

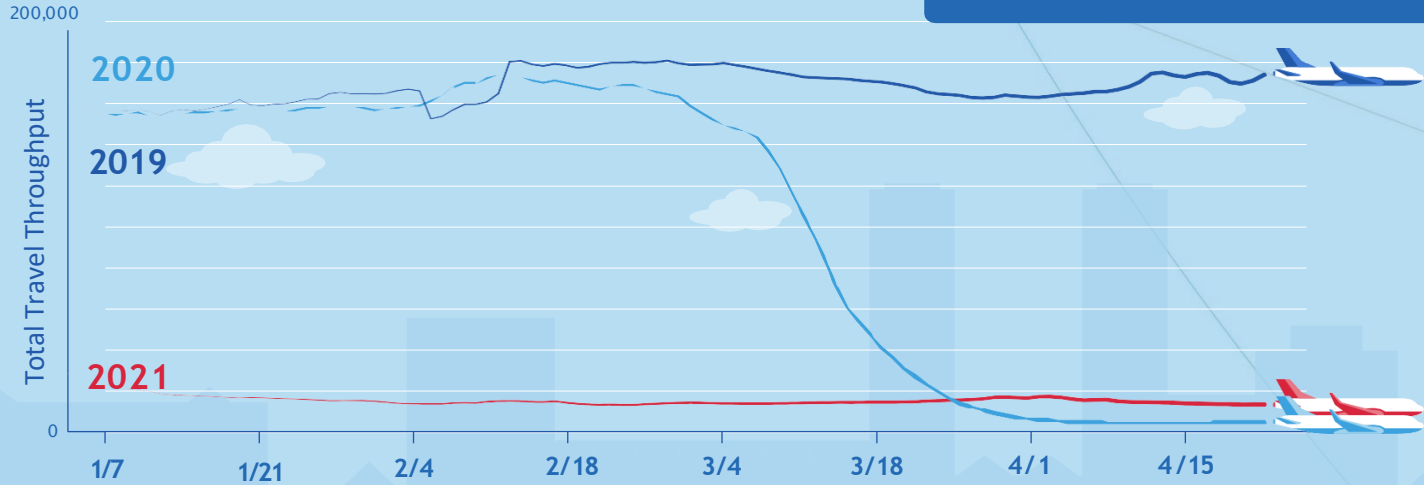


**Key
Directions**

**Vital to Canadian Competitiveness
& Pandemic Recovery**



Demand & Supply



April 25 Total Passenger Throughput

2021
14,205

2020
4,287

2019
181,709

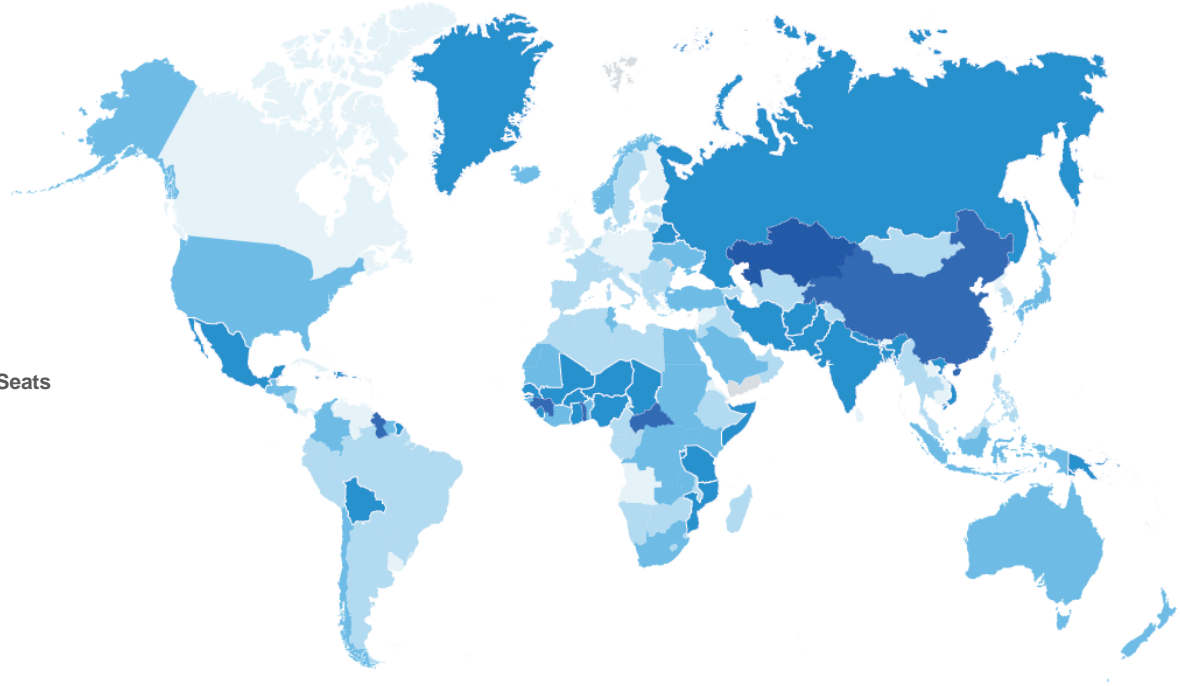
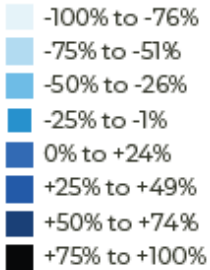
2021 vs 2020
231.4%

2021 vs 2019
-92.2%



One Year Later: Canada is Constrained

April 2021 vs. 2019 Seats





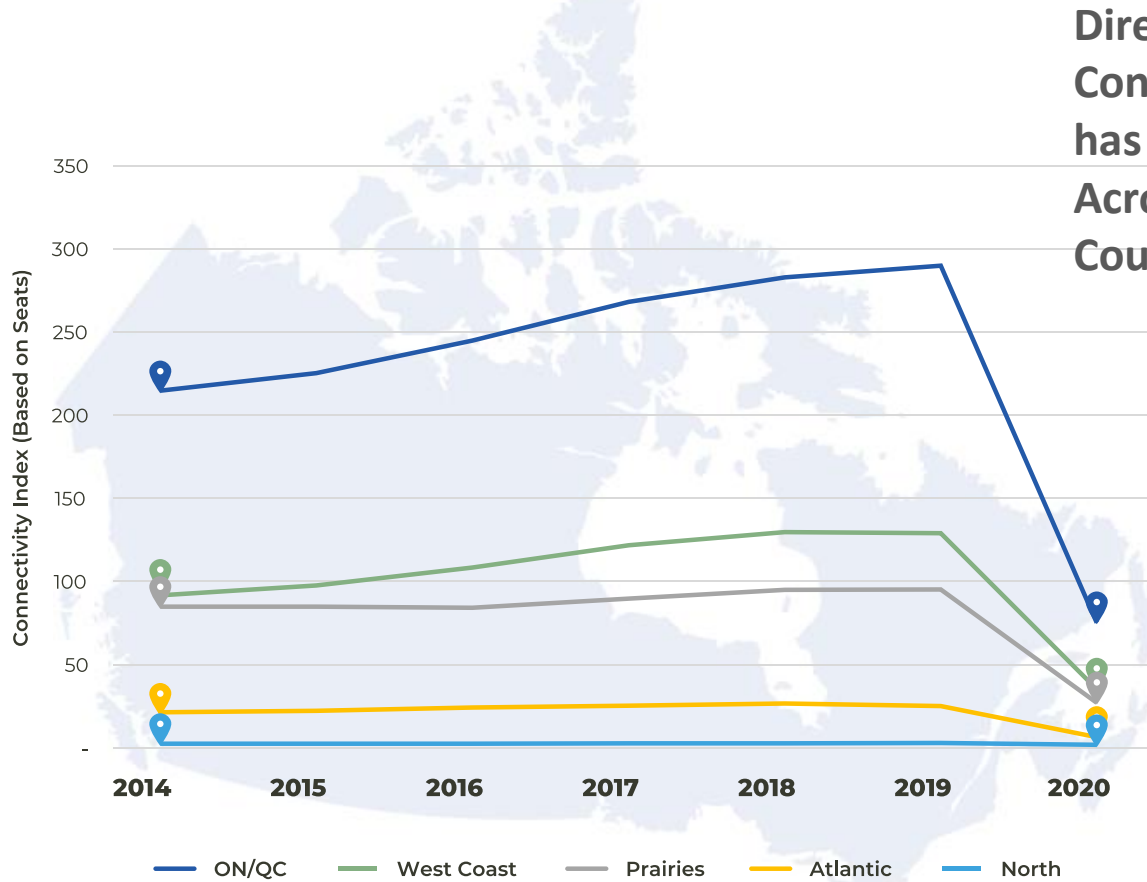
What has been lost

- + Air Transportation supports local regions through jobs, wages, and GDP
- + Important facilitator of trade and tourism
 - competitiveness to Canadian businesses
 - connectivity to innovation and skills
- + Spin-off benefits to other industries

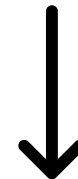
- + Varying levels of *indirect and unintentional impacts* without clear path towards recovery

To get Canadians flying again and to bring back jobs we need a clear plan for the economic restart. We look to the federal government to outline the conditions needed to allow people to travel freely particularly as more and more countries make clear what their plans are. We cannot be left behind.

GOLDY HYDER
*President and Chief Executive Officer,
Business Council of Canada*



**Direct Air
Connectivity
has Fallen
Across the
Country**



**Losses for
airports of all
sizes**



Lost Direct Connectivity Impacts

REGION	APRIL 2020 VS APRIL 2019	APRIL 2021 VS APRIL 2019
Ontario/Quebec	-94%	-91%
West Coast	-93%	-93%
Prairies	-92%	-94%
Atlantic	-94%	-98%
North	-90%	-93%

Source: InterVISTAS Analysis of Dlio by Cirium Data

REGION	NON-STOP ITINERARIES	ONE-STOP ITINERARIES
Ontario/Quebec	-71%	-83%
West Coast	-67%	-83%
Prairies	-76%	-87%
Atlantic	-49%	-93%
North	-28%	-78%

Source: InterVISTAS Analysis

+ In Atlantic Canada losing 50% of direct flights -> the loss of almost all one-stop itineraries

+ Why does this matter?

- Essential for the efficient movement of goods and people
- More people moving to suburbs and rural areas -> Urban Sprawl
- Loss of the social and economic benefits of air connectivity for regions



**Future
Costs**

A delicate balance

$$\text{Price Elasticity} = \frac{\% \text{ Change in Quantity Demanded}}{\% \text{ Change in Price}}$$

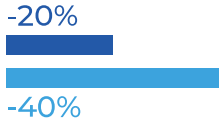
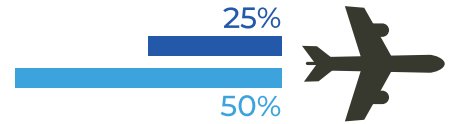


Future Costs



OVERALL ELASTICITY ESTIMATE

INCREASE IN PRICE



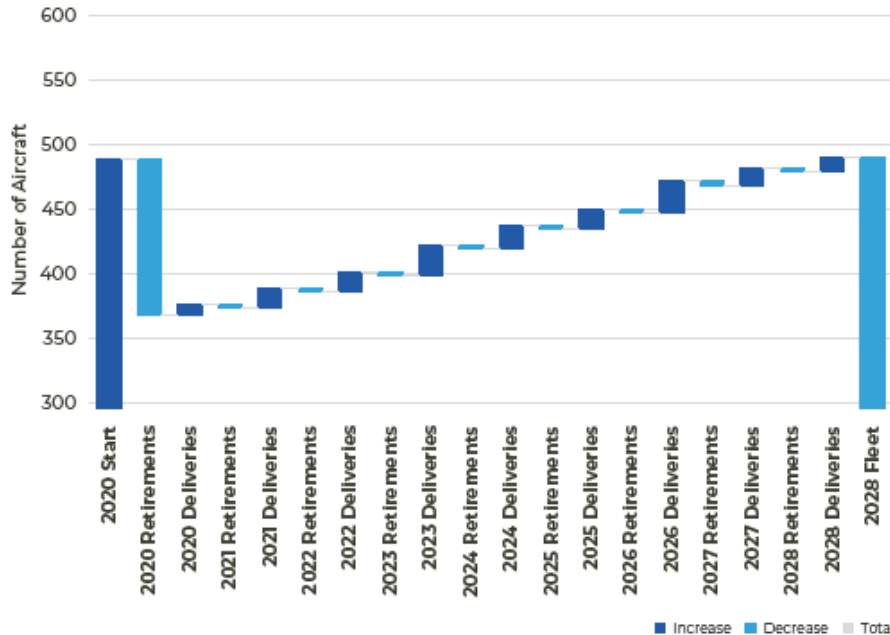
LOST POTENTIAL DEMAND

Source: InterVISTAS Analysis

■ Scenario 1 ■ Scenario 2



What does this all mean for competition?



Source: Boeing, Airbus, Carrier Reports, InterVISTAS Analysis;
Mainline fleet from Scheduled Canadian carriers only

- + There are likely competitive impacts from the current negative financial position of Canada's air transport sector -> especially compared to U.S. counterparts
- + While demand may return, the Canadian airline capacity to service it may not match in the short-term -> but new entrants may help with regional and short haul demand
- + More difficult for Canadian airlines to compete with the advantages that many foreign carriers have had.

Where do we go from here?



Where do we go from here?

- + Canadian airports, and the air sector more broadly wants to continue to be a key enabler of jobs, tourism, and economic development for regions across the country
 - *But there is not yet a clear path forward for recovery once travel is allowed again*
- + Main risks for Canadians
 - *Accessing destinations could become more difficult post-COVID and/or air travel could become more expensive post-COVID*
- + **A clear path forward is needed as we enter the recovery stage**



CANADIAN AIRPORTS
COUNCIL

CONSEIL DES
AÉROPORTS
DU CANADA

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