InterVISTAS

REPORT

# Keeping Canada Connected: The Challenge of Regional Air Service and Federal Policy

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Canadian Airports Council (CAC)

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# Report Purpose and Outline

Canada's vast geography and dispersed population outside of its major cities make air services essential for connecting regional communities. Air travel facilitates the movement of goods, services, and people, driving economic activity and fostering social ties. However, Canada's regional connectivity has fluctuated significantly due to global events and pressures on air carriers. Since 2020, many domestic carriers have reduced or suspended regional operations due to the COVID-19 pandemic and have yet to fully restore service, citing challenges including profitability, resource constraints, aircraft availability, and changing business strategies. Restoring regional air service remains a priority for many Canadian communities that depend on it for economic growth.

This report, commissioned by the Canadian Airports Council and prepared by InterVISTAS Consulting, examines the state of regional air service in Canada. The report aims to provide insights into the challenges and recommendations on opportunities for improving regional connectivity. The report's structure is outlined below.

## Report Structure

1. **Review of Regional Air Service in Canada**
    - Establishes a definition of regional airports.
    - Explores trends in regional air service activity.
    - Highlights the importance of air connectivity in Canada.
    - Details the impacts of air service on regional communities.
    - Examines the economic impact of regional flights.
2. **Situational Analysis of Air Connectivity**
    - Uses the IATA Air Connectivity Index methodology to assess changes in connectivity over the past five years.
3. **Comparative Analysis of International Policies**
    - Evaluates Canada's policies for enhancing regional connectivity relative to peer countries.
    - Compares federal aviation investments in Canada and the U.S.
4. **Regulatory and Economic Framework**
    - Proposes public policy supports for regional air service development.
    - Assesses the impacts of regulatory changes on regional markets.

This report aims to guide Canadian Airports Council, their members and stakeholders in strengthening regional air service and ensuring the needed actions are taken to meet the needs of communities across Canada.

# Executive Summary

Regional air services play an essential role in the movement of people and goods across Canada. Compared to alternative transportation modes, regional air services are faster, safer, and more reliable. Moreover, regional air services are primary enables of economic development, internal trade, social connectivity, and emergency services. Regional air services can ensure the delivery of government programs, grow the tourism sector, improve the ease of doing business, attract investment, create a diverse labour pool, and improve access to healthcare, among other benefits. Considering direct, indirect, and induced impacts across airport operations and visitor spending, a single regional flight can generate between 126 and 210 jobs, $11.4 to $19.5 million in GDP, and $22.0 to $41.2 million in economic output. The ranges are based on estimates for regional flights in western, central, and eastern Canada.

This report considers a list of 51 regional airports in Canada which vary in the number of passengers and size of communities they serve. These regional airports are not a monolith – they face diverse challenges based on their regional contexts. However, as a group, they have experienced significant cuts in air service over the last decade, creating financial challenges and a range of negative community impacts. In 2024, flight frequencies are at only 64% of 2014 levels while seat capacity also lags at 94% of 2014 levels (and 83% of 2019 levels) despite continuing demand from passengers. This reflects a trend of airlines reducing operational frequencies and increasing the size of aircraft which can leave passengers with limited flexibility and choice. This trend has also caused airlines to exit regional markets when they see their aircraft better used on higher-yield markets with more corporate travellers.

This report considers two measures of connectivity, the IATA Connectivity Index and a custom designed Onwards Connection (OC) Index. These indices assess how well connected the 51 regional airports are to the rest of Canada and the world. The indexes indicate a decline of 10.1% (IATA) and 12.7 (OC) in domestic connectivity at regional airports from 2019 to 2024. The indexes indicate a decline of 13.9% (IATA) and 5.6% (OC), in combined domestic and international connectivity at regional airports from 2019 to 2024. The central region of Canada experienced the largest decline in connectivity. The loss of connectivity indicates a significant lost economic and social benefit for regional communities.

Governments have a critical role in creating policies that enhance and preserve regional air connectivity. Federal dollars to support regional airports have focused on capital infrastructure funding with additional temporary capital infusions following the COVID-19 pandemic. The Canadian approach focuses on investing in infrastructure and allowing market forces to determine how regional air services get established. In contrast, some provincial governments have introduced separate programs to develop services by supporting the airline or passengers directly. In international jurisdictions such as the United States and Australia, clear national aviation policies have created programs that support airport infrastructure, airlines, and passengers through different policy tools. When airport infrastructure is considered alone, Canada trails the United States in investment, with the U.S. investing 8.5 times more than Canada since 1995 on a per capita basis. Going forward, the government can use the flexibility granted in the National Transportation Policy to execute limited interventions in the market that can support regional air services. The government's guiding approach should be to situate its actions within a national aviation policy with clearly delineated agency responsibilities, preserve flexibility for airports, re-invest government revenues from aviation, and focus on long-term resilience and sustainability.


Fort McMurray Airport

# Contents

# 1. Review of Regional Air Service in Canada

Canada's regional airports face a unique set of needs and challenges that are distinct from the country's major hubs. While larger airports such as Toronto Pearson and Vancouver International are vital for both local and global connectivity, regional airports play an equally critical role in maintaining Canada's transportation network. This section defines regional airports for the purposes of this study, explains their significance, and explores trends in regional air service and its impacts on communities.

## Definition of Regional Airports

Canada's air service network varies widely in size and scope. At one end of the spectrum is Toronto Pearson, the largest airport in the country, which handled nearly 45 million passengers in the year ending September 2024.[1] Major hubs such as Toronto Pearson not only serve as gateways for domestic travelers but also act as key nodes in global air travel, facilitating significant amounts of connecting traffic. However, given that Canada is home to few major urban population centres, only 15 Canadian airports serve over 1 million passengers per year.[2] Most Canadian airports operate at a smaller scale, serving regional populations with minimal connecting traffic. Despite their size, these airports are essential for connecting communities to the rest of the country and beyond, enabling economic development and providing crucial services.

There is no domestically or globally accepted definition of what constitutes a regional airport. To create a practical definition for this study, the Canadian Airports Council (CAC) evaluated five key factors:

1. **Airport Size** – Total passenger volumes handled annually.
2. **Role in the Aviation Ecosystem** – Whether the airport primarily supports local/regional travel needs or functions as a connecting hub.
3. **Inclusion in the National Airport System (NAS)** – Whether the airport is part of Canada's National Airport System.
4. **Membership in the Canadian Airports Council** – Whether the airport is part of the CAC network.
5. **Catchment Area** – The population and geographic area served by the airport.

Of these, **size and role (#1 and #2)** were deemed the most critical factors. However, thresholds for these criteria vary, making it necessary to establish a clear and data-driven framework for defining regional airports in Canada.

[1] Sabre Market Intelligence, Year-Ended September 2024.
[2] Sabre Market Intelligence, Year-Ended September 2024.

## Methodology for Defining Regional Airports

To develop this definition, passenger data from **Sabre Market Intelligence** for the year ending September 2024 was analyzed. The analysis included over 250 Canadian airports with commercial activity and followed these steps:

1. **Dataset Refinement:**
    - Airports with negligible commercial activity, such as minor airports or heliports, were excluded.
    - Seaplane bases, while important in specific contexts, were not considered due to their unique operational characteristics.
2. **Passenger Thresholds:**
    - A **minimum annual passenger threshold** was applied to exclude very small airports with limited commercial significance.
    - A **maximum annual passenger threshold** was set to filter out large hub airports that primarily serve major urban centres.
3. **Connectivity Analysis:**
    - The percentage of **origin and destination (O&D) passengers** was calculated for each airport.
    - Airports with more than 20% of total passengers as connecting traffic were excluded to focus on airports where travelers predominantly start or end their journeys. This ensured the definition emphasized airports serving local or regional populations, rather than acting as transfer hubs.

## Definition of Regional Airports

Based on this methodology, **regional airports** in Canada are defined as airports that:

1. Handle between **50,000 and 2,000,000 passengers annually**.
2. Have **20% or less of their total traffic as connecting passengers**.

This definition captures airports that serve as essential gateways for smaller communities, supporting both passenger travel and freight movement. This definition will serve as a foundation for the subsequent analysis of trends, challenges, and opportunities in regional air service. A table of airports that meet this definition is included below (see **Figure 1.1**).


***Figure 1.1 Regional Airports in Canada***

| | | | |
|---|---|---|---|
| Quebec City Jean Lesage International Airport | John C. Munro Hamilton International Airport | Val-d'Or Airport | Erik Nielsen Whitehorse International Airport |
| Kelowna International Airport | Kamloops Airport | Montreal Metropolitan Airport | Comox Valley Regional Airport |
| Victoria International Airport | London International Airport | Penticton Regional Airport | Fredericton International Airport |
| Saskatoon John G Diefenbaker Intl Airport | Terrace Northwest Regional Airport | Smithers Airport | Fort McMurray International Airport |
| St John's International Airport | Fort St John - North Peace Regional Airport | Thompson Airport | Sechelt Airport |
| Regina International Airport | Grande Prairie Airport | North Bay Jack Garland Airport | Gander International Airport |
| Abbotsford International Airport | Sault Ste Marie Airport | Stony Rapids Airport | Sydney J.A. Douglas McCurdy Airport |
| Thunder Bay International Airport | Saint John Airport | Chevery Airport | Iqaluit Airport |
| Greater Moncton Romeo LeBlanc Intl Airport | Windsor International Airport | Saguenay-Bagotville Airport | Nanaimo Airport |
| Yellowknife Airport | Timmins Victor M Power Airport | Lethbridge Airport | Iles-de-la-Madeleine Airport |
| Prince George Airport | Greater Sudbury Airport | Fond-du-Lac Airport | Inuvik Mike Zubko Airport |
| Region of Waterloo International Airport | Kuujjuaq Airport | Rouyn-Noranda Airport | Deer Lake Regional Airport |
| Charlottetown Airport | Canadian Rockies International Airport | Medicine Hat Airport | |

## Importance of Regional Airports

Regional airports play a vital role in connecting Canada's smaller communities to the broader national and global economy. These airports often provide the only direct link for residents to access national and international transportation networks. They are often the primary enablers of:

1) **Economic Development:** Supporting local businesses, tourism, and resource industries by providing critical access to markets and suppliers and enabling internal trade.
2) **Social Connectivity:** Facilitating travel for education, healthcare, and family connections, particularly in remote or underserved areas.
3) **Emergency Services:** Acting as hubs for medevac flights, disaster response, and other essential services.

Their operations are integral to ensuring equitable access to air travel for all Canadians, regardless of geographic location.

# Examination of Activity

Over the past decade, Canada's regional airports have experienced significant reductions in air service, posing challenges to their financial stability and undermining the economic resilience of the communities they serve. These reductions, which began before the pandemic, were compounded by the COVID-19 crisis. Air carriers reduced flight frequencies and seat capacities on many regional routes during this period. Some routes have yet to return, while others operate with fewer flights or lower capacity, leaving many regional communities with reduced connectivity to Canada and international markets.

## National Trends

Even with a sharp decline in the number of flights, the impact on total seat capacity has been less severe. Airlines have softened the drop by deploying larger aircraft. As of 2024, flight frequencies are only 64% of 2014 levels, while seat capacity has rebounded to 94% of 2014 levels and 83% of 2019 levels (see **Figures 1.2 and 1.3**).[3] This shift reflects a trend toward optimizing capacity while reducing operational frequency, a strategy that, while efficient for airlines, often leaves passengers with fewer travel options. The reduction in service levels has had extensive consequences for Canada's regional airports and their communities. With fewer flights and a decreasing number of airlines serving these routes, passengers face significant limitations in flexibility and choice. For communities where regional airports often provide the only access to essential travel, this decline in connectivity disrupts economic activity, reduces access to healthcare, education, and other critical services, and strains local businesses that depend on reliable transportation and supply chain networks.

[3] Diio Market Intelligence, 2014- 2024. InterVISTAS Analysis.

***Figure 1.2 – Flight Frequencies - Canada's Regional Routes (2014-2024)***[4]

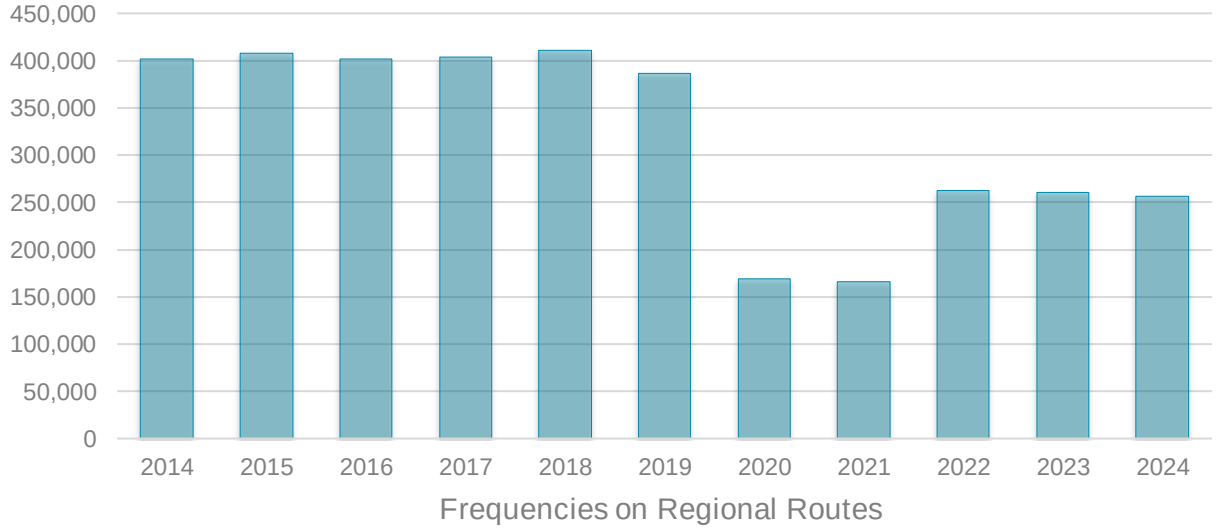
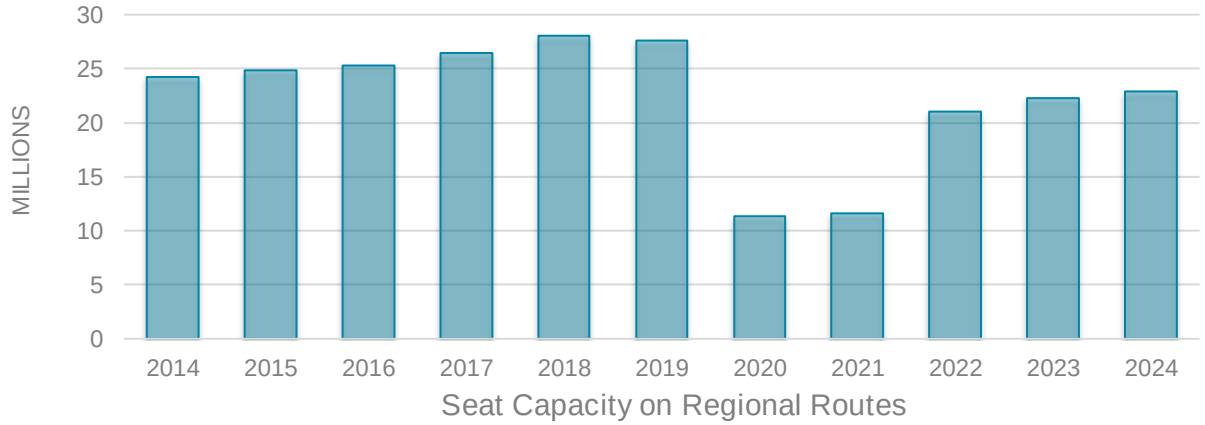



***Figure 1.3 – Seat Capacity - Canada's Regional Routes (2014-2024)***[5]




## Provincial/Territorial Trends

Changes in regional flight frequencies and seat capacities across Canada's provinces and territories have been uneven, highlighting significant disparities in connectivity.

[4] Diio Market Intelligence, 2014- 2024. InterVISTAS Analysis.
[5] Diio Market Intelligence, 2014- 2024. InterVISTAS Analysis.

**John C. Munro Hamilton International Airport**

Alberta and Manitoba experienced the sharpest declines in regional flying by 2024 compared to 2014. Alberta operated at just 39% of its 2014 flight frequencies and 43% of its seat capacity, while Manitoba saw an even more dramatic reduction, with only 13% of its frequencies and 45% of its seats remaining.[6]

These steep drops have greatly diminished connectivity for these provinces, leaving passengers with fewer travel options and less flexibility.

In contrast, some provinces achieved higher regional seat capacity in 2024 than in 2014, despite lower frequency levels. British Columbia, Quebec, New Brunswick, Newfoundland and Labrador, and Prince Edward Island all recorded increases in seat capacity, but this growth was paired with reductions in the number of frequencies.[7] This trend reflects a shift toward fewer, larger aircraft serving regional routes, which, while maintaining or even increasing total seat availability, reduces the flexibility and convenience for passengers who now face fewer scheduling options.

The Yukon stands out as the only jurisdiction to experience growth in both regional flight frequencies and seat capacity. By 2024, the Yukon had achieved 154% of its 2014 flight frequencies and 131% of its 2014 seat capacity, reflecting a strong recovery and expansion of regional connectivity in the territory.[8]

These uneven changes underline the varying impact of reduced regional service across Canada. While some areas have adapted with increased seat capacity on fewer flights, others have seen drastic cuts to

[6] Diio Market Intelligence, 2014- 2024. InterVISTAS Analysis.
[7] Diio Market Intelligence, 2014- 2024. InterVISTAS Analysis.
[8] Diio Market Intelligence, 2014- 2024. InterVISTAS Analysis.

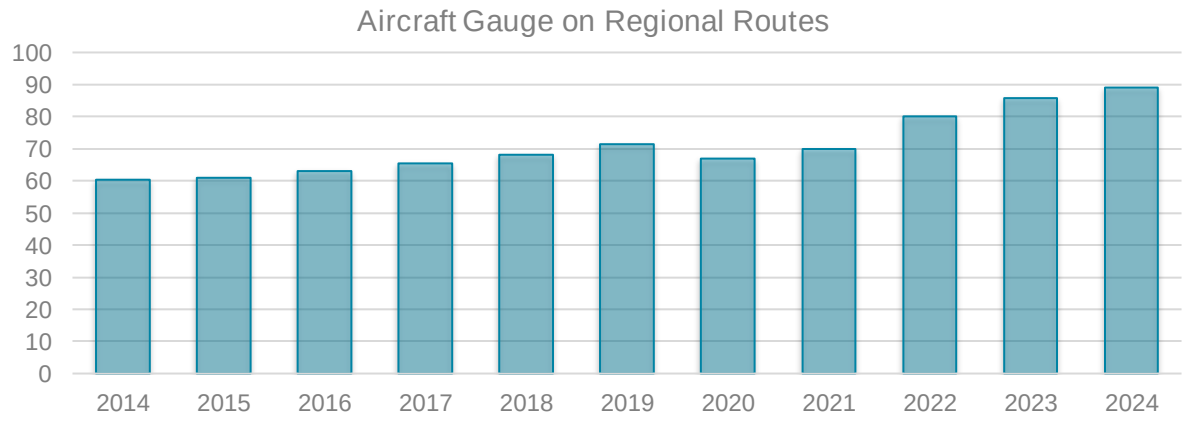
both, amplifying challenges for communities that rely on regional airports as critical links to the broader transportation network. Addressing these disparities will require targeted strategies to ensure equitable access to air travel and support for regions most affected by service reductions.

## Aircraft Gauge and Average Stage Length on Regional Routes

Between 2014 and 2024, aircraft gauge (seat capacity per aircraft) on Canada's regional routes increased by 48%, while average stage length (flight distance in kilometers) grew by 20% (see **Figures 1.4 and 1.5**).[9] This shift indicates a strategic focus by Canadian air carriers on linking regional airports to major hubs, with less emphasis on intra-regional connectivity. As a result, regional airports are receiving fewer daily flights, reducing their operational hours and diminishing the convenience they offer passengers. Fewer flight options mean travelers often face challenges finding timely connections at larger hubs, increasing travel times and reducing flexibility.

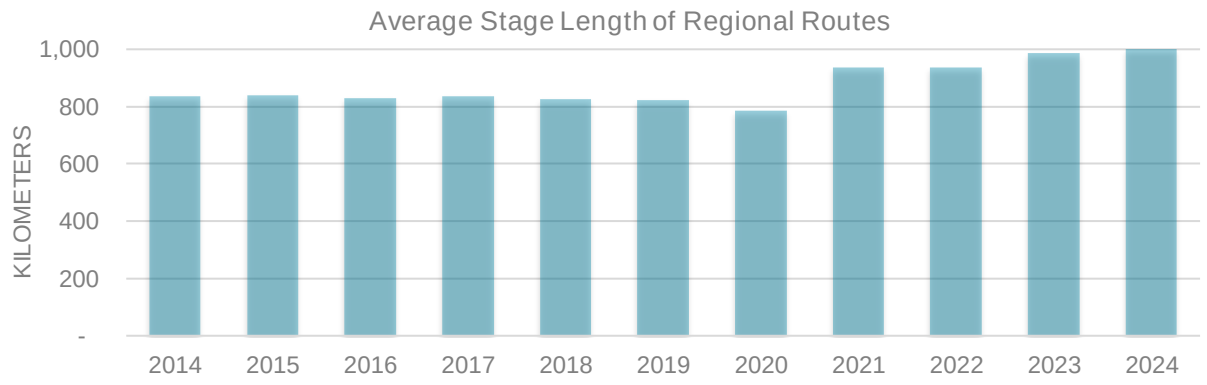
All provinces experienced an increase in aircraft gauge at regional airports between 2014 and 2024.[10] However, all three territories experienced a decline in aircraft gauge. In addition, average stage length grew in all regions except the territory of Yukon and the province of Alberta, where stage lengths saw a slight decline.[11] These trends reflect a broader optimization of capacity and route planning by airlines, favouring fewer but longer and larger-capacity flights. Regional airports in the territories deviate from this pattern due to their unique geographic and market characteristics, where smaller aircraft remain essential for serving local communities.

***Figure 1.4 – Aircraft Gauge - Canada's Regional Routes (2014-2024)***[12]




[9] Diio Market Intelligence, 2014- 2024. InterVISTAS Analysis.
[10] Diio Market Intelligence, 2014- 2024. InterVISTAS Analysis.
[11] Diio Market Intelligence, 2014- 2024. InterVISTAS Analysis.
[12] Diio Market Intelligence, 2014- 2024. InterVISTAS Analysis.

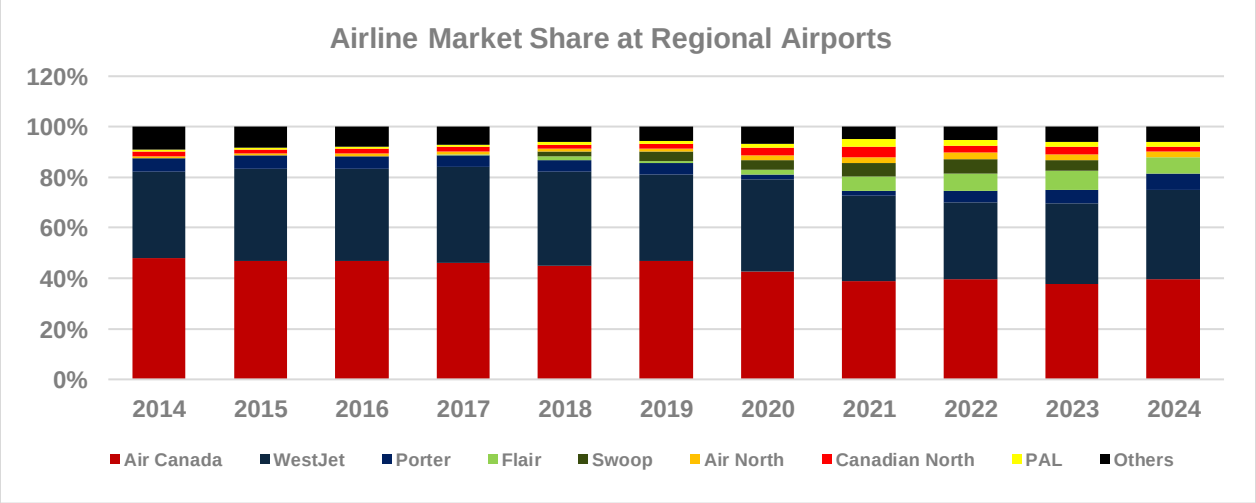
***Figure 1.5 – Average Stage Length - Canada's Regional Routes (2014-2024)*** [13]




## Airline Market Share at Regional Airports

Market share at regional airports has also shifted over the past decade. Air Canada's market share, based on seat capacity, declined by 8%, reflecting its reduced focus on regional routes that do not connect to its major hubs in Vancouver, Toronto, and Montreal.[14] For example, flights within the prairies connecting smaller cities to Calgary and Edmonton have seen significant reductions. Conversely, Flair Airlines has captured 6% of the market since entering the Canadian market during this period, while other Canadian carriers have seen relatively minor changes, with no more than a 2% shift in market share at regional airports (see **Figure 1.6**).[15]

***Figure 1.6– Carrier Market Share at Canada's Regional Airports (2014-2024)*** [16]




[13] Diio Market Intelligence, 2014- 2024. InterVISTAS Analysis.
[14] Diio Market Intelligence, 2014- 2024. InterVISTAS Analysis.
[15] Diio Market Intelligence, 2014- 2024. InterVISTAS Analysis.
[16] Diio Market Intelligence, 2014- 2024. InterVISTAS Analysis.

Charlottetown Airport

## The Current Reality for Canada's Regional Airports

Canada's regional air connectivity over the past decade emphasizes a partial but uneven recovery from the decline during 2020 and 2021. While air service remained strong between 2014 and 2019, seat capacity in provinces and territories such as Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, Nunavut, and the Northwest Territories has declined between 2014 and 2024.[17] Furthermore, all jurisdictions except the Yukon have seen reductions in flight frequencies to regional airports, limiting travel options for passengers.[18]

In recent years, regional air connectivity has returned with fewer daily flights and a reduced number of airlines serving individual destinations. While regional airports remain integral to Canada's transportation network, these limitations have reduced their ability to provide the flexibility and convenience that travelers once experienced. As a result, the economic and social benefits of regional air service, essential for connecting communities and fostering growth, have been dampened, leaving many of Canada's communities with reduced access to the opportunities they depend on.

Restoring and enhancing Canada's regional air connectivity is crucial for ensuring these communities remain integrated into Canada's broader economy and social fabric. The long-term viability of regional airports depends on strategic support and investment to address these challenges and meet the needs of residents and visitors in regional communities.

[17] Diio Market Intelligence, 2014- 2024. InterVISTAS Analysis.
[18] Diio Market Intelligence, 2014- 2024. InterVISTAS Analysis.

# Importance of Connectivity to Canada

As the eighth-least densely populated country on earth, Canada relies heavily on air transportation to connect its population and sustain economic activity. For communities outside major urban centers, including many indigenous communities, regional airports are essential lifelines, facilitating the movement of people and goods and supporting industries such as tourism, natural resources, forestry, and fisheries.

Historically, many Canadian communities were established during expansions in natural resource industries or alongside the development of national infrastructure such as railways and highways. Today, while these communities have diversified their economies, their geographies often necessitate reliable air service. Many indigenous communities are also located in isolated regions and require air service to connect them to the transport system. Regional airports play a crucial role in sustaining these local economies, providing speed and dependability that road, rail, or ferry systems cannot consistently offer.

Air connectivity offers unmatched efficiency, reliability, and safety for connecting Canada's regional markets. Alternative modes of travel—such as highways, railways, and ferries—can be slower and more vulnerable to disruptions from weather, congestion, or seasonal limitations. Flying is significantly safer than travel by car, with aviation industry safety standards only improving. A Massachusetts Institute of Technology study showed the fatality risk of air travel globally dropping from 1 in 7.9 million in the decade ending in 2017, compared to 1 in 2.7 million a decade earlier.[19] Air service's critical role in connectivity is underscored by examining locations in Canada that have varying levels of alternative mode connections.

- **Locations with no Alternative Modes:** Many remote towns and cities lack alternative transportation options, making air service their only connection to the rest of the country. For example, Kuujjuaq, located on Quebec's northern coast, depends on air transportation for the movement of people and goods, as no roads, railways, or ferry services are available.
- **Locations with Seasonal Alternative Modes:** In some areas, alternative transportation is only available for part of the year, leaving air service as the sole dependable option during specific months. Inuvik, Northwest Territories, serves as a prime example. Although it is accessible via highway, river crossings make the route impassable for weeks during the spring and fall seasons, cutting off road access. During these periods, air travel becomes the only reliable way to connect Inuvik to the rest of Canada. Even while the highway is operational, air service remains more efficient for rapid travel needs and a safer alternative to road travel over harsh terrain.
- **Locations with Alternative Modes:** Even where other transportation options exist, air service is often far more time efficient. For instance, Terrace, British Columbia, is connected to the rest of Canada by road. However, while driving from Terrace to Prince George takes approximately 6.5 hours, a flight takes just over an hour. Similarly, flying to Vancouver takes about 1.5 hours compared to a 15-hour drive. Air service dramatically reduces travel times, enabling passengers and goods to move efficiently in and out of these communities.

Canada's regional airports are more than transportation centres—they are vital economic enablers, linking remote and rural areas to larger trading markets, supporting industries, and ensuring that smaller communities remain connected to the broader national network. As alternative transportation modes often fall short in speed, reliability, and capacity, air service is indispensable in maintaining the social and economic vitality of Canada's dispersed population.

[19] Study: Commercial air travel is safer than ever. MIT News. https://news.mit.edu/2020/study-commercial-flights-safer-ever-0124

# Impacts of Regional Connectivity

Regional communities in Canada experience the benefits of regional air service and the challenges of its absence more acutely than larger Canadian cities. For regional communities, each flight and each seat on an aircraft holds significantly more importance because they are acting as some, if not the only gateways between the region and the rest of Canada and the world. Larger Canadian cities, on the other hand, are well-connected to their domestic and international peers with high frequency and capacity service. Therefore, the marginal benefit of an additional flight or seat is much less for larger cities than regional communities which have only limited service.

Regional air service's benefits stretch far beyond simply connecting people between communities. Regional air service has the power to transform our national economy, create opportunities for communities that would not otherwise have them, and improve the well-being of all Canadians. The following list includes some of the most significant benefits of regional connectivity that can be seen throughout Canada. However, this list is not exhaustive and the degree to which each of these benefits is present will depend on each regional community's geography, economy, and social fabric.

## Growth in Employment and GDP

Airports are economic anchors for regional communities which can attract a variety of forms of direct employment related to aeronautical and non-aeronautical services, creating cascading indirect and induced impacts from the use of supplier services and employee spending in the economy. The economic impacts of an airport can be measured in terms of GDP growth and increased economic output. Beyond the economic impacts of an airport and its employees, each individual flight to a regional airport also has a measurable impact on GDP and economic output because of its ability to move people, goods, and services. This is measured in more detail in Section A.5 on economic impact of flights to regional markets.

## Movement of Government Services

Regional air service enables government staff from agencies such as health, education, public safety and employment services to travel to regional communities when they are based elsewhere in the province or country. Programs such as the Government of Canada's Community Outreach and Liaison Service (COLS) rely on regional airports to connect staff with residents in rural areas, ensuring equitable access to services.[20] From 2019 to 2020, Service Canada outreach teams conducted over 1,280 visits to 646 indigenous communities as part of the COLS program.[21] Air service is also essential for inter-regional transfers, such as moving inmates between correctional facilities or facilitating disaster response efforts.[22] Without robust regional connectivity, these critical functions would be severely limited.

## Movement of High-Value Goods

Air service ensures the efficient movement of high-value, time-sensitive goods that cannot be transported via road or rail. Items such as medical supplies, perishable foods, and specialized technological

[20] Government of Canada. Programs and service delivery overview – Service Canada. https://www.canada.ca/en/employment-social-development/corporate/reports/esdc-transition-binders/binder2-service-canada-2021.html
[21] Ibid.
[22] Government of Canada. Commissioner's directive 710-2-2: Inter-Regional Transfers by Air. https://www.canada.ca/en/correctional-service/corporate/acts-regulations-policy/commissioners-directives/710-2-2.html

equipment rely on air transport for their speed and reliability. For example, radiopharmaceuticals used in cancer treatment must reach hospitals and clinics quickly, making air transport essential. Similarly, regional businesses depend on air service to ship high-value goods such as artisanal products or seafood to broader markets. By providing consistent access, regional air services enhance the economic and logistical capabilities of smaller communities.

## Growth of the Tourism Sector

Tourism thrives in regions connected by air. Air service enables tourists from major domestic and international markets to access remote destinations, boosting local economies. Nature-based tourism, in particular, benefits from reliable air connectivity, as it allows visitors to explore Canada's pristine wilderness and cultural heritage sites.[23] Indigenous tourism can also receive significant benefits as communities become better connected to major economic nodes. Destinations in less connected parts of Canada would experience increased tourism revenue through the development of air service, which translates into higher employment, greater regional GDP, and funding for the preservation of natural resources. Some provincial governments have recognized this link, creating funding programs to support infrastructure and service attraction efforts at regional airports that bolster tourism.

## Connecting Citizens to the Global Economy

Regional air service opens pathways to global opportunities by connecting small communities to major airline hubs. From these hubs, residents gain access to hundreds of international destinations, enabling seamless travel for business, education, and leisure.[24] The ability to connect to the global economy fosters international partnerships, enhances cross-cultural understanding, and allows regional businesses to compete on a global scale. Without these links, communities risk becoming isolated from broader economic and social opportunities.

## Growth of Internal Trade and Ease of Doing Business

Air service is a catalyst for business growth and internal Canadian trade, enabling regional firms to access larger markets, suppliers, and talent pools.[25] Businesses in areas with robust air connectivity can operate more efficiently, reduce travel time, and scale their operations. The more frequent and flexible air service is available, the greater the benefits for the regional business community. Small and medium-sized enterprises benefit from air services by participating in broader supply chains and expanding their customer base. Efficient air connectivity also attracts new businesses to regional areas, creating a competitive advantage for these communities.[26]

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[23] Air Transport Action Group. The Economic & Social Benefits of Air Transport. https://www.icao.int/meetings/wrdss2011/documents/jointworkshop2005/atag_socialbenefitsairtransport.pdf

[24] Regional Airline Association. Valuable: Air Service to Small Communities Generates Significant Economic Activity. https://raa.org/valuable-service-air-service-to-small-communities-generates-significant-economic-activity/

[25] Transportation Research Board (TRB). The Role of Aviation in Supporting Local Economic Activity. https://crp.trb.org/acrpwebresource12/understanding-air-service-and-regional-economic-activity/the-role-of-aviation-in-supporting-local-economic-activity/

[26] Air Transport Action Group. The Economic & Social Benefits of Air Transport. https://www.icao.int/meetings/wrdss2011/documents/jointworkshop2005/atag_socialbenefitsairtransport.pdf

## Greater Domestic & Foreign Investment

Air service signals economic vitality, attracting both domestic and international investors. Investors rely on air connectivity to visit project sites, engage with stakeholders, and monitor developments. A lack of air service can deter investment, limiting capital flow into regional economies. The capital investment driven by air transport connections is crucial for developing productive infrastructure and employment opportunities for economic growth in the long-term.[27] This cycle reinforces the importance of maintaining and enhancing regional air services to attract sustainable investment.

*Regional airports play a crucial role in sustaining these local economies, providing speed and dependability that road, rail, or ferry systems cannot consistently offer.*

## Greater Diversity and Talent in the Labour Pool

Regional air service makes it easier for skilled workers to relocate to smaller communities, boosting the local talent pool. Workers who might be hesitant to move to remote areas gain confidence from knowing they can easily travel to major cities for personal or professional reasons.

Air service also makes commuting feasible for part-time or remote workers, enabling them to enjoy the benefits of regional living, such as affordable housing and lower congestion, without sacrificing connectivity and access to services. This mobility helps attract a more diverse and skilled workforce to regional areas, strengthening their economies.

## Enhanced Social Cohesion and Personal Ties

Regional air service enables the facilitation of people-to-people ties between communities across Canada. Air service fosters social cohesion by making it easier for residents to maintain personal connections with family and friends. Affordable and reliable regional flights allow people to attend milestone events including weddings, graduations, and reunions without prohibitive travel times.

These personal connections contribute to a stronger social fabric and a higher quality of life for residents. The ease of travel also encourages family members and friends from outside the region to visit, supporting local businesses and cultural activities.

## Housing Affordability

As housing costs in major Canadian cities continue to rise, regional communities offer more affordable options. A Royal LePage Survey of Canadians living in Toronto, Montreal, and Vancouver found that 50% of respondents would consider buying a property in one of Canada's more affordable Canadian cities if they were able to find a job or work remotely.[28] However, a significant barrier to relocating is the lack of reliable transportation links to larger urban centers.

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[27] ICAO & The Global Aviation Indistry High-Level Group. Aviation Benefits Report 2019. https://www.icao.int/sustainability/Documents/AVIATION-BENEFITS-2019-web.pdf

[28] Royal LePage. Half of residents in Canada's largest urban centres eyeing move to more affordable real estate markets. https://www.royallepage.ca/en/realestate/news/half-of-residents-in-canadas-largest-urban-centres-eyeing-move-to-more-affordable-real-estate-markets/

Regional air service can bridge this gap, enabling Canadians to relocate to more affordable areas while maintaining access to job opportunities, cultural activities, and essential services in urban centers. This connectivity reduces economic pressures on metropolitan housing markets and creates growth opportunities for smaller communities.

## Travel for Post-Secondary Education

Many Canadian students are enrolled in post-secondary institutions outside their home communities. Students from regional communities often pursue higher education in larger cities, necessitating frequent travel between their home and school. Regional air service reduces barriers for these students by making travel faster and more convenient. Efficient air links allow students to stay connected with their families and communities while pursuing their education. This fosters a more inclusive education system, particularly for students from remote areas. In addition, Canadian post-secondary institutions which are in regional communities also rely on air service to connect them to other parts of the country, particularly metropolitan areas, where students live.

**Kamloops Airport**

## Resilience of Road, Rail, and Ferry Infrastructure

Air service complements existing road, rail, and ferry networks, particularly in regions prone to weather-related disruptions or congestion. By providing an alternative mode of travel, air service enhances the resilience of these transportation systems. For instance, during peak travel periods or emergencies, regional air service can alleviate pressure on congested highways and ferries, ensuring smoother travel for all people moving between communities.

## Access to Medical and Personal Care Services

Many regional areas, including indigenous and remote communities, lack advanced medical facilities, requiring residents to travel to larger centers for treatment. Air service makes this travel more accessible and efficient, particularly for patients needing specialized care. This can include travel for hospital visits, doctor's appointments, rehabilitation, and outpatient services. Several provinces offer subsidies or full coverage for residents who must travel by air for medical appointments, further emphasizing the critical role of regional connectivity in health care.[29] [30] [31] In the 2023-24 fiscal year, B.C. alone issued over 98,000 approvals for its residents and Ontario issued over 200,000 approvals for Northern Ontarians to access travel assistance funding.[32] [33] The high usage rates of these government programs highlights the significant number of people requiring travel from regional communities for medical care.

[29] Government of British Columbia. Travel Assistance Program (TAP BC). https://www2.gov.bc.ca/gov/content/health/accessing-health-care/tap-bc/travel-assistance-program-tap-bc
[30] Gouvernement du Quebec. Financial assistance for transportation to an institution in the health and social services network. https://www.quebec.ca/en/health/health-system-and-services/medical-transportation/financial-assistance-medical-transportation
[31] Government of Ontario. Northern Health Travel Grant Program. https://www.ontario.ca/page/northern-health-travel-grant-program
[32] Travel supports increase access to health care. Government of British Columbia. https://news.gov.bc.ca/releases/2024HLTH0049-001674
[33] Ontario Connecting People in the North to Health Care Services. Government of Ontario. https://news.ontario.ca/en/release/1005427/ontario-connecting-people-in-the-north-to-health-care-services

Penticton Regional Airport

## Projection of National Sovereignty

Regional air service plays a strategic role in asserting Canada's sovereignty, particularly in remote areas such as the Arctic. Consistent air traffic demonstrates Canada's active presence and control over its territories, both symbolically and practically. Regional airports also support military operations, serving as dual-use facilities. For example, Yellowknife Airport in the Northwest Territories and Comox Airport in British Columbia host both civilian and military operations, reinforcing Canada's defense capabilities.[34] [35]

## Assistance in Emergency Responses

In emergency situations, regional communities often require rapid access to relief services and the ability to evacuate if necessary. Regional air service is an indispensable non-military tool for governments and relief agencies to move aid, personnel, and evacuees quickly. During wildfires that broke out near the Northwest Territories' capital in 2023, Yellowknife, Canadian airlines serving the airport played a critical role in delivering supplies and enabling residents to evacuate the region by commercial means.[36] By providing rapid access to affected areas, air service enhances Canada's ability to respond to natural disasters and other emergencies effectively.

## Consumer Welfare

Consumers benefit from regional air service as they gain access to new experiences that improve their quality of life. This can include access to new travel opportunities, seasonal goods, and cultural experiences. For example, increased access to air travel can expand the range of potential vacation destinations for a consumer and enable year-round access to seasonal produce.[37]

## Summary of Impacts

Regional air service is much more than a mode of transportation—it is a lifeline for Canada's smaller communities, fueling economic growth, social cohesion, and national resilience. It bridges the gap between remote regions and urban centers, ensuring that no communities are left behind. The impact of regional connectivity is felt across multiple aspects of a community, from enabling efficient movement of high-value goods to facilitating access to essential government and medical services.

Economically, regional air service stimulates employment, attracts domestic and foreign investment, promotes internal trade, and enhances the ease of doing business. Airports act as anchors for local economies, driving direct, indirect, and induced employment while boosting GDP. Air connectivity allows businesses to expand their reach, foster innovation, and access larger markets, creating a ripple effect of growth in regional communities. Additionally, it supports tourism, bringing visitors to Canada's natural and cultural treasures and boosting the economic output of regions that rely on seasonal tourism.

Socially, regional air service enhances the quality of life for residents by fostering personal connections, reducing barriers to education, and improving access to medical care. It provides a bridge for students pursuing post-secondary education in urban centers, enabling them to stay connected with their families.

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[34] Yellowknife Airport – Gateway Strategy. https://www.inf.gov.nt.ca/sites/inf/files/resources/yzf_gateway_strategy_vanda_final.pdf
[35] Government of Canada. https://www.canada.ca/en/air-force/corporate/wings/19-wing.html
[36] Reuters. Air Canada caps Yellowknife flight prices as crews battle wildfires. https://www.reuters.com/world/americas/air-canada-capping-prices-flights-leaving-yellowknife-crews-battle-blazes-2023-08-17/
[37] Air Transport Action Group. The Economic & Social Benefits of Air Transport. https://www.icao.int/meetings/wrdss2011/documents/jointworkshop2005/atag_socialbenefitsairtransport.pdf

The service also supports social cohesion by making it easier for residents to attend family events, maintain relationships, and welcome visitors.

Infrastructure-wise, regional air service complements and strengthens existing road, rail, and ferry networks, offering an essential alternative during weather disruptions, emergencies, or periods of congestion. It also plays a critical role in disaster response and evacuation efforts.

Beyond immediate benefits, regional air service shapes Canada's future by attracting a more skilled and diverse labour pool, supporting housing affordability, and connecting citizens to the global economy. It ensures that smaller communities remain viable options for relocation by maintaining access to larger economic hubs. Moreover, the strategic importance of regional airports for asserting Canada's sovereignty and supporting dual military-civilian functions underscores their value to national security.

Regional air service is indispensable for ensuring the equitable development of all parts of Canada. It empowers communities to participate fully in the national and global economy while fostering social and cultural exchanges. Sustaining and enhancing this connectivity is not merely a transportation issue; it is a fundamental component of a more inclusive, resilient, and prosperous Canada.

# Economic Impact of Flights to Regional Markets

Each time a flight arrives and departs, a diverse and significant number of individuals are involved in servicing the aircraft, as well as the passengers and cargo onboard. This includes employees onsite at the airport terminal such as airline gate agents, airline crew, ground handlers, air traffic controllers, cleaners, engineers, immigration and customs officers, retail cashiers, fixed base operators, airport authority staff members, and many more. There is also relevant direct employment at firms that are located off airport, and the associated employment of ground transportation firms and accommodation providers that service passengers of the airport.

Regional air services contribute directly to employment in the region, as well as to the economy through contributions to GDP and economic output. More importantly, it also acts as an economic catalyst, facilitating the growth of regional businesses and industrial sectors. This report examines the annual economic impact of flights to regional markets for two aircraft types, the De Havilland Canada Dash 8 Series Q400 (DH4) and the Bombardier Canadair Regional Jet (CRJ) with 78 and 50 seats, respectively.

Following a review of all DH4 and CRJ activity across Canada, three routes (one each in Western, Central, and Eastern Canada) from hubs to regional airports were selected that best represented the average available seat kilometers and weekly flight frequency levels for service on these aircraft in Canada. Details of the three selected routes for this economic impact analysis are summarized in **Figure 1.7.**

***Figure 1.7 – Routes Selected for Economic Impact Analysis***

| Potential Air Service | Western | Central | Eastern |
|---|---|---|---|
| **Aircraft Type** | DH4 | CRJ | CRJ |
| **Seat Capacity** | 78 | 50 | 50 |
| **Load Factor** | 74.5% | 86.9% | 87.7% |
| **Average Passengers per Flight** | **58** | **43** | **44** |
| **Annual Frequency** | 378 | 762 | 733 |
| **Annual Enplaned Passengers** | **21,953** | **33,113** | **32,155** |
| **% Origin-Destination Passengers** | 99.9% | 99.8% | 99.9% |
| **% Estimated Visitors** | 65.4% | 65.0% | 56.5% |
| **Annual Estimated Visitors** | ***14,346*** | ***21,497*** | ***18,174*** |

**Notes:**
- Air service parameters (such as seat capacity, load factor, annual frequency, percentage of origin-destination passengers, and estimated percentage of visitors) for the selected routes were determined based on data from Sabre AirVision Market Intelligence and Innovata Schedules via Diio for each respective route for calendar year 2023.
- Average passengers per flight are calculated by multiplying the aircraft seat capacity by the load factor.
- Annual enplaned passengers are calculated by multiplying the aircraft seat capacity by the load factor and the assumed flight frequency per year.
- Annual estimated visitors are calculated by multiplying the annual enplaned passengers by the percentage of origin-destination passengers (to exclude any connecting passengers) and the estimated percentage of visitors.

## Overview of Economic Impact

Economic impact is a measure of the employment, spending and economic activity associated with a sector of the economy, a specific project (such as the construction of new infrastructure), or a change in government policy or regulation. In this case, the economic contribution of regional air services is being assessed.

Economic impact is commonly measured in several ways, including employment, labour income, GDP, and economic output, as summarized in **Figure 1.8**. Regional air services support the national, provincial/territorial, and local economies. The importance of the aviation industry is highlighted by both the employment/wage impacts and the impact on the greater economy, through both GDP and economic output.

*Economic impact is a measure of the employment, spending and economic activity associated with a sector of the economy, a specific project (such as the construction of new infrastructure), or a change in government policy or regulation.*


Erik Nielsen Whitehorse International Airport

**Figure 1.8 - Measurements of Economic Impact**

| | |
|---|---|
| **Employment (Jobs)** | • The number of jobs generated by a particular source. This includes part-time and seasonal employment. |
| **Labour Income** | • The wages, salaries, bonuses, benefits and other remuneration earned by the associated workforce. |
| **Gross Domestic Product (GDP)** | • A measure of the value added by labour and capital services used to produce final goods and services, as a result of economic activity in the nation. This measure is net of the value of intermediate goods and services used up to produce the final goods and services. |
| **Economic Output** | • The dollar value of industrial output produced. Sometimes referred to as "economic activity," it reflects the spending (i.e., capital improvement plus revenue) by firms, organizations and individuals. |

## Categories of Economic Impact

The three major components of economic impact are *direct, indirect, and induced impacts*. These distinctions are used as a base for the estimation of the total annual economic impact of the three select regional air services. Each of these three components requires different tools of analysis.

These categories of impacts are described below and summarized in **Figure 1.9.**

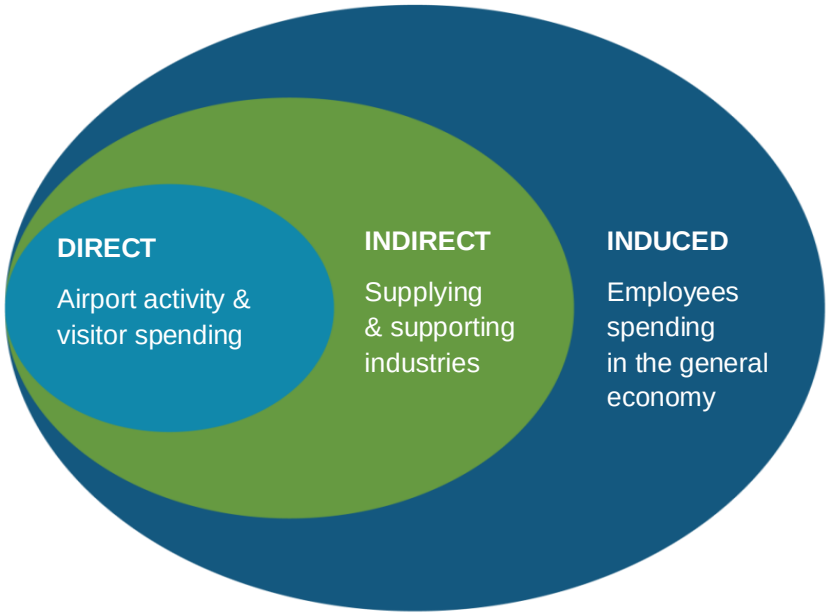
**Direct impacts** associated with activities directly related to the operation of the regional air services. Thus, the direct employment base comprises airline employees, fixed base operators, aircraft maintenance, ground handling, customer service, airport management staff, etc.

**Indirect impacts** of industries that supply, support, or are wholly dependent on activities at the airport and by airlines. For instance, indirect employment includes the portion of employment in supplier industries which are dependent on sales to the air transport sector, e.g., food wholesalers that supply food for catering on flights, aviation fuel providers, and IT suppliers.

**Induced impacts** created by the spending of wages, salaries, and profits earned through direct and indirect economic activities. It captures the economic activity generated by the employees directly or indirectly connected to the regional air services spending their wages in the wider economy. For example, an airline employee might spend their wages on groceries, restaurants, childcare, dental services, home renovations and other items which, in turn, generates employment in a wide range of sectors of the general economy.

**Total economic impact** as the sum of the direct, indirect, and induced impacts.

***Figure 1.9 Categories of Economic Impact***



# Economic Impact Methodology

## Measuring Airport Operations Impacts

This component of the analysis examined the related activities and tasks that are associated with the landing, departure and turn of a single aircraft operation at the airport. This includes an assessment of direct labour hours related to handling passengers, cargo and the aircraft. The total labour was then annualized.

Airport operations impacts were based on an analysis of data collected from relevant service providers from prior studies conducted by Inter*VISTAS* to estimate the employment attributable to the regional air services. This included estimates from airline staff on the time and resources required in processing a flight with respect to different tasks and functions that an airline needs to execute to turn an aircraft at the airport. The responses provided were then used as the primary inputs to model the total estimated amount of employment that is associated with a particular air service. Direct employment associated with the air service includes airline crew, ground handling, maintenance, airport staff members, etc. Differences in the direct employment estimates across the three routes analyzed is driven by the air service parameters (such as seat capacity, load factor, annual frequency) for the selected routes, wherein routes carrying more passengers and occurring more frequently each year result in higher economic impacts.

## Estimating Visitor Spending Impacts

Visitors arriving on the potential passenger air services also spend money in the region on accommodations, food/beverage, retail, and local transportation, among others. The economic impact of annual inbound tourism spending by non-locals was also estimated.

Visitor spending patterns can vary significantly across regions, depending on average length of stay, travel purpose, and type of expenditures, among others. Average visitor spending data for each of the regions was obtained from Statistics Canada's National Travel Survey (NTS) and Visitor Travel Survey (VTS). The average spend rate per domestic and international visitor for each region was applied to the estimated number of non-local visitors onboard each of the respective air services based on airline ticket booking data from Sabre AirVision Market Intelligence. The most recent year of data available was used and updated with Consumer Price Indices to account for inflation to 2024. For the Western region, the average spend rate per domestic visitor arriving by air is $540, while the average spend rate per international visitor arriving by air is $1,290. On average, domestic and international air visitors arriving to the Central region spend approximately $490 and $910 per visit, respectively.[38] The average spend rate per visit of domestic air visitors to the Eastern region is $680 and the average spend rate per visit of international air visitors is $1,470. These average visitor spend rates, as well as the percentage of origin-destination passengers and estimated percentage of visitors for the selected routes, determine the overall total annual visitor spending for each respective air service. Therefore, routes with a higher average visitor spend rate and with more visitors onboard annually generate more visitor spending impacts.

[38] Domestic visitor spending data for the Central region was obtained from The Ontario Ministry of Tourism, Culture and Sport which is based on Statistics Canada's National Travel Survey (NTS) and Visitor Travel Survey (VTS), as specific data for the region was not available at the time.

## Modelling Multiplier Impacts

While the direct employment impact was based on primary data collected from interviews with air carriers and service providers from previous studies, such an approach is not practical for estimating indirect and induced economic impact. Measuring the indirect and induced impacts is more challenging as it can involve a much wider range of businesses and activities.[39] Economic "ratio" multipliers were used to estimate indirect and induced economic impacts, as is common practice for economic impact studies. In addition, the direct income, GDP, and economic output contribution impacts were also estimated using economic multipliers.

Economic multipliers are typically based on Input-Output (I-O) models of the economy, which quantify the interactions between industries and economic sectors in the production process through the sales of one and the purchases of another. An I-O model is a representation of the flows of economic activity within a region or country, and measures the relationships between industrial sectors, including those between supplier industries and final producers. They trace the amount of intermediate goods and services used by an industry to produce its output. In other words, for airlines and airports, they quantify the interdependencies between the suppliers (e.g., aircraft manufacturers, fuel wholesalers) and the final demand for air service by passengers or shippers that is provided by airports and airlines. The number of required inputs (supplies) changes because of changes in the level of air services demanded and consumed (e.g., increases or decreases in airline passenger traffic and aircraft arrivals and departures). Each industry that produces goods and services generates demand for other goods and services and so on. The model captures what each business or sector must purchase from every other sector to produce a dollar's worth of goods or services.

Using such a model, movements of economic activity associated with any change in spending may be traced either forwards (spending generating income which induces further spending) or backwards (visitor purchases of meals leads restaurants to purchase additional inputs - groceries, utilities, etc.). By tracing these linkages between sectors, I-O models can estimate indirect and induced impacts. Using the I-O model, economic multipliers can be produced for employment, income, and GDP contribution, normally expressed in terms of a unit of direct impact (e.g., per direct job or per $ million of GDP). These multipliers were used to calculate the indirect and induced effects on jobs, income, and output generated per dollar of spending on various types of goods and services.

The economic multipliers used for the analysis were based on Statistics Canada's 2019 Interprovincial Input-Output model, which is recommended by Statistics Canada as the most appropriate to capture impact associated with current economic conditions.[40] These multipliers were updated with Consumer Price Indices to account for inflation to 2024.

[39] A survey of indirect impacts would need to cover thousands of firms that have some sort of connection to airport activity, while for induced impacts, almost the entire economy would need to be scrutinized.

[40] While multipliers and ratios are available for the year 2020, guidance from Statistics Canada is to only use the 2020 data for assessments that occur within that year, due to the extraordinary circumstances of the COVID-19 global pandemic. (https://www150.statcan.gc.ca/n1/daily-quotidien/231208/dq231208f-eng.htm )

Iqaluit Airport

Multiplier impacts are presented at the provincial level and respective provincial multipliers were used for each of the three routes. Since economic structures, such as key industry sectors, supply chains, imports, and average wages, vary by province across Canada, the multiplier impacts of the three selected routes will differ by region.

## Economic Impact Results

This section summarizes the economic impact associated with annual operations of the three select regional air services described in **Figure 1.10**, including airport operations, visitor spending, and combined (airport operations + visitor spending).

### Airport Operations Impacts

With over 21,950 annual enplaned passengers, employment associated with the Western air service support approximately 15 direct jobs and $2.3 million in GDP each year. As the Central and Eastern air services handle more passengers annually, their direct impact amounts to 32 jobs and $4.5 million GDP and 25 jobs and $3.5 million GDP, respectively, with higher passenger volumes and frequencies on these routes driving greater economic impacts.

The total economic impact of the flights also includes indirect and induced effects. Indirect and induced impacts are those stimulated by the direct employment and activities at the airport (e.g., businesses that supply goods and services to the airport, and spending by airport employees). Considering multiplier effects (indirect and induced), the total economic impact of the Western air service supports approximately 32 employees and contribute $4.4 million in GDP across the province per annum. Total impact for the Central air service is estimated at 78 jobs and $10.3 million in GDP, while total impact for the Eastern air service is estimated at 44 jobs and $5.6 million in GDP yearly. Varying provincial economic structures cause multiplier impacts to differ across the routes, wherein provinces with higher wages and less imports generate greater impacts.

***Figure 1.10: Annual Airport Operations Impacts of Select Regional Air Services***

| Impact | Employment (Jobs) | Labour Income ($ Millions) | GDP ($ Millions) | Output ($ Millions) |
|---|---|---|---|---|
| Direct | 15 | $1.4 | $2.3 | $5.6 |
| Indirect | 10 | $0.7 | $1.1 | $2.2 |
| Induced | 7 | $0.4 | $0.9 | $1.4 |
| **Total** | **32** | **$2.5** | **$4.4** | **$9.2** |
| | | **Central** | | |
| Direct | 32 | $2.5 | $4.5 | $12.5 |
| Indirect | 31 | $2.3 | $3.8 | $7.8 |
| Induced | 15 | $0.9 | $2.0 | $3.4 |
| **Total** | **78** | **$5.8** | **$10.3** | **$23.7** |
| | | **Eastern** | | |
| Direct | 25 | $2.2 | $3.5 | $8.3 |
| Indirect | 12 | $0.8 | $1.3 | $3.5 |
| Induced | 7 | $0.4 | $0.9 | $1.4 |
| **Total** | **44** | **$3.3** | **$5.6** | **$13.2** |

Note: Totals may not sum due to rounding. All financial figures are in 2024 prices.

## Visitor Spending Impacts

The visitors on the Western air service are estimated to spend over $8.3 million annually. This tourism spending directly supports 68 employees and directly contributes $3.6 million in GDP to the provincial economy. With more visitors onboard annually, the Central air service generates a total visitor spending of $11.3 million each year, directly facilitating the employment of 101 people in the hospitality sector and $4.7 million in provincial GDP. With a higher average spend rate per visitor, the Eastern air service brings in visitors spending $13.9 million yearly, generating 139 direct jobs and $5.8 million in direct GDP. More annual visitors arriving on the Central air services and higher average spend rates in the Eastern region generate greater impacts.

There are also indirect and induced economic impacts associated with visitor spending. These would include, for example, the suppliers to the hotel and restaurant industries that benefit from visitor spending. Further, hotel and restaurant employees spend their income on other goods and services that create induced impacts. Including indirect and induced impacts, annual visitor spending associated with the Western air service supports a total of 94 employees and $7 million in total GDP will be contributed to the provincial economy. Total impact facilitated by the Central air service amounts to 137 jobs and $9.2 million in GDP, while total impact facilitated by the Eastern air service amounts to 166 jobs and $9 million in GDP. Multiplier impacts differ by region due to variations in provincial economic structures.

***Figure 1.11: Visitor Spending Impacts of Select Regional Air Services***

| Impact | Employment (Jobs) | Labour Income ($ Millions) | GDP ($ Millions) | Output ($ Millions) |
|---|---|---|---|---|
| | | **Western** | | |
| Direct | 68 | $2.4 | $3.6 | $7.4 |
| Indirect | 16 | $1.0 | $1.9 | $3.2 |
| Induced | 10 | $0.6 | $1.5 | $2.1 |
| **Total** | **94** | **$3.9** | **$7.0** | **$12.7** |
| | | **Central** | | |
| Direct | 101 | $3.3 | $4.7 | $9.6 |
| Indirect | 23 | $1.5 | $2.6 | $5.0 |
| Induced | 13 | $0.8 | $1.8 | $2.9 |
| **Total** | **137** | **$5.6** | **$9.2** | **$17.6** |
| | | **Eastern** | | |
| Direct | 139 | $4.0 | $5.8 | $11.0 |
| Indirect | 15 | $0.9 | $1.7 | $3.2 |
| Induced | 12 | $0.6 | $1.5 | $2.3 |
| **Total** | **166** | **$5.5** | **$9.0** | **$16.5** |

Note: Totals may not sum due to rounding. All financial figures are in 2024 prices.

## Combined Airport Operations and Visitor Spending Impacts

The combined economic impact for the three select regional air services includes the impact of the airport related operations and visitor spending impacts. The annual *combined direct* impact of the Western air service is estimated to be 83 employees and $5.9 million in GDP. For the Central and Eastern air services, the annual combined direct impact is assessed at 134 jobs and $9.2 million in GDP, and 163 jobs and $9.3 million in GDP, respectively.

Including indirect and induced effects, the total annual combined impact of the Western air service is estimated to be 126 jobs and $11.4 million in GDP across the province. The total combined contribution of the Central air service is 216 jobs and $19.5 million in provincial GDP, while the total combined contribution of the Eastern air service is 210 jobs and $14.6 million in provincial GDP.

The three selected routes analyzed show the range in economic impact of regional air services across Canada, given differences in market demand, visitor profile, and economic structures per region, with each one contributing significantly to their respective regional economies. Air services and economic activity are closely associated, as airlines and airport-related businesses create employment and wages, which in turn are spent in the local communities and further drive economic activity. Furthermore, air services support all economic activity in the region by connecting businesses to markets and bringing in business and leisure visitors. Regional air services are important facilitators of economic development, providing overall benefits to communities.

***Figure 1.12: Combined Airport Operations & Visitor Spending Impacts of Select Regional Air Services***

| Impact | Employment (Jobs) | Labour Income ($ Millions) | GDP ($ Millions) | Output ($ Millions) |
|---|---|---|---|---|
| | | **Western** | | |
| Direct | 83 | $3.8 | $5.9 | $13.0 |
| Indirect | 26 | $1.7 | $3.1 | $5.4 |
| Induced | 16 | $0.9 | $2.4 | $3.6 |
| **Total** | **126** | **$6.4** | **$11.4** | **$22.0** |
| | | **Central** | | |
| Direct | 134 | $5.9 | $9.2 | $22.1 |
| Indirect | 54 | $3.8 | $6.4 | $12.7 |
| Induced | 28 | $1.8 | $3.8 | $6.4 |
| **Total** | **216** | **$11.4** | **$19.5** | **$41.2** |
| | | **Eastern** | | |
| Direct | 163 | $6.2 | $9.3 | $19.3 |
| Indirect | 28 | $1.7 | $3.0 | $6.7 |
| Induced | 19 | $1.0 | $2.4 | $3.7 |
| **Total** | **210** | **$8.8** | **$14.6** | **$29.7** |

Note: Totals may not sum due to rounding. All financial figures are in 2024 prices.

## Broader Economic Benefits of Air Connectivity & Regional Air Services

Beyond the economic impacts associated with airport operations and tourism, air transportation also contributes other positive effects to a region that can be more difficult to quantify. The connectivity provided by air services supports long-term economic growth by providing linkages between a region and the national economy through greater connections to business markets and greater access to resources. Industries and activities that would otherwise not exist in a region can be attracted by improved air transport connectivity. This yields additional benefits to direct users and generates further positive impact on the performance and economic activity of the region. These "catalytic impacts" capture the way in which air services facilitate employment and economic development in the economy through a number of mechanisms, such as:

- Trade effects: air transport provides connections to export markets for both goods and services.
- Investment effects: a key factor many companies take into account when making decisions about the location of offices, manufacturing plants or warehouses is proximity of an international airport.
- Productivity effects: air transportation offers access to new markets which in turn enables businesses to achieve greater economies of scale. Air access also enables companies to attract and retain high quality employees.


*Figure 1.13: Regional Economic Development Impacts Facilitated by Air Services*


Fort St John - North Peace Regional

# 2. Situational Analysis of Air Connectivity

Connectivity refers to the ability to reach a range of places in a convenient manner. While overall levels of transport service, such as the number of routes or frequencies operated, help contribute to this ability, the concept of connectivity is fundamentally about sufficient access to markets and regions. A community with access to a broader range of markets, especially the largest and fastest growing markets, will be a more cost-effective and desirable place to live. Greater connectivity also increases passengers' mobility and choice of destination, as well as improved convenience with reduced travel times.

This section provides an overview of the connectivity facilitated by Canada's regional airports as well as measures for how regional air connectivity has changed in recent years.

## Measures of Connectivity

There are several ways to measure connectivity, with different methodologies developed to capture the quality of transportation service using varying degrees of scope and complexity. The simplest measures involve counting the number of routes operated from an airport and the overall seat capacity associated with those routes. While these are important, our review of regional airports in Canada also considers two index measures of connectivity, each summarized below with further detail provided in **Appendix G.1 and G.2**.

- **IATA Connectivity Index** – this measure by the International Air Transport Association (IATA) uses annual airline schedule data to count regularly scheduled seat capacity to each destination, then weights that seat capacity by the relative size of the destination airport (in terms of total capacity handled each year), as a proxy for how well that destination may then enable further onward connectivity. In effect, this index focuses on direct connectivity, or the scale and quality of nonstop services, with only a broad consideration toward indirect connectivity via the destination airport weightings. **See Appendix G.1.**
- **Onwards Connection (OC) Index** – given that many regional airports rely on connecting services to reach many destinations, InterVISTAS developed the OC Index to consider both direct and indirect connectivity in more detail. This approach measures a given week's worth of itinerary-level data to assess not only the non-stop connectivity available from regional airports, but also the connectivity available through reasonable one-stop connections via other airports. Reasonable connections were selected based on criteria such as minimum and maximum connection times, airline networks and alliances, etc. The outbound seat capacity on each nonstop and one-stop itinerary is weighted based on criteria such as the type of connection being made and the travel time relative to faster itineraries. This analysis referred to scheduled itinerary data for the second week of August in 2019 and 2024. **See Appendix G.2.**

For each of these indicators, the change over time in the calculated scores denote the estimated growth or loss in connectivity.

# Changes in Regional Connectivity

As summarized in **Section A.2**, Canada's regional airports have experienced significant reductions in air service in recent years, including net losses in seat capacity and the number of destinations served within Canada. This includes a -17.1% loss in domestic seat capacity and -3.9% loss in the number of domestic direct routes served out of regional airports in 2024, relative to pre-pandemic levels in 2019 as shown in **Figure 1.2** and **Figure 1.2** below. While general capacity and destination counts are not the sole drivers of connectivity, the scale of loss in regional air service effectively constitutes a shrinking of the regional air network which results in lower overall air connectivity for the communities served by these airports.

***Figure 2.1 – Number of Direct Domestic Routes from Regional Airports (2014-2024)***[41]

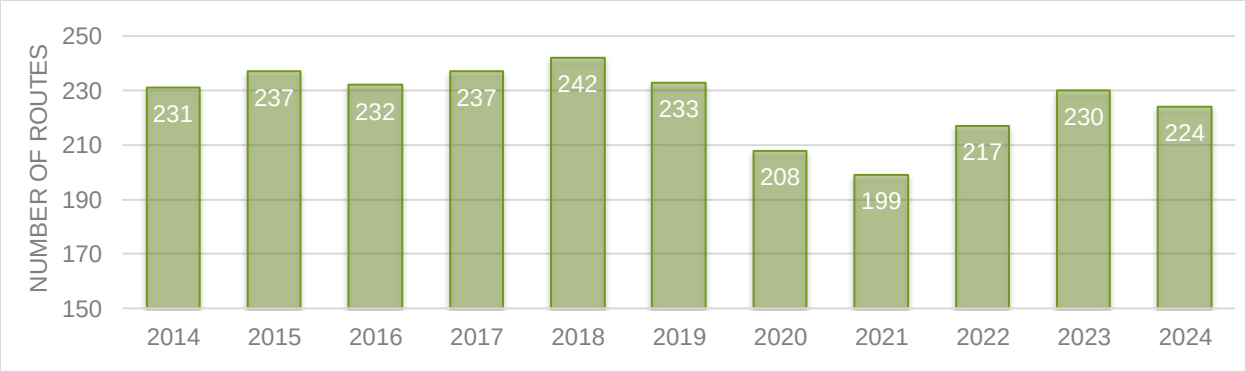
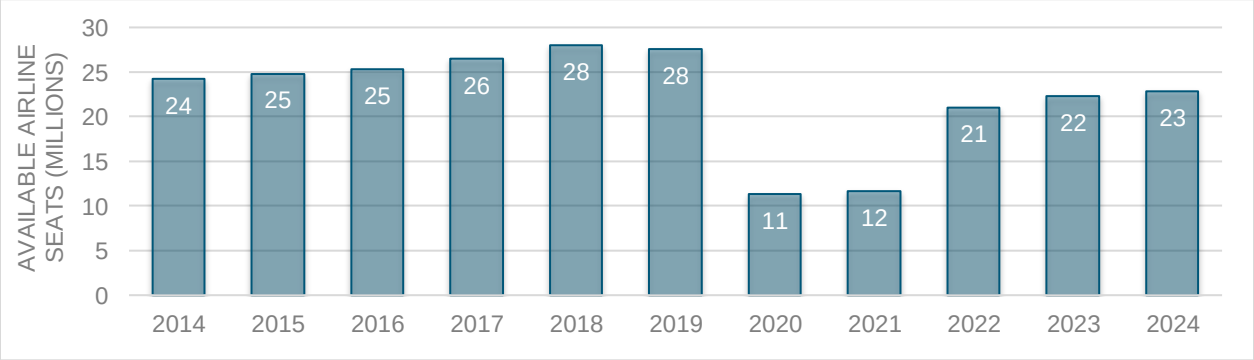



***Figure 2.2 – Direct Seat Capacity - Canada's Regional Routes (2014-2024)***[42]




Other measures of connectivity - the IATA Connectivity Index and the OC Index - also show a net loss in regional connectivity between 2019 and 2024 (see **Figure 2.3**). Across Canada's regional airports for all sectors, the OC Index indicates a -5.6% loss in connectivity between 2019 and 2024, while the IATA Connectivity Index indicates a -13.9% loss. When considering domestic connectivity only, the OC Index indicates a -12.7% loss in domestic connectivity compared to the -10.1% loss calculated from the IATA Connectivity Index.

[41] Diio Market Intelligence, 2014-2024. InterVISTAS Analysis.
[42] Diio Market Intelligence, 2014- 2024. InterVISTAS Analysis.

The declines in nonstop seat capacity indicate that sizable drops in overall capacity from regional airports are contributing to the drop in connectivity. However, the OC Index for the domestic sector shows that connectivity through one-stop connections has also declined. In effect, the reach of regional airports to domestic destinations has declined both in terms of direct service and connecting options.

The change in the OC Index is lower for all sectors (total) than for domestic because of the continued availability of international services from large hub airports.

***Figure 2.3 – Change in Air Connectivity from Regional Airports (2024 vs. 2019)***

| Sector | Annual Direct Routes | Annual Nonstop Outbound Seats | OC Index | IATA Connectivity Index |
|---|---|---|---|---|
| ***Domestic*** | *-3.9%* | *-17.9%* | ***-12.7%*** | ***-10.1%*** |
| **Total (All Sectors)** | 0.4% | -16.2% | **-5.6%** | **-13.9%** |

**Figure 2.4** breaks down the connectivity scores further by geographic region, which highlights that the trends in connectivity are not uniform across all regional airports or regions in Canada. There are multiple competing factors at play which can impact the connectivity scoring for each airport or region. Some regions and airports have had significant growth in all connectivity measures, while many others had losses (resulting in overall average losses). There are examples of airports losing direct service but retaining connecting services (resulting in a greater loss for the IATA Index versus the OC Index). The reverse is also present compared to 2019, with growth in direct services, but with limited additional connecting options. There is also seasonality present in the analysis, with some services (particularly to the US and international destinations) only present in the winter months (such as sunspot destinations). These would provide a boost to direct connectivity but potentially limited onward connecting options for some sunspot destinations.

*Regional airports saw a 17.1% loss in domestic seat capacity and 3.9% loss in the number of domestic direct routes in 2024, compared to 2019 levels*

On a regional domestic level, Central airports saw the largest drop in domestic connectivity, by both indices, while the East airports had the lowest drop in the Connecting index. The Territories had domestic growth in the IATA Index (as they are likely connected to major hub airports or gained some direct services vs 2019) but the OC Index was down -12.7%, likely indicating connecting itineraries were either not available or direct flight times did not allow for connecting options. Looking at total seats, the airports in the East lost direct services but saw an increase in the OC Index, which implies the remaining services provided for greater connecting options than in 2019.


Sault Ste Marie Airport

***Figure 2.4 – Change in Air Connectivity from Regional Airports by Region (2024 vs. 2019)***

| Sector | Region | Annual Direct Routes | Annual Nonstop Outbound Seats | OC Index | IATA Connectivity Index |
|---|---|---|---|---|---|
| **Domestic** | Central | -12.4% | -29.8% | -23.7% | -32.4% |
| | West | -3.5% | -14.5% | -10.8% | -3.1% |
| | East | 15.3% | -9.3% | -3.3% | -6.8% |
| | Territories | -4.5% | -20.1% | -12.7% | 3.6% |
| | **ALL REGIONAL AIRPORTS** | **-3.9%** | **-17.9%** | **-12.7%** | **-10.1%** |
| **Total (All Sectors)** | Central | -5.1% | -23.1% | -12.6% | -28.3% |
| | West | 3.0% | -14.7% | -6.8% | -8.4% |
| | East | 17.1% | -8.1% | 6.4% | -9.4% |
| | Territories | -6.6% | -20.4% | -9.5% | 4.4% |
| | **ALL REGIONAL AIRPORTS** | **0.4%** | **-16.2%** | **-5.6%** | **-13.9%** |

Central = regional airports in Manitoba, Ontario, and Quebec.
West = regional airports in British Columbia, Alberta, and Saskatchewan.
East = regional airports in New Brunswick, Newfoundland & Labrador, Nova Scotia, and Prince Edward Island.
Territories = regional airports in Yukon, Northwest Territories, and Nunavut.

# 3. Comparative Analysis of International Policies

Governments play a vital role in establishing policies that keep their countries connected. Given the vital importance of air connectivity in Canada (given long distances and many remote and small communities), government has a stronger responsibility to enhance regional air connectivity through various means including support for airports, airlines, and passengers. However, Canada lacks a cohesive national strategy aimed at improving domestic air connectivity. Federal support for regional air connectivity is primarily limited to safety-related capital infrastructure funding, with additional temporary support provided only briefly following the COVID-19 pandemic.[43] This temporary support has not been renewed. At the provincial level, some governments have introduced independent programs to support regional airport infrastructure and more so the development of regional air services.

Overall, the Canadian approach relies on ensuring the necessary infrastructure is in place for airports to operate, leaving market forces to dictate where and when regional air services are established. In contrast, comparable international jurisdictions such as the United States and Australia have developed national policies specifically designed to sustain domestic air connectivity.[44] These policies include regularly funded programs and reflect the limited competition from other transportation modes in providing robust regional connections. This section will examine Canada's current policy framework for regional air connectivity, compare it with international approaches, and identify key lessons Canada can learn from these examples.

## Policy Comparisons

### Regional Air Transportation Initiative

The Regional Air Transportation Initiative (RATI) was a federal program delivered by Canada's six regional development agencies.[45] Launched in March 2021 during the COVID-19 pandemic, RATI provided $206 million in funding over two years to support regional air transportation ecosystems impacted by the pandemic's economic effects.[46] Eligible recipients included regional air carriers, airports, businesses, cooperatives, non-profit organizations, and public institutions within the regional air transportation ecosystem.[47] The program funded activities such as enhancing air connectivity, supporting airport cash flow, and modernizing operations to maintain or improve services.[48] RATI played a critical role in supporting the economic development of Canadian communities by maintaining, restoring, or introducing regional air services. It also helped sustain the financial health of regional air carriers and

[43] Government Support Measures for Domestic Air Connectivity. International Transport Forum. https://www.oecd.org/en/publications/government-support-measures-for-domestic-air-connectivity_8e475cbc-en.html
[44] Ibid.
[45] Regional Air Transportation Initiative. Government of Canada. https://www.canada.ca/en/atlantic-canada-opportunities/campaigns/covid19/regional-air-transportation-initiative.html
[46] Ibid.
[47] Ibid.
[48] Ibid.

airports, which operate with smaller passenger volumes compared to their larger counterparts. However, the program's temporary two-year term limited its ability to act as a catalyst for air service beyond 2023.

## Airports Capital Assistance Program

The Airports Capital Assistance Program (ACAP), managed by Transport Canada, began in 1995 and has since invested over $1 billion in more than 1,200 projects across over 200 Canadian airports.[49] ACAP funds rehabilitation projects at local and regional airports that meet specific eligibility criteria, including passenger volume thresholds, year-round scheduled services, and federal certification standards.[50] The program supports projects such as runway rehabilitation, equipment purchases for firefighting and snow removal, and terminal safety improvements.[51] Depending on passenger volumes, the federal government covers a percentage of project costs, with airports north of the 60th parallel receiving a minimum of 85% funding.[52] ACAP eligibility is restricted to airports that serve between 1,000 and 525,000 passengers per year (unless it is a designated "remote" airport) and have regularly scheduled commercial passenger services year-round.[53] A temporary expansion to this threshold to 1 million passengers per year occurred from 2021 to 2023 as part of the government's COVID-19 response for the sector.[54] While ACAP supports regional air service by addressing regional airports' infrastructure needs, its narrow focus on infrastructure and safety-related projects limits its ability to include broader service development.

## Airport Critical Infrastructure Program

Created in 2021, the Airport Critical Infrastructure Program (ACIP) is a temporary 5-year federal initiative aimed at mitigating the COVID-19 pandemic's impact on larger Canadian airports. ACIP complements ACAP by primarily supporting airports with annual passenger volumes exceeding 525,000, where it funds infrastructure projects related to safety, efficiency, and transit connections.[55] ACIP can help larger regional airports alleviate the cost of critical infrastructure that is necessary for the airport to service additional passengers and aircraft. Although ACIP has supported 19 airports, including 10 regional ones, its

Yellowknife Airport

[49] Airports Capital Assistance Program. Government of Canada. https://tc.canada.ca/en/programs/airports-capital-assistance-program
[50] Apply for ACAP funding. Government of Canada. https://tc.canada.ca/en/aviation/operating-airports-aerodromes/apply-acap-funding
[51] Ibid.
[52] Information for ACAP applicants. Government of Canada. https://tc.canada.ca/en/aviation/operating-airports-aerodromes/apply-acap-funding/information-acap-applicants
[53] Ibid.
[54] Enhancement of the Airports Capital Assistance Program. Transport Canada. https://www.canada.ca/en/transport-canada/news/2021/05/enhancement-of-the-airports-capital-assistance-program.html
[55] Airport Critical Infrastructure Program. Transport Canada. https://www.canada.ca/en/transport-canada/news/2021/05/airport-critical-infrastructure-program.html

temporary design restricts its long-term impact on regional air service development.[56]

## Airport Relief Fund

The Airport Relief Fund was a $65-million initiative launched in May 2021 to provide financial relief to Canadian airports affected by the COVID-19 pandemic for one year.[57] Funding was allocated based on airports' regional importance and strategic significance, helping support operations and mitigate insolvency risks for 22 airports, 17 of which are regional.[58] While the fund played a supporting role in maintaining airport operations, its short duration limited its long-term impact on regional air services.

## Remote Air Services Program

The Remote Air Services Program provided temporary funding to maintain essential air services to 140 remote communities during the COVID-19 pandemic.[59] Delivered in collaboration with provinces, territories, and Indigenous partners, the program allocated $68 million (out of a $115 million budget) over a six-month period.[60] While effective in temporarily maintaining remote connectivity, the program's short scope limited broader, sustained impacts on regional air connectivity in Canada.

## Other Federal Government Programs

The Canadian federal government offers additional programs that support the aviation sector to varying degrees, with some having a more significant impact on regional air services than others.

### Federal Funding Programs for Regional Airports

The *Airports Operations and Maintenance Subsidy Program (O&MSP)* helps airports address operational and maintenance deficits. The O&MSP specifically supports regional and remote airports that require year-round links to the national transportation network.[61] Funding can cover costs such as operations, rent, utilities, and insurance. The program was first created with 32 eligible airports, most of which were operated by Transport Canada, but has since been reduced to four airports per the most recent reporting from Transport Canada.[62]

In Newfoundland and Labrador, the *Labrador Coast Airstrips Restoration Program* offers funding to the provincial government to maintain airstrips in 12 communities.[63] This funding is part of the 1982 Labrador Air/Marine Services Agreement, which commits Transport Canada to a continuous funding stream for these airstrips.[64]

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[56] Airport Critical Infrastructure Program: Recently funded projects. Transport Canada. https://tc.canada.ca/en/programs/airport-critical-infrastructure-program/airport-critical-infrastructure-program-recently-funded-projects
[57] Airport Relief Fund. Transport Canada. https://www.canada.ca/en/transport-canada/news/2021/05/airport-relief-fund.html
[58] Ibid.
[59] 31. ESSENTIAL AIR SERVICES TO REMOTE COMMUNITIES. Transport Canada. https://tc.canada.ca/en/binder/31-essential-air-services-remote-communities
[60] New measures to support essential air access to remote communities. Transport Canada. https://www.canada.ca/en/transport-canada/news/2020/08/new-measures-to-support-essential-air-access-to-remote-communities.html
[61] Airports Operations and Maintenance Subsidy Program. Transport Canada. https://tc.canada.ca/en/programs/airports-operations-maintenance-subsidy-program
[62] Evaluation of the Airports Operations and Maintenance Subsidy Program (O&MSP). Transport Canada. https://tc.canada.ca/en/evaluation-airports-operations-maintenance-subsidy-program-omsp
[63] Renewal of the Labrador Coast Airstrips Restoration Program. Government of Canada. https://www.canada.ca/en/news/archive/2003/04/renewal-labrador-coast-airstrips-restoration-program.html
[64] Ibid.

Windsor Airport

## Canada Community Building Fund

The *Canada Community-Building Fund (CCBF)* is a federal funding program that allocates resources to provinces and territories for essential infrastructure projects in individual communities.[65] The CCBF distributes over $2.4 billion annually to more than 3,700 communities. Communities have flexibility in deciding how to invest funds across 19 project categories, including local and regional airports.[66] However, funding under the CCBF is allocated specifically to infrastructure development rather than service promotion or maintenance.[67]

## National Trade Corridors Fund

The *National Trade Corridors Fund (NTCF)* supports infrastructure projects aimed at enhancing the flow of goods and people within Canada, improving trade access, and addressing climate change impacts, technological advancements, and transportation needs in Arctic and northern communities.[68] Since its inception in 2017, the NTCF has contributed $3.7 billion to 130 projects across various transport sectors, including marine, rail, road, and air.[69] Aviation-related projects account for at least 27 of these funded initiatives, involving airports, port authorities, NAV Canada, airlines, and various levels of government.[70] While the NTCF supports both regional and non-regional airport projects, its primary focus remains on airport infrastructure and support systems rather than direct air service provision.

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[65] The Canada Community-Building Fund. Government of Canada. https://housing-infrastructure.canada.ca/ccbf-fdcc/index-eng.html
[66] Ibid.
[67] Regional & Local Airports – Canada Community-Building Fund. Association of Municipalities Ontario. https://www.buildingcommunities.ca/about-the-fund/agreements/eligible-categories/regional-local-airports
[68] National Trade Corridors Fund. Government of Canada. https://tc.canada.ca/en/programs/funding-programs/national-trade-corridors-fund
[69] Ibid.
[70] Projects funded by the National Trade Corridors Fund. Government of Canada. https://tc.canada.ca/en/programs/funding-programs/national-trade-corridors-fund/projects-funded-national-trade-corridors-fund

## Destination Canada

Destination Canada, a federal crown corporation focused on tourism, provides targeted support for specific Canadian destinations. This support includes route development funding to help attract large numbers of inbound visitors. In the 2021 federal budget, Destination Canada received $100 million over three years for its Helping Visitors Discover Canada Fund, which included provisions for supporting route development at Canadian airports.[71] Additionally, Destination Canada has utilized marketing agreements with airports and airlines to drive post-pandemic air travel recovery from priority international markets.[72] These efforts can indirectly boost regional air service levels when focused on regional airports and routes.

## Canada Infrastructure Bank

The Canada Infrastructure Bank (CIB), another federal crown corporation, invests in revenue-generating infrastructure projects serving the public interest. While its investments in aviation have been limited, two notable projects include the development of Montreal's new Metropolitan Airport and a $52 million loan to Thompson Airport, a regional facility. The funding for Thompson Airport facilitated terminal replacement and upgrades to both airside and non-airside infrastructure, supporting 37 northern communities in Manitoba and western Nunavut with vital passenger and cargo services. [73]

## Other Funding from Regional Development Agencies

Canada's regional development agencies (RDAs) have provided targeted, one-time grants for airport-related projects, including infrastructure upgrades, disaster recovery, and air service development. These initiatives support regional airports by maintaining their ability to serve communities. One impactful example is the **Atlantic Canada Opportunities Agency's (ACOA)** September 2024 grant to the Atlantic Canada Airports Association, specifically for air access development in the region.[74] Since 2021, RDAs have funded regional airport projects under various programs, including:

- Pacific Economic Development Agency of Canada
- Prairies Economic Development Agency of Canada
- Federal Economic Development Agency for Northern Ontario
- Canada Economic Development for Quebec Regions
- Atlantic Canada Opportunities Agency

Many RDAs launched these funding initiatives after the conclusion of the Regional Air Transportation Initiative. As regional airports sought additional financial assistance to sustain operations and grow air service levels, RDAs stepped in to address critical needs, though their programs are not formally tied to a unified federal aviation initiative.

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[71] Annual Report 2023. Destination Canada. https://archives.destinationcanada.com/sites/default/files/archive/1930-Destination%20Canada%20Annual%20Report%20-%202023/DC%202023%20Annual%20Report.pdf

[72] 2024 – 2028 Corporate Plan Summary. Destination Canada. https://archives.destinationcanada.com/sites/default/files/archive/1905-Destination%20Canada%20Corporate%20Plan%20-%202024-2028/2024-2028%20Corporate%20Plan%20Summary.pdf

[73] CIB and Thompson Regional Airport close $52 million in financing for large-scale airport redevelopment project. Canada Infrastructure Bank. https://cib-bic.ca/en/medias/articles/cib-and-thompson-regional-airport-close-52-million-in-financing-for-large-scale-airport-redevelopment-project-2/

[74] Grants and Contributions: Continued Support for Air Access Development in Atlantic Canada. Government of Canada. https://search.open.canada.ca/grants/record/acoa-apeca,276-2024-2025-Q2-00221,current

## Provincial Government Programs

To address the limitations of federal support for regional air service—often constrained by temporary programs or specific eligibility requirements—several provinces have introduced mechanisms to better meet the needs of their communities. Quebec, British Columbia, and New Brunswick provide three distinct examples of provincial programs aimed at fostering regional air service development.

### Quebec: Airfare Reimbursement and Price Caps

Quebec has established a two-part regional air access initiative to ensure the survival of air services in remote regions where they are a necessity or the sole transportation link to the rest of the province. These measures incentivize carriers to serve regional communities while reducing the financial burden on residents, thereby ensuring continued access to vital air services.

1. *Airfare Reimbursement Program:*
   This program offers financial relief to residents of remote and isolated areas, many of which are indigenous communities, as well as students traveling between their home communities and educational institutions outside these areas.[75] Residents can apply for reimbursement covering a portion of airfare costs, flight change fees, and unaccompanied minor fees. The eligible travel must be with registered carriers operating domestic routes within Quebec or to designated border airports.[76] Travel beyond Quebec is excluded. The reimbursement rate depends on whether a community is connected to the road network and its distance from urban centers.[77]

2. *Maximum Airfare Pricing Scheme:*
   Under this component, financial assistance is provided to registered carriers offering year-round services from Quebec's major urban centers to regional destinations at least once per week per route.[78] The government sets a maximum airfare of $250 for one-way trips and $500 for roundtrips, inclusive of taxes and fees.[79] Carriers are compensated by the government based on route-specific costs.

### British Columbia: Regional Airport Infrastructure

British Columbia's Air Access Program (BCAAP) provides funding for infrastructure projects at public airports across the province, with a maximum allocation of $2 million per airport annually. The program operates as a cost-sharing initiative, requiring airports to seek federal and other funding sources before applying.[80]

- *Funding Categories:* Eligible projects include airside operations, climate and environmental initiatives, terminal upgrades, perimeter fencing, aircraft gates, groundside areas, and airport

[75] Airfare refunds for residents of remote and isolated regions (component 1). Gouvernement du Quebec. https://www.quebec.ca/en/transports/aide-financiere/aerien-maritime-ferroviaire/acces-aerien-regions/airfare-refunds
[76] Ibid.
[77] Ibid.
[78] Regional Air Access Program. Gouvernement du Quebec. https://www.transports.gouv.qc.ca/en/transport-aerien/regional-air-access-program/Pages/regional-air-access-program.aspx
[79] Ibid.
[80] British Columbia Air Access Program (BCAAP) Grants. Government of British Columbia. https://www2.gov.bc.ca/assets/gov/driving-and-transportation/funding-engagement-permits/grants-funding/funding-airport/documents/bcaap-guidelines-2023-24.pdf

master plans for smaller airports. Depending on the category, the province funds 50% to 100% of project costs.[81]

- *Enhanced Funding for Special Communities:* Projects in indigenous, isolated, rural, or remote communities, or those expected to generate significant economic impacts, may receive an additional 15% funding bonus.[82]

While BCAAP does not cover operational budgets or maintain ongoing air services, its broader scope compared to the federal Airports Capital Assistance Program (ACAP) enables airports to enhance their facilities holistically, creating greater opportunities for regional air service growth. The program has been well-received by the BC aviation community and similar infrastructure funding programs exist in Alberta and Saskatchewan.

### New Brunswick: Air Service Development Funding

In 2022, New Brunswick introduced a five-year strategy to promote passenger air service growth, with a strong focus on regional airports. The strategy emphasizes maintaining robust airport operations and fostering sustainable, long-term air service development through enhanced collaboration.[83]

The Regional Development Corporation, a provincial crown corporation, launched an Air Service Development Fund initiative with a $4 million allocation to support the establishment of new routes to New Brunswick airports.[84] A committee representing four New Brunswick airports—three classified as regional under this report's criteria—works alongside provincial agencies to identify and evaluate air service growth opportunities. The committee provides recommendations to the government and assesses proposals that aim to enhance air service development.[85] By prioritizing infrastructure maintenance and strategic planning, New Brunswick aims to strengthen regional air connectivity and foster economic growth across the province.

### Summary of Provincial Programs

The table below (**Figure 3.1)** outlines the diverse approaches taken by provincial governments to tailor programs to address unique regional needs and bolster the development of their air service ecosystems.

> *To address the limitations of federal support for regional air service—often constrained by temporary programs or specific eligibility requirements—several provinces have introduced mechanisms to better meet the needs of their communities.*

[81] Ibid.
[82] Ibid.
[83] Air sector strategy aims to increase service at province's four airports. Government of New Brunswick, 2022. https://www2.gnb.ca/content/gnb/en/departments/dti/news/news_release.2022.06.0303.html
[84] Ibid.
[85] Ibid.

Gander International Airport

***Figure 3.1: Provincial Government Programs Impacting Regional Air Service***

| Province | Funding Programs / Policies | Funding Type |
|---|---|---|
| **British Columbia** | B.C. Air Access Program[86]<br>• Funding for public use airports, heliports, or water aerodromes serving fewer than 1 million passengers annually<br>• Supports capital infrastructure projects | Airport Infrastructure Funding Program |
| **Alberta** | Community Airport Program[87]<br>• Funding for public use airports operated by municipal or regional governments<br>• Supports capital infrastructure projects<br>Travel Alberta Air Access Strategy[88]<br>• Funding to promote the development of international routes into Alberta (indirect contributor to regional air service growth).<br>Additional Infrastructure Investments<br>• In 2024, the government provided specific funding for infrastructure, feasibility studies and business planning at 10 regional airports in the province.[89] | Airport Infrastructure Funding Program, Air Service Development Funding Program |
| **Saskatchewan** | Community Airport Partnership Program[90]<br>• Funding for regional, community-owned airports<br>• Supports capital infrastructure projects<br>Government-Supported Routes[91] [92]<br>• Revenue guarantee for WestJet Regina-Minneapolis and Saskatoon-Minneapolis routes | Airport Infrastructure Funding Program, Route Incentives for Airlines |
| **Manitoba** | Manitoba Airport Assistance Program[93]<br>• Funding for municipal airport commissions which do not receive scheduled services<br>• Supports maintenance and operation of airports<br>Air Service Development Funding[94]<br>• Financial support fund for Winnipeg airport to develop routes to international markets (indirect contributor to regional air service growth). | Airport Operations Funding Program, Route Incentives for Airlines |

[86] Aviation Infrastructure Funding. Government of British Columbia. https://www2.gov.bc.ca/gov/content/transportation/funding-engagement-permits/funding-grants/aviation-infrastructure-funding
[87] Community Airport Program. Government of Alberta. https://www.alberta.ca/stip-community-airport-program
[88] Attracting international visitors as a fly-to destination. Travel Alberta. https://industry.travelalberta.com/posts/articles/attracting-international-visitors-as-a-fly-to-destination
[89] $1.1M announced for 10 regional Alberta airports. CTV News Edmonton. https://edmonton.ctvnews.ca/1-1m-announced-for-10-regional-alberta-airports-1.6833997
[90] Community Airport Partnership Program. Government of Saskatchewan. https://www.saskatchewan.ca/residents/transportation/airports/community-airport-partnership-cap-program
[91] Sask. government reveals more details on cost of WestJet direct flights deal. CTV News. https://regina.ctvnews.ca/sask-government-reveals-more-details-on-cost-of-westjet-direct-flights-deal-1.6661826
[92] Sask. earmarks $1.5M subsidy for WestJet flights between Regina and Minneapolis. Regina Leader-Post. https://leaderpost.com/news/saskatchewan/subsidy-westjet-regina-to-minneapolis-route
[93] Manitoba Airport Assistance Program Guidelines. Government of Manitoba. https://www.gov.mb.ca/mti/namo/air/maap.html
[94] Manitoba Government Welcomes WestJet's New Direct Flight from Winnipeg to Atlanta. Government of Manitoba. https://news.gov.mb.ca/news/index.html?item=59282

| Province | Funding Programs / Policies | Funding Type |
|---|---|---|
| **Ontario** | Infrastructure Investments in Northern Ontario Airports<br>• The government funds many Northern airports through the Northern Ontario Heritage Fund Corporation (NOHFC) on a needs-driven basis. NOHFC has supported capital infrastructure projects and airport master plans. | Airport Infrastructure Funding Program |
| **Quebec** | Regional Air Access Program[95]<br>• Airfare reimbursement for residents of remote/isolated areas<br>• Sets maximum airfare pricing on routes from major cities to remote areas by supporting airlines with discounted tickets<br>Infrastructure Investments<br>• The Quebec government has also made individual investments in specific airports to support rehabilitation work. | Airfare Reimbursement Program for Residents, Subsidies for Airlines Program (Price Caps), One-Time Infrastructure Funding for Airports |
| **New Brunswick** | Air Service Development Fund Pilot Project[96]<br>• The government's Regional Development Corporation has created a fund to support the development of routes. | Air Service Development Funding Program |
| **Prince Edward Island** | Air Service Development Funding<br>• The government has provided specific funding for Charlottetown airport in 2021 and 2023 to retain and restore air service.[97] | One-time funding for airport: Air service development |
| **Nova Scotia** | Air Service Development Funding<br>• In 2022, the government provided specific funding for Halifax airport to build an Air Access Fund to attract more air routes and passengers to Nova Scotia.[98] | One-time funding for airport: Air service development |
| **Newfoundland and Labrador** | Air Service Development Funding<br>• In 2022, the government has provided specific funding aimed at re-establishing cancelled or reduced air routes at St. Johns, Deer Lake, and Gander airports.[99] | One-time funding for airports: Air service development |

[95] Regional Air Access Program. Government of Quebec. https://www.transports.gouv.qc.ca/en/transport-aerien/regional-air-access-program/Pages/regional-air-access-program.aspx
[96] Air sector strategy aims to increase service at province's four airports. Government of New Brunswick, 2022. https://www2.gnb.ca/content/gnb/en/departments/dti/news/news_release.2022.06.0303.html
[97] Charlottetown Airport gets $1M in provincial funding to help it rebound. CBC, 2023. https://www.cbc.ca/news/canada/prince-edward-island/pei-airport-investment-1.6829413
[98] Government Invests in Halifax Stanfield International Airport. Government of Nova Scotia, 2022. https://news.novascotia.ca/en/2022/05/06/government-invests-halifax-stanfield-international-airport
[99] Premier Furey Announces $1 Million Investment in Three Airport Authorities. Government of Newfoundland and Labrador. https://www.gov.nl.ca/releases/2022/exec/0209n03/

# Program Reviews

## United States

The United States has developed a policy framework aimed at ensuring consistent and reliable air service to regional communities. This approach was largely shaped after the airline industry was deregulated in 1978. At that time, the government recognized the need to maintain air service to smaller communities, despite the removal of many regulatory restrictions, and decided to offer subsidies to airlines in exchange for maintaining a minimum level of service.[100] This led to the creation of the Essential Air Services (EAS) program, initially designed to run for 10 years.[101] However, the program was extended in 1988 and made permanent in 1996, reflecting the essential nature of the funding program to the economic development of several communities across the United States.[102]

The U.S. government's approach to regional air service has expanded beyond subsidies, also investing in regional airport infrastructure. This dual-track strategy, combining subsidies with infrastructure investment, has been the core of U.S. policy regarding domestic air connectivity.

### Essential Air Service Program

The Essential Air Service (EAS) program is designed to ensure that small communities retain air service by providing subsidies to airlines operating in designated EAS cities. In return, airlines must maintain a minimum level of service, typically two daily round-trip flights on 30-50 seat aircraft, or additional frequencies with smaller aircraft, connecting small communities to larger hub airports.[103]

In 2004, the U.S. Department of Transportation (DOT) introduced the Alternative Essential Air Service (AEAS) option. This allows communities to opt out of the EAS program temporarily in exchange for a one-time grant that can be used for alternative solutions, such as more frequent service with smaller aircraft or on-demand air taxi services.[104]

As of Fall 2024, the EAS and AEAS programs together support 65 communities in Alaska and 112 communities across the 48 contiguous U.S. states, Hawaii, and Puerto Rico.[105] Without these programs, many of these regional airports would either lack scheduled air service or experience it at very limited levels. The EAS program's permanent authorization by Congress ensures long-term stability and certainty for these regional communities.[106]

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[100] Essential Air Service. U.S. Department of Transportation. https://www.transportation.gov/policy/aviation-policy/small-community-rural-air-service/essential-air-service
[101] Essential Air Service (EAS). Congressional Research Service. https://crsreports.congress.gov/product/pdf/R/R44176/7
[102] Ibid.
[103] Essential Air Service. U.S. Department of Transportation. https://www.transportation.gov/policy/aviation-policy/small-community-rural-air-service/essential-air-service
[104] ESTABLISHMENT OF ALTERNATE ESSENTIAL AIR SERVICE PILOT PROGRAM PURSUANT TO VISION 100 -- 49 U.S.C. § 41745. U.S. Department of Transportation. https://www.transportation.gov/sites/dot.gov/files/docs/Order%20Establishing%20AEAS_2.pdf
[105] Essential Air Service. U.S. Department of Transportation. https://www.transportation.gov/policy/aviation-policy/small-community-rural-air-service/essential-air-service
[106] Ibid.

St John's International Airport

## Small Community Air Service Development Program (SCASDP)

Launched in 2000, the Small Community Air Service Development Program (SCASDP) provides competitive grants to regional communities to address air service challenges and airfare issues.[107] This program operates separately from EAS and offers broader eligibility criteria, enabling regional airports to identify their own air service gaps and propose solutions.[108] Unlike the EAS, which provides grants to airlines, SCASDP funds airports directly. SCASDP funds are appropriated under FAA reauthorization legislation and have been renewed as recently as 2024.[109] In 2024, the U.S. Department of Transportation awarded nearly $12 million in federal grants to 14 airports under this program.[110]

## State-Level Air Service Programs

In addition to federal programs, several U.S. states have developed their own air service development initiatives. States such as Wyoming,[111] Oklahoma,[112] and New Mexico[113] have established air service enhancement programs that provide funding for specific routes or broader commercial air service incentive schemes to attract carriers. These state-level programs complement federal efforts by focusing on regional air service expansion within individual states.

## Airport Infrastructure Support: FAA Grants

The Federal Aviation Administration (FAA) administers the Airport Improvement Program (AIP), which provides grants to support the planning and development of public-use airports. AIP grants can cover up to 95% of eligible costs, depending on the size of the airport.[114] Eligible projects include those that improve airport safety, capacity, security, and address environmental concerns.[115] These investments contribute to regional air connectivity by modernizing airport infrastructure, which can, in turn, encourage airlines to offer more service.

In response to the COVID-19 pandemic, additional federal funds were allocated for airport infrastructure through the C.A.R.E.S. Act (2020),[116] the Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA) (2020),[117] and the American Rescue Plan (2021).[118] The Bipartisan Infrastructure Law of 2021 also provided significant investments in airport upgrades, with a focus on regional airports that typically have limited revenue streams.[119]

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[107] FY15 SCASDP Selection Order. U.S. Department of Transportation. https://www.transportation.gov/sites/dot.gov/files/2024-10/SCASDP-FY2023-Selection-Order.pdf
[108] Small Community Air Service Development Program (SCASDP). U.S. Department of Transportation. https://www.transportation.gov/policy/aviation-policy/small-community-rural-air-service/SCASDP
[109] ORDER SOLICITING SMALL COMMUNITY GRANT APPLICATIONS. U.S. Department of Transportation. https://www.transportation.gov/sites/dot.gov/files/2024-06/FY23CY24.Order%202024-6-8%20FINAL.SCASDP.NOFO_..pdf
[110] FY15 SCASDP Selection Order. U.S. Department of Transportation. https://www.transportation.gov/sites/dot.gov/files/2024-10/SCASDP-FY2023-Selection-Order.pdf
[111] Air Service Enhancement Program (ASEP). Wyoming Department of Transportation. https://www.dot.state.wy.us/home/aeronautics/air_service/air_service_.html
[112] Oklahoma Aerospace and Aeronautics Commission Approves Funding to Support New Non-Stop Flights and Improve Aviation Classrooms at Schools Across the State. Oklahoma Aerospace & Aeronautics. https://oklahoma.gov/aerospace/outreach-advocacy/newsroom/oklahoma-aerospace-and-aeronautics-commission-approves-funding-to-support-new-non-stop-flights-and-improve-aviation-classrooms-at-schools-across-the-state.html
[113] NMDOT Funds $1.4M Rural Air Service Enhancement Grant for Angel Fire. New Mexico Department of Transportation. https://www.dot.nm.gov/blog/2024/12/18/nmdot-funds-1-4m-rural-air-service-enhancement-grant-for-angel-fire/
[114] Overview: What is AIP & What is Eligible? Federal Aviation Administration. https://www.faa.gov/airports/aip/overview
[115] Ibid.
[116] 2020 CARES Act Grants. Federal Aviation Administration. https://www.faa.gov/airports/cares_act
[117] Airport Coronavirus Response Grant Program. Federal Aviation Administration. https://www.faa.gov/airports/crrsaa
[118] Airport Rescue Grants. Federal Aviation Administration. https://www.faa.gov/airports/airport_rescue_grants
[119] Bipartisan Infrastructure Law - Airport Infrastructure. Federal Aviation Administration. https://www.faa.gov/bil/airport-infrastructure

Importantly, while federal funds can be used for airport infrastructure improvements and marketing efforts, they cannot be allocated for funding airline operations directly.[120]

Together, the U.S. governments' subsidies, grant programs, and infrastructure investments, comprise a suite of measures which have supported the maintenance and development of regional air service in the United States.

## Australia

Australia's policy approach to regional air connectivity is outlined in its 2024 Aviation White Paper, where the government emphasizes its commitment to providing "reliable and accessible aviation services to remote and regional communities," ensuring that no community is left behind.[121] To achieve this commitment, the Australian government has adopted a dual-track approach, funding essential airport infrastructure and subsidizing regular air transportation services to regional areas. Australia recognizes that "reliable and accessible aviation service" will not be commercially viable in some communities without the government intervention.[122] Alongside federal programs, state and territorial governments in Australia also use price caps and subsidies to support regional routes.[123]

The Australian government has established five programs that regularly support regional aviation. Two programs focus on assisting regional airlines with operational costs while the remaining three are aimed at supporting regional airports by enhancing their infrastructure to ensure safe operations and facilitate regular air services.

### Remote Air Services Subsidy Scheme (RASS)

Under the Remote Air Services Subsidy Scheme (RASS), the Australian government contracts regional airlines to provide services to remote and regional communities, subsidizing operational costs. Communities seeking service under the RASS must demonstrate their remoteness, a need for air service, and have an airport that meets national safety standards.[124] RASS currently serves 269 communities, with some as small as 200 people. Notably, most of Canada's regional communities, per this report's definition, are larger than those served by Australia's RASS program.

### Regional Airports Program (RAP)

This competitive grant program funds airport projects that focus on improving safety, facilitating the delivery of essential goods and services, enhancing regional connectivity to domestic and international markets, and ensuring that airports meet the operational requirements for emergency services.[125]

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[120] Policy and Procedures Concerning the Use of Airport Revenue; Notice. Federal Register. https://www.faa.gov/sites/faa.gov/files/airports/southwest/airport_compliance/obligation_final99.pdf
[121] Aviation White Paper – Towards 2050. Australian Government. https://www.infrastructure.gov.au/sites/default/files/documents/awp-aviation-white-paper.pdf
[122] Ibid.
[123] Ibid.
[124] Remote Air Services Subsidy Scheme. Australian Government. https://www.infrastructure.gov.au/infrastructure-transport-vehicles/aviation/regional-remote-aviation/remote-air-services-subsidy
[125] Regional Airports Program. Australian Government. https://www.infrastructure.gov.au/infrastructure-transport-vehicles/aviation/regional-remote-aviation/regional-airports-program

Victoria Airport

## Airservices Australia Enroute Charges Payment Scheme (Enroute)

The Airservices Australia Enroute Charges Payment Scheme (Enroute) provides a subsidy to airlines offering commercial passenger or aeromedical services to regional and remote locations. This subsidy reimburses carriers for the air navigation charges imposed by Airservices Australia, the country's national air traffic control operator.[126] To qualify for the commercial passenger services component, the route must be classified as regional or remote, be served by a single operator, not already receive another subsidy, and handle no more than 15,000 passenger movements annually.[127] Airports covered under the Enroute program are generally similar in size to Canadian regional airports per this report's definition.

## Remote Aerodrome Inspection Programme (RAI)

This program provides annual aerodrome inspections and safety services to remote Indigenous communities, helping them meet necessary safety standards for airstrip operations.[128]

## Remote Airstrip Upgrade Program (RAU)

This program funds improvements to the safety and accessibility of airports in designated remote areas. Projects supported by the RAU include those aimed at improving all-weather capability, enhancing nighttime operations, and ensuring accessibility for individuals with disabilities.[129]

While funding for these programs is not permanent, most of them received additional funding in 2024 or are routinely included in the government's annual budget, with costs varying from year to year. These

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[126] Airservices Australia Enroute Charges Payment Scheme. Australian Government. https://www.infrastructure.gov.au/infrastructure-transport-vehicles/aviation/regional-remote-aviation/enroute-charges-payment-scheme

[127] Ibid.

[128] Remote Aerodrome Inspection Programme. Australian Government. https://www.infrastructure.gov.au/infrastructure-transport-vehicles/aviation/regional-remote-aviation/remote-aerodrome-inspection-programme

[129] Remote Airstrip Upgrade Program – Round 11 – Grant Opportunity Guidelines. Australian Government. https://business.gov.au/-/media/grants-and-programs/raup-round-11/remote-airstrip-upgrade-program-round-11-grant-opportunity-guidelines-pdf.pdf?sc_lang=en&hash=53AD53EB8FD1D19DD58BED238A8A67AC

programs collectively support regional and remote communities in Australia with some of the infrastructure and services needed to maintain reliable air travel.

### Additional Regulatory Support for Regional Air Services

In addition to its funded programs for regional air service, the Australian federal and state governments have also enacted specific regulations to preserve regional air service through tools such as slot coordination, airline protections, and resident subsidies. For example, as part of the legislative arrangement for the privatization of Sydney Airport in 2002, the government established a "regional ring fence" which reserves a pool of airport slots for the operation of regional air services.[130] The policy holds 25% of slots during peak hours for air connectivity to regional communities.[131] In addition to this policy, Western Australia also has regulations which give air carriers a monopoly on specific intra-state routes.[132] At the state government level, the state of Queensland has also enacted a Local Fare Scheme which offers subsidization of airfares for eligible residents in remote communities.[133]

## European Union

The European Union (EU) represents a case where a supranational entity governs aviation policies, including those that support regional connectivity. While the EU upholds the principle of the free market in determining where aviation routes should operate, it also recognizes the need to provide targeted support for regional connectivity in certain cases.

The EU's state aid guidelines, in effect within its borders and in the European Free Trade Area, are designed to prevent market distortion by limiting public financial support for airports.[134] Specifically, airports with more than 3 million annual passengers are prohibited from receiving operating aid, and airports with over 5 million annual passengers are restricted from receiving investment aid.[135] However, airports under these thresholds are eligible for government assistance to maintain financial viability. Notably, these guidelines do not restrict support for air carriers or passenger assistance programs, allowing for more flexibility in ensuring connectivity to peripheral regions.

To support regional air services, the EU has established the Public Service Obligation (PSO) framework, which enables member states to implement financial and policy support for specific routes within their territory. A PSO can be applied to routes connecting peripheral or development regions, or areas with limited air service that are essential for social and economic development.[136] Through PSOs, airlines can receive compensation to cover operational losses, or they may be granted exclusive access to a route for a set period to shield them from competition.[137] As of November 2024, 165 PSOs are in effect across the EU, ensuring that essential regional routes remain operational and accessible for local communities.[138]

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[130] Government Support Measures for Domestic Air Connectivity. International Transport Forum. https://www.oecd.org/en/publications/government-support-measures-for-domestic-air-connectivity_8e475cbc-en.html
[131] Ibid.
[132] Ibid.
[133] Ibid.
[134] Government Support Measures for Domestic Air Connectivity. International Transport Forum. https://www.oecd.org/en/publications/government-support-measures-for-domestic-air-connectivity_8e475cbc-en.html
[135] Ibid.
[136] Ibid.
[137] Ibid.
[138] List of routes concerned – situation on 11/03/2024. European Commission. https://transport.ec.europa.eu/document/download/9168af3e-67c7-430f-b46c-61b76236d8cb_en?filename=pso_inventory_table_2024-03.pdf

Spain offers a notable case study within the European Union because of its combination of PSO routes with a resident discount. On its PSO routes, the Spanish government caps the prices of fares to ensure accessibility for all travellers.[139] The government also offers a program that provides a significant discount on airfares for residents of certain isolated regions. This subsidy, which covers 75% of the regular ticket price, is available to residents who meet specific citizenship and residency criteria in regional areas such as the Canary Islands, Balearic Islands, Ceuta, and Melilla—locations that are geographically separated from the Spanish mainland.[140] The discount applies to flights between these regions and the mainland, with some restrictions on which airports are eligible.

## Other International Programs

In addition to Australia, the United States, and the European Union, several other countries have established programs to support regional air connectivity.

In Japan, the government has implemented a range of initiatives to foster regional air service. One of the key measures is the direct provision of subsidies to airlines operating routes to remote islands, helping offset their operational costs. Additionally, Japan offers a broader national remote island grant program that helps reduce airfares for residents of these remote areas. Another key policy is the allocation of specific airport slots for domestic routes, ensuring that carriers have access to the necessary infrastructure to serve these routes, thus increasing the likelihood that they will operate on them.[141]

## Comparing Canada to its Peers

Canada's National Transportation Policy, as stated in the Canada Transportation Act, calls for the development of a competitive and economical transportation system that can "serve the needs of its users, advance the well-being of Canadians and enable competitiveness and economic growth in both urban and rural areas throughout Canada."[142] The policy also states that "competition and market forces" should be the "prime agents in providing viable and effective transportation services" and that "regulation and strategic public intervention" should be used to achieve specific outcomes that can not be satisfactorily achieved by market forces.[143] Given this policy approach, Canada has largely enabled market forces to determine where, when, and how regional air services develop. The federal government has limited its interventions to provide funding for regional airport infrastructure projects and has generally refrained from funding specific services or providing direct support for regional connectivity, except on a temporary basis during the COVID-19 pandemic.

Overall, Canada's peer countries—each with smaller geographic areas to manage—have established clear programs that support domestic air connectivity. In contrast to the Canadian model of supporting infrastructure investment, the other countries examined have focused their support for regional aviation largely on the provision of air services. This happens through direct subsidies, limiting competition, and

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[139] Study on the practice of Public Service Obligations in Europe. European Regions Airline Association. https://cloud.3dissue.net/9237/9242/9271/113009/index.html?26309

[140] General information – Air Transport Subsidies. Ministerio de Transportes Y Movilidad Sostenible. https://www.transportes.gob.es/aviacion-civil/subvenciones-para-el-transporte-aereo/informacion-general/informacion-general-de-subvenciones-para-el-pasajero

[141] Government Support Measures for Domestic Air Connectivity. International Transport Forum. https://www.oecd.org/en/publications/government-support-measures-for-domestic-air-connectivity_8e475cbc-en.html

[142] Canada Transportation Act S.C. 1996, c. 10. Justice Laws Website. Government of Canada. https://laws-lois.justice.gc.ca/eng/acts/c-10.4/page-1.html

[143] Ibid.

price caps, among other methods. The mechanisms countries use will depend on their national context and the eligibility criteria established for airports and airlines.

When considering a new regulatory and economic framework for regional air connectivity in Canada, it is essential to analyze these international models and whether Canada's existing policy framework is equipped with the necessary tools to achieve desired levels of regional connectivity. This will help identify useful lessons while also recognizing where such approaches might not align with Canada's unique national context.

*The peer countries examined—each with smaller geographic areas to manage—have established clear programs that support domestic air connectivity.*

## Investment Review

Since the divestiture of Canada's airports, the United States has far outpaced Canada in its overall investment in aviation infrastructure. The following review compares investment by each country's federal governments only over the 20-year period from 1995 to 2024, based on government fiscal years. The review includes funding allocated through dedicated funding programs only, meaning that any one-time funding that a government has provided to an individual airport outside of such a program has not been included.[144] Additional funding sources have been listed in this section which have not been listed in previous sections of this report.

*Canada's total investment in airport infrastructure amounts to only 12% of what the U.S. has spent per capita from 1995 to 2024.*

**Deer Lake Regional Airport**

[144] Payments from the government to NAS airports during the airport divestment process have not been included.


## Figure 3.2: Summary of Investment in Airport Infrastructure, Canada and U.S. Governments, 1995-2024

| | Amount (in CAD, millions, real 2024 dollars)[145] |
|---|---|
| **Canada** | |
| **Airports Capital Assistance Program**[146] | $1,040 |
| **Airport Critical Infrastructure Program**[147] | $440 |
| **Regional Air Transportation Initiative**[148] | $206 |
| **Remote Air Services Program**[149] | $68 |
| **Airport Relief Fund**[150] | $65 |
| **Airports Operations and Maintenance Subsidy**[151] | $26 |
| **Labrador Coast Airstrips Restoration Program**[152] | $27 |

[145] Totals may not sum, due to rounding.
[146] Public Accounts of Canada, 1995-2024. InterVISTAS Analysis.
[147] Public Accounts of Canada, 1995-2024. InterVISTAS Analysis.
[148] Regional Air Transportation Initiative. Pacific Economic Development Agency. https://www.canada.ca/en/pacific-economic-development/services/funding/regional-air-transportation.html#:~:text=The%20Regional%20Air%20Transportation%20Initiative,economic%20impacts%20of%20COVID%2D19.
[149] Public Accounts of Canada, 1995-2024. InterVISTAS Analysis.
[150] Public Accounts of Canada, 1995-2024. InterVISTAS Analysis.
[151] Public Accounts of Canada, 1995-2024. InterVISTAS Analysis.
[152] Public Accounts of Canada, 1995-2024. InterVISTAS Analysis.

| Country / Funding Stream | Amount (in CAD, millions, real 2024 dollars)[153] |
|---|---|
| **Canada** | |
| **National Trade Corridors Fund**[154]<br>***Only projects that funded airports are included** | $373 |
| **Canada Community Building Fund**[155]<br>***Only projects that funded airports and were reported by provinces are included** | $30 |
| **Canada Infrastructure Bank Investments**[156][157]<br>***Only projects that funded airports are included** | $142 |
| **Strategic Capital Investment Initiative**[158]<br>***Only the stated spending on airports is included**<br>****This funding stream terminated in 1998** | $13 |
| **Grand Total** | $2,430 |
| **United States**[159][160][161] | |
| **Airport Improvement Program (AIP)** | $130,334 |
| **Bipartisan Infrastructure Law** | $9,707 |
| **COVID-19 Relief (C.A.R.E.S. Act, American Rescue Plan, Coronavirus Response and Relief Supplemental Appropriation Act)** | $28,587 |
| **Economic Recovery Funds (2009-2010 Relief)** | $1,539 |
| **Grand Total** | $170,167 |

The U.S. federal government has invested $500.33 per capita in its airports since 1995 whereas Canada has invested only $58.86 per capita. From 1995 to 2024, Canada's total investment in airport infrastructure amounts to only 12% of what the U.S. has spent, meaning the United States invests 8.5 times more than Canada in airport infrastructure on a per capita basis.

[153] Totals may not sum, due to rounding.
[154] Projects funded by the National Trade Corridors Fund. Government of Canada. https://tc.canada.ca/en/programs/funding-programs/national-trade-corridors-fund/projects-funded-national-trade-corridors-fund#wb-auto-4
[155] Provincial Outcomes Reporting on the Federal Gas Tax Fund and Canada Community Building Fund, 2014-2024. Note: Airports became eligible to receive funding under these funds as of 2014.
[156] Thompson Regional Airport. Canada Infrastructure Bank. https://cib-bic.ca/en/projects/trade-and-transport/thompson-regional-airport/
[157] Montreal Metropolitan Airport. Canada Infrastructure Bank. https://cib-bic.ca/en/projects/trade-and-transport/met-montreal-metropolitan-airport-yhu/
[158] Public Accounts of Canada, 1995-2024. InterVISTAS Analysis.
[159] Airport Improvement Program (AIP) Grant Histories. Federal Aviation Administration. https://www.faa.gov/airports/aip/grant_histories
[160] AIP Tableau Dashboard. Federal Aviation Administration. https://explore.dot.gov/t/FAA/views/AIPTableauDashboard-Public_16287828377070/Start?:showAppBanner=false&:display_count=n&:showVizHome=n&:origin=viz_share_link&:isGuestRedirectFromVizportal=y&:embed=y
[161] 2024 AIP Summary (All Grants). Federal Aviation Administration. https://www.faa.gov/airports/aip/grant_histories/2024

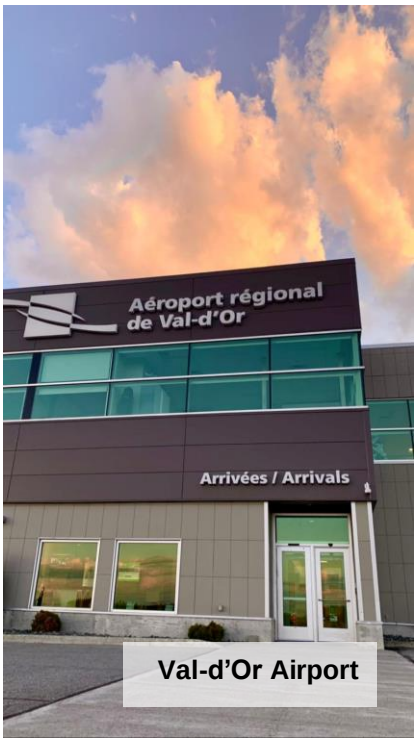
Quebec International City Jean Lesage Airport

# 4. Regulatory and Economic Framework

Maintaining strong regional air connectivity is in Canada's public interest and can support economic growth and ensure access to essential services. As outlined in Section A, regional air services contribute to job creation, GDP growth, and economic activity while improving access to healthcare, education, and social services, particularly in remote and underserved communities.

Given Canada's vast geography, government has an essential role in sustaining regional connectivity. Public investment in airport infrastructure strengthens operations, expands service availability, and enhances economic opportunities. Infrastructure improvements, such as runway upgrades and terminal expansions, attract airlines by ensuring facilities can accommodate various aircraft and passenger volumes. Additionally, targeted government support can lower travel costs for passengers and reduce operational burdens for airlines serving regional routes, increasing service viability.

Despite the recognized need for government support, Canada lacks a coherent regulatory and economic framework to guide policies on regional air connectivity. Instead, a patchwork of federal and provincial initiatives has been implemented in response to immediate challenges, often on a temporary basis. Without a long-term strategy, these reactive measures fail to provide the stability needed for regional airlines, airports, and passengers. A sustainable, forward-thinking approach is necessary to ensure consistent, reliable regional air services, and the associated benefits.



Val-d'Or Airport

Developing such a framework is a country-specific process, as aviation needs vary by geography, population distribution, and economic priorities. Although no single international model can be directly applied to Canada, examining global best practices offers valuable insights. The United States, Australia, and the European Union have established policies that combine direct financial support for regional airlines, targeted subsidies, and airport infrastructure investments. Other countries, such as Spain and Japan, have implemented innovative approaches, including airfare discounts for residents of remote areas and protections for domestic flight slots.

This section of the report will first analyze Canada's existing regulatory and economic policies governing regional aviation. It will then outline the critical components of an effective framework, incorporating lessons from comparable international models. Five guiding principles will be proposed as essential to shaping a Canadian framework. Finally, the benefits of a structured regulatory and financial approach to regional air connectivity will be discussed, emphasizing the need for a long-term vision that fosters sustainable growth and accessibility in Canada's aviation sector.

# Framework Foundations

## Current Status

### Canada's National Transportation Policy

The Government of Canada does not currently have a dedicated, stand-alone policy for regional air service promotion or the development of the aviation sector. However, it operates under a broad National Transportation Policy, as outlined in the *Canada Transportation Act.* This policy provides a framework for how Canada's transportation system should function, emphasizing market-driven service development.[162]

> Excerpt from the ***Canada Transportation Act*** (as of 2019):
>
> *"It is declared that a competitive, economic and efficient national transportation system that meets the highest practicable safety and security standards and contributes to a sustainable environment and makes the best use of all modes of transportation at the lowest total cost is essential to serve the needs of its users, advance the well-being of Canadians and enable competitiveness and economic growth in both urban and rural areas throughout Canada.*
>
> - ***(a)*** *competition and market forces, both within and among the various modes of transportation, are the prime agents in providing viable and effective transportation services;*
> - ***(b)*** *regulation and strategic public intervention are used to achieve economic, safety, security, environmental or social outcomes that cannot be achieved satisfactorily by competition and market forces and do not unduly favour, or reduce the inherent advantages of, any particular mode of transportation."*

The *Canada Transportation Act* has evolved over time, with notable revisions in 2007 that shifted the approach. The updated language emphasized enabling competitiveness and sustaining economic growth across both urban and rural areas.[163] Additionally, the revisions introduced provisions supporting "strategic public interventions," signaling a willingness for government action in cases where market forces alone might not suffice.[164]

Despite this evolution, the government has maintained a default approach of ensuring adequate infrastructure for air services rather than directly intervening in the market. Temporary funding programs, such as those implemented during the COVID-19 pandemic, were reactionary measures rather than components of a structured, long-term strategy. The absence of a clear aviation policy contributes to uncertainty regarding the government's role in regulating and supporting regional air transportation.

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[162] Canada Transportation Act S.C. 1996, c. 10. Justice Laws Website. Government of Canada. https://laws-lois.justice.gc.ca/eng/acts/c-10.4/page-1.html
[163] Canada Transportation Act - Version of section 5 from 2003-01-01 to 2007-06-21. Justice Laws Website. Government of Canada. https://laws-lois.justice.gc.ca/eng/acts/c-10.4/section-5-20030101.html#wb-cont
[164] Ibid.

Canada's transportation policy allows for strategic government intervention to achieve social and economic objectives that market forces may not fulfill. Regional air service is a prime example of an essential public good that aligns with the broader objectives of the National Transportation Policy, including by reducing transportation costs and enhancing economic competitiveness. For these reasons and others outlined in this report, aviation necessitates a tailored regulatory and economic strategy from other modes of transportation.

## Transport Canada and Canada's Airports

The federal government's regulatory responsibilities for the aviation sector rest with Transport Canada. The department oversees the Canadian Aviation Regulations, airport zoning regulations, aviation security rules, and a range of other regulations which ensure the country's aviation system is safe for passengers and compliant with international standards. Transport Canada also administers funding programs for the aviation industry, though regional development agencies have managed some initiatives, such as the Regional Air Transportation Initiative.[165]

Until the 1990s, Transport Canada maintained direct control over airports. The National Airports Policy of 1994 led to the divestment of 22 major airports to independent, not-for-profit authorities operating under long-term leases.[166] These airports, in addition to Kelowna Airport and the airports in the three territorial capitals, comprise Canada's National Airport System.[167] Aside from the airport authorities, Transport Canada also made airport divestments to local or provincial governments, and to the territorial governments in the cases of the territorial capitals, creating a diverse range of airport governance models. Transport Canada still has ownership and, in some cases, operational control of specific local, regional, and remote airports in British Columbia, Manitoba, Quebec, and Newfoundland.[168]

The variation in airport governance structures presents challenges in designing a standardized regional air service support framework. Ensuring equitable treatment for regional communities with differing governance models and economic conditions is a key consideration in policy development.

## Current Pain Points

Regional airports across Canada have faced significant service reductions in recent years, as outlined in Sections A and B of this report. This decline has had substantial economic and social consequences, with the Canadian Airports Council identifying financial constraints as a major concern among its members.

Passengers choose regional airports based on factors such as connectivity to major hubs, flight frequency, and ticket pricing. When airlines reduce service, passenger choices become limited, leading to declining demand, which further discourages airlines from maintaining regional routes. Moreover, the airports most affected by service reductions are often those least financially capable of offering incentives to attract carriers.

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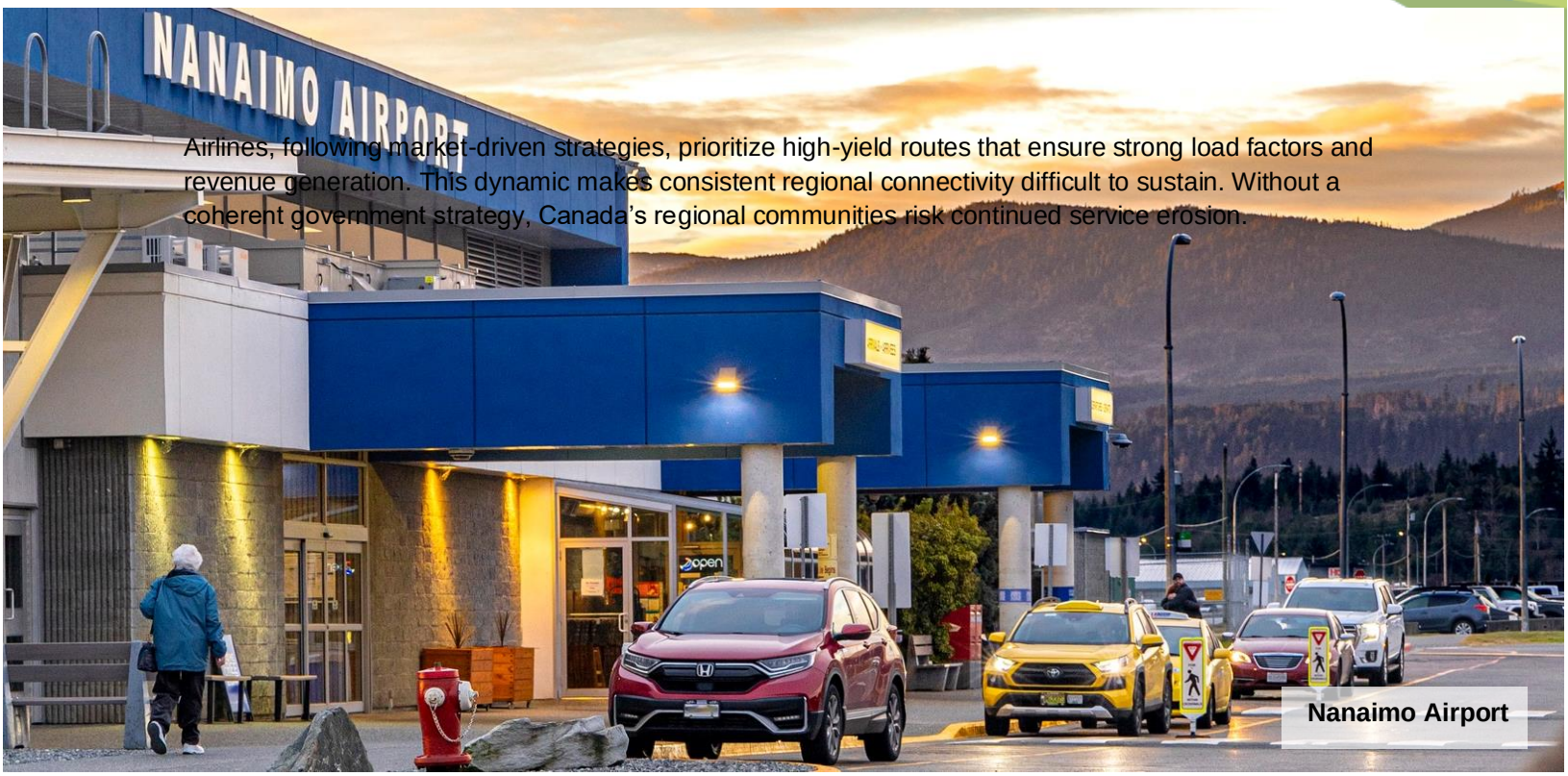
[165] Regional Air Transportation Initiative. Government of Canada. https://www.canada.ca/en/atlantic-canada-opportunities/campaigns/covid19/regional-air-transportation-initiative.html
[166] List of airports owned by Transport Canada. Transport Canada. https://tc.canada.ca/en/aviation/operating-airports-aerodromes/list-airports-owned-transport-canada
[167] Ibid.
[168] Ibid.




Airlines, following market-driven strategies, prioritize high-yield routes that ensure strong load factors and revenue generation. This dynamic makes consistent regional connectivity difficult to sustain. Without a coherent government strategy, Canada's regional communities risk continued service erosion.

**Nanaimo Airport**

## Best Practices from the OECD

The Organization for Economic Cooperation and Development (OECD), a multilateral organization of 38 member countries, is a leading thought leader in addressing complex socioeconomic challenges in developed nations.[169] Within the OECD, the International Transport Forum (ITF) serves as a specialized think tank focused on transportation policy. The ITF facilitates discussions among global transportation leaders and conducts research on critical industry issues.[170]

In 2018, the ITF published a report summarizing key insights from the OECD Expert Workshop on Government Support Measures for Domestic Air Connectivity. The report examined successful policy frameworks implemented in various countries to enhance regional air service and overall domestic air connectivity. It also outlined key considerations for governments developing such frameworks, making it a valuable resource for informing Canada's approach to a regulatory and economic strategy for regional air services. The report's key best practices are summarized below: [171]

- **Holistic Connectivity Assessment:** Evaluate all transportation modes to determine where air services are essential versus where alternative options exist.
- **Clear Objectives & Policy Levers:** Define realistic goals to be fulfilled by the aviation industry and identify the most effective policy tools to support their achievement, including financial incentives, regulatory adjustments, and direct market interventions.

[169] The OECD: Better policies for better lives. Organization for Economic Cooperation and Development. https://www.oecd.org/en/about.html
[170] About ITF. International Transport Forum. https://www.itf-oecd.org/about-itf
[171] Government Support Measures for Domestic Air Connectivity. International Transport Forum. https://www.oecd.org/en/publications/government-support-measures-for-domestic-air-connectivity_8e475cbc-en.html

- **Criteria for Support:** Establish transparent eligibility criteria for any air service funding and connectivity initiatives.
- **Impact Evaluation:** Assess potential effects on ticket prices for passengers, national connectivity, and economic sustainability before implementing market interventions.
- **Stakeholder Collaboration:** Develop policies transparently and collaboratively with input from communities, airports, airlines, and other key stakeholders.
- **Ongoing Monitoring & Adaptation:** Regularly evaluate policies and adjust them based on changing conditions and stakeholder feedback.

## Constructing a Framework

The OECD framework's best practices could inform how the Government of Canada develops a regulatory and economic framework to sustain and expand regional air service. Building on these identified best practices, this report outlines the following key steps for creating an effective framework that supports all regional airports, incorporates input from relevant stakeholders, and minimizes the risks associated with various policy tools.

- **Clear Context & Rationale:** Establish a factual basis, including historical policy and program reviews as well as economic analyses, to justify government action.
- **Stakeholder Consultation:** Engage regional airports, airlines, municipalities, provinces, and other stakeholders to ensure the framework meets diverse needs. Consultations will help build trust and ensure that the framework considers the varied perspectives of the entire aviation industry.
- **Defined Policy Objectives:** Specify measurable objectives for regional connectivity and service levels that government policy will strive to achieve.
- **Policy Tool Selection:** Identify the policy tool(s) that the government intends to use to meet its desired objectives and determine whether they require implementation using a regulatory or legislative process.
- **Performance Monitoring & Evaluation:** Implement mechanisms to measure and report on the policy's effectiveness and adjust approaches as necessary in consultation with stakeholders.

## Policy Tools Available to Government

The selection of policy tools is the most consequential decision within a regulatory and economic framework as it directly shapes market dynamics to achieve government objectives. Section C of this report outlines a range of policy tools available to enhance domestic regional air services, highlighting significant variation within Canada. The federal government has primarily focused on aviation infrastructure, while some provinces have, to varying extents, provided direct support to airlines and passengers alongside infrastructure funding.

Internationally, the United States employs aviation infrastructure grants, direct route subsidies, and air service development funding. Australia offers infrastructure funding, navigation fee waivers, slot

restrictions, and complimentary maintenance services. The European Union utilizes direct airline subsidies, competition restrictions, and passenger discounts. Additionally, the 2021 International Transport Forum (ITF) report on *Connecting Remote Communities* presents further policy options available to governments.[172] Below is a summary of available policy tools based on Section C's analysis and insights from the ITF report:

***Figure 4.1* – List of Policy Tools Available to Government to Enhance Regional Air Services**

| | |
|---|---|
| **Support for Airlines** | • **Direct Subsidies: Government funding ensures specific routes operate at set service levels.**<br>• **Revenue Guarantees: The government fills revenue shortfalls when airlines fail to meet financial thresholds on designated routes.**<br>• **Competition Restrictions: Exclusive route rights and reserved airport slots for specific airlines.**<br>• **Fee Reductions: Waivers for navigation fees and other costs to lower airline expenses on regional routes.** |
| **Support for Passengers** | • **Fare Discounts:** Government subsidies reduce ticket costs for targeted groups, such as residents, students, or essential workers.<br>• **Fee Exemptions:** Passengers on certain routes could be exempted from government-imposed fees. |
| **Support for Airports** | • **Infrastructure Investments:** Direct funding for runway upgrades, terminal expansions, and safety improvements.<br>• **Operational & Maintenance Funding:** Financial assistance for routine airport functions.<br>• **Air Service Development Grants:** Support for marketing and incentives to attract new routes.<br>• **Rent & Fee Waivers:** Temporary relief for struggling airports to maintain viability. |

By aligning with proven international strategies and adapting them to Canada's unique regional needs, a well-designed framework can ensure long-term connectivity and economic sustainability for the country's aviation sector.

# Framework Principles

The Government of Canada could explore the following key principles when developing a revitalized regulatory and economic framework for regional air connectivity. By integrating these principles, the framework can be effectively implemented within a broader national aviation policy, remain adaptable to economic shifts, and be informed by the needs of community and industry stakeholders. Additionally, a

[172] ITF (2021), Connecting Remote Communities: Summary and Conclusions, ITF Roundtable Reports, No. 179, OECD Publishing, Paris. https://www.itf-oecd.org/sites/default/files/docs/connecting-remote-communities.pdf


**Region of Waterloo International Airport**

## Situate the Framework within a National Aviation Policy

Many countries incorporate regional air service development within a broader aviation policy to ensure coherence and efficiency across aviation-related initiatives. For example, the Australian Government's Aviation White Paper outlines a long-term vision for the aviation sector through 2050, including a dedicated focus on regional connectivity.[173] Similarly, the United Kingdom has developed a 10-year strategy for aviation that highlights the role of air service in supporting local communities.[174]

These strategic documents provide models for how the Government of Canada could integrate a regional air service framework within a broader aviation strategy. By aligning regional air service with a national aviation policy, the federal government can create a unified direction for its aviation initiatives and provide clear communication to industry stakeholders.

## Clarify the Roles and Responsibilities of Departments

Transport Canada administers most federal aviation programs, but regional development agencies have increasingly played a role by distributing funds through initiatives such as the Regional Air Transportation Initiative.[175] Additionally, Destination Canada and the Canada Infrastructure Bank have contributed to funding for regional airports, creating a fragmented approach to financial support. In contrast, other jurisdictions have established clear agency roles. In the United States, for instance, federal airport infrastructure grants are distributed through the Federal Aviation Administration, supporting a more a streamlined and organized funding process.[176]

To enhance efficiency, the Government of Canada should clearly delineate the responsibilities of federal agencies in supporting regional air services. Defining these roles will simplify application processes for

[173] Aviation White Paper. Australian Government. https://www.infrastructure.gov.au/infrastructure-transport-vehicles/aviation/aviation-white-paper
[174] Flightpath to the Future. U.K. Department for Transport. https://assets.publishing.service.gov.uk/media/628f7d26e90e07039f799ebc/flightpath-to-the-future.pdf
[175] Regional Air Transportation Initiative. Government of Canada. https://www.canada.ca/en/atlantic-canada-opportunities/campaigns/covid19/regional-air-transportation-initiative.html
[176] Airports. Federal Aviation Administration. https://www.faa.gov/about/office_org/headquarters_offices/arp


airlines and airports while providing industry stakeholders with a transparent view of available government support.

## Preserve Flexibility and Agility for Airports

Canada's airport regulations provide a degree of flexibility, allowing airport management to set rates and charges, pursue investment opportunities, and manage their own operations. This flexibility is a core feature of the Canadian airport model, as most airports in Canada's National Airport System (NAS) are operated by independent, not-for-profit airport authorities that serve their local communities.[177] Airports that have been transferred to other levels of government or alternative governance models also retain this flexibility. This structure helps Canadian airports remain competitive and responsive to the needs of their communities. Additionally, the federal government's limited role—focused on safety, security, alignment with international standards, and general oversight—has proven effective for the sector.

**Rouyn-Noranda Airport**

Any new policy framework aimed at enhancing regional air service must preserve this flexibility and avoid imposing restrictions that could hinder airport operations. Maintaining adaptability is particularly important as emerging technologies and advancements in air mobility create new opportunities for investment and growth in regional air services.

A key factor in preserving this flexibility is the use of outcome-based regulations, an approach already under consideration by Transport Canada. These regulations allow the government to achieve desired policy outcomes without dictating specific processes or actions that airports must follow.[178] If new policies set goals for airports, ensuring they have the flexibility to determine how best to achieve them will be critical to their long-term success.

[177] Airports in Transition. Dion, J. Library of Parliament. https://publications.gc.ca/collections/Collection-R/LoPBdP/PRB-e/PRB0241-e.pdf

[178] Outcome-based regulations. Transport Canada. https://tc.canada.ca/en/corporate-services/consultations/outcome-based-regulations

## Focus on Re-Investing Government Revenues from Aviation

The Government of Canada collects revenue from multiple sources within the aviation sector. For instance, airport authorities operating NAS airports are required to pay rent under long-term leases with the federal government.[179] Rent payments are set at a percentage of an airport's gross revenues, with different percentages being applied based on the revenue bracket that an airport falls within.[180] In the fiscal year ending March 2024, the government collected $494 million in rent from Canadian airports.[181] Beyond rent, the federal government also receives revenue from fuel and carbon taxes on aviation fuels, as well as GST and HST applied to airline tickets and fuel charges.[182] Given the substantial annual revenue derived from the aviation sector, there is an opportunity to reinvest these funds to support regional air services. Establishing a formal commitment to reinvestment would provide a stable funding stream for government programs focused on regional air connectivity. Moreover, reinvesting aviation-generated revenue would help sustain and expand the sector, ensuring continued growth and long-term benefits for regional airports and air services across Canada. A previous study from the Canadian Airports Council noted that a re-investment of rent of $400 million each year would create 2,400 jobs, $285 million in contributions to GDP, and $612 million in economic output when direct, indirect, and induced impacts are considered.[183] In other words, each dollar of rent re-invested could generate $1.53 in economic output.

## Focus on Long-Term Resilience and Sustainability

Many of the federal government's programs supporting regional air service development have been temporary. For example, the Regional Air Transportation Initiative (RATI) lasted two years,[184] the Airport Relief Fund operated for one year,[185] and the Remote Air Services Program ran for just six months.[186] These short-term programs primarily focused on immediate recovery from the COVID-19 pandemic, limiting their effectiveness in providing long-term financial sustainability for regional airports and air services. Currently, the only consistently renewed federal grant program for regional airports is the Airport Capital Assistance Program.[187] While provincial governments and federal regional development agencies have introduced various initiatives to support regional air service, most remain short-lived.

To address the ongoing funding gap, the federal government should prioritize establishing a long-term, sustainable funding source for regional airports that extends beyond infrastructure investments. A predictable funding model would help attract airlines, enable regional airports to plan for long-term development, and reduce economic risks associated with fluctuating budgets for both airports and airlines.

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[179] Airport Rent: Facts and Figures. Library of Parliament, 2004. https://publications.gc.ca/collections/Collection-R/LoPBdP/EB-e/prb0449-e.pdf
[180] The Future of Canadian Air Travel: Toll Booth or Spark Plug? Standing Senate Committee on Transport and Communications, 2012. https://sencanada.ca/content/sen/committee/411/trcm/rep/rep05jun12-e.pdf
[181] Public Accounts of Canada, 2024. Government of Canada. https://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/2024/pdf/2024-vol2-eng.pdf
[182] The Future of Canadian Air Travel: Toll Booth or Spark Plug? Standing Senate Committee on Transport and Communications, 2012. https://sencanada.ca/content/sen/committee/411/trcm/rep/rep05jun12-e.pdf
[183] Runway to Recovery: A Consumer-Focused Roadmap for Canadian Aviation. Canadian Airports Council. https://canadasairports.ca/wp-content/uploads/2022/12/CAC-Runway-to-Recovery.pdf
[184] Regional Air Transportation Initiative. Government of Canada. https://www.canada.ca/en/atlantic-canada-opportunities/campaigns/covid19/regional-air-transportation-initiative.html
[185] Airport Relief Fund. Transport Canada. https://www.canada.ca/en/transport-canada/news/2021/05/airport-relief-fund.html
[186] 31. ESSENTIAL AIR SERVICES TO REMOTE COMMUNITIES. Transport Canada. https://tc.canada.ca/en/binder/31-essential-air-services-remote-communities
[187] Airports Capital Assistance Program. Government of Canada. https://tc.canada.ca/en/programs/airports-capital-assistance-program

# The Impact of a Regulatory and Economic Framework

A well-designed regulatory and economic framework, supported by effective policies and tools, will help maintain and expand regional air services in Canada. The impact of these policies will vary depending on the tools the government chooses to implement. The following points outline how supporting different industry stakeholders can influence the development of regional air services:

- **Support for Air Carriers:** Providing direct support to airlines—such as subsidies, tax breaks, revenue guarantees, or competition restrictions—reduces the cost of operating regional routes, making them more financially viable. Lower operational costs increase the likelihood that airlines will consider these routes profitable. Depending on the chosen policy tool, air carriers may also enter into agreements with the government for a set period to ensure stable regional air service levels. A cohesive government investment strategy and a streamlined regulatory framework would create clarity around financial expectations for airlines and enhance their ability to collaborate with stakeholders to develop new routes.

- **Support for Passengers:** Direct subsidies or fee exemptions for passengers lower the overall cost of travel, ensuring that market dynamics determine prices while preventing high fares from limiting access to regional routes. More affordable travel stimulates passenger demand, which, in turn, sustains air services and strengthens regional airport operations by generating consistent revenue. A predictable flow of passengers also helps airports secure additional investments and service commitments from airlines. Support for passengers also enables governments to focus financial support to specific populations such as remote or indigenous community residents, students, or essential workers.

- **Support for Airports:** Infrastructure and operational funding from government would further reduce airport costs while enabling strategic investments—such as security screening facilities and additional gates—to attract airlines and increase route options. Improved airport infrastructure makes regional airports more attractive market opportunities for carriers, ensuring they have the facilities to accommodate diverse aircraft and routes. Rent waivers (for those airports that pay rent) would help airports manage financial pressures and remain operational, reducing the risk of service disruptions or closures at critical regional airports. A well-structured regulatory framework would provide airports with clear financial guidelines and predictability on government support, allowing them to develop sustainable business plans. Greater financial certainty for airlines and airports, along with stronger collaboration on market opportunities, would lead to increased connectivity, more frequent flights, and greater seat availability at regional airports. Additionally, reducing travel costs for passengers would stimulate demand, leading to a more sustainable and growing regional air service network. As mentioned in Section A, expanding regional air services would generate significant economic and social benefits, including enhanced GDP growth, improved business opportunities, shorter travel times, and better access to essential services.


Fort McMurray Airport

# 5. Conclusions and Recommendations

The Canadian Airports Council (CAC), a division of Airports Council International – North America, is responsible for advocating for the collective interests of Canada's airports on a national stage. Since the COVID-19 pandemic, the CAC's various member airports have expressed significant concern around the decline in regional air service and the overall connectivity of regional communities to the global aviation network. Therefore, the CAC identified an urgent need to investigate the importance of regional air service to Canadian communities, how regional air service has shifted in terms of overall activity and connectivity, understand what policies other countries were implementing to maintain its presence, and identify the tools that the federal government can use to take concrete action. The CAC contracted InterVISTAS Consulting to write a report on the Future of Regional Air Service covering these topics (see attachment). This paper recaps selected key findings of the Future of Regional Air Service report and issues calls to action to address the serious challenges with regards to the development of regional air service in Canada.

The Future of Regional Air Service report has made the following conclusions on the development of regional air service in Canada:

1. **Regional air service is vital for hundreds of communities across Canada**, connecting them with the national transportation network and by extension, the world. Regional air service opens access to internal trade, business opportunities, essential medical services, education, and government services. The economic impact of a single flight from a Canadian hub airport to a regional airport can create approximately 32 to 78 jobs, $4.4 to $10.3 million in GDP, and $9.2 to $23.7 million in economic output, depending on the specific route being assessed. The economic significance of regional aviation can not be understated. The loss of a single regional route could cause significant harm to the economic strength of a community, curtailing its GDP, economic output, and trade volumes by millions of dollars.

2. **Canada's regional airports have experienced a significant reduction** in flight frequencies and overall seat capacity, with frequencies falling to 64% of 2014 levels and seat capacity at only 83% of 2019 levels. This loss of service has limited the economic benefits of air service and deprived communities of a range of other social benefits. Ultimately, less air service means that travellers may have to use unreliable alternative modes of transportation, delay their travel plans, or face higher travel costs.

3. **The connectivity of Canada's regional airports to the domestic and international markets has tumbled** since 2019, with the IATA and Onward Connection indices showing a greater than 10% decline in domestic connectivity. Connectivity scores are particularly influenced by access to hub airports, which are critical in enabling connecting itineraries within Canada and internationally.

4. **Regional air services are left mostly to market forces, and this is limiting to affected communities** The approach of the Canadian government to the development of regional air service has been to allow market forces to determine how and where service is created, with a limited

intervention from the government. Government has focused its investments to infrastructure programs such as the Airport Capital Assistance Program and does not have a sustained funding mechanism to directly support the creation of air service. Considering infrastructure investments alone, the Government of Canada's investments remain limited, with its total investments from 1995 to 2024 amounting to 12% of the total amount invested by the U.S. government on a per capita basis.

5. **Canada is not keeping up with policy tools used in other jurisdictions**: A scan of international programs identified several programs to retain air service using subsidies for airlines or other policy tools such as revenue guarantees, passenger reimbursements, and slot restrictions, among others. These programs, such as the U.S. Essential Air Services program, protect regional air services and ensure that communities are connected to major hub airports according to a minimum standard set by the government. The U.S. program is permanently authorized to ensure long-term stability and certainty.

6. **Canada's National Transportation Policy permits limited, strategic market interventions** in the aviation sector when they are in the public interest, and this should be exercised. There are a range of policy tools available to government to achieve its desired level of regional air service. These tools include supports for airlines, passengers, and airport infrastructure.

7. **Core principles include housing any action within a broader national aviation policy framework identifying clear agency roles and responsibilities**. In addition, the preservation of airport flexibility and agility and a focus on long-term resilience and sustainability are essential. Government revenues from aviation should also be re-invested, especially rent collections (which amounted to $494 million in 2023-2024) which can act as significant economic stimulus for the industry. A 2022 CAC study revealed that a re-investment of rent of $400 million each year would create 2,400 jobs, $285 million in contributions to GDP, and $612 million in economic output when direct, indirect, and induced impacts are considered.

# Call to Action for the Government of Canada: Launch a Regional Air Connectivity Fund

Declining regional air service levels threaten both the economy and social connectivity, creating an urgent need for intervention. Reduced service places financial strain on regional airports, as fewer passengers mean lower revenues while operating costs continue to rise. The loss of even a single regional flight to a hub airport can lead to millions in lost GDP and economic output, as well as job losses and a reduction in internal trade opportunities.

To prevent further erosion of regional air service and ensure its long-term sustainability, the Canadian Airports Council (CAC) urges the federal government to take immediate action. This call to action reflects the collective stance of Canada's airport community and does not represent the policy position of any single regional airport.

The CAC calls on the Government of Canada to create a **Regional Air Connectivity Fund (RAC Fund)** funded with $250 million CAD annually[188] to support and maintain essential air service between designated regional airports and hub airports.

- The RAC Fund should be managed by government entities or independent bodies capable of assessing regional needs, such as Canada's regional development agencies.
- The fund should explore various mechanisms to secure service, including industry subsidies, revenue guarantees, passenger reimbursements, and slot protections. These measures should ensure Canadian airports remain competitive with jurisdictions like the United States, which have essential air service programs.
- A clear, fair, and transparent selection process should be established to determine which regional air services qualify for support. This should include defining "regional airports" and "hub airports" and setting a benchmark for minimum connectivity.
- To the extent possible, the RAC Fund should be partially financed using government revenue from airport rent payments. Reinvesting these funds within the aviation sector would strengthen both regional, hub airports as well as northern/remote facilities.

# Supporting Actions

Beyond the RAC Fund, the government should implement additional measures to reinforce Canada's regional aviation network. Many of these have been previously proposed by the CAC, and we urge their swift adoption to ensure sustained and expanded air service in the years ahead.

- **Expand and Modernize the Airports Capital Assistance Program (ACAP):** The program should be restructured to support infrastructure needs across all regional airports, regardless of size or

[188] 250 Million CAD is the estimated cost for approximately 30 regional airports in Canada to host a daily roundtrip service to a Canadian hub airport year-round.

service level. In 2021, the Government of Canada temporarily expanded the eligibility criteria for ACAP from airports with less than 525,000 passengers to airports with less than 1 million passengers for a one-year period.[189] The Government should reinstate this new expanded eligibility criteria on a permanent basis and allow funding for both new infrastructure and maintenance of existing facilities to attract and retain air service. ACAP should be permanently re-capitalized with at a minimum of $150 million annually, adjusted for inflation as well as the significant escalation of construction costs.

- **Incorporate Regional Development in a renewed National Aviation Strategy:** The current strategy is outdated and needs to be realigned with travel, trade and economic development interests. The government should collaborate with stakeholders to create a comprehensive strategy ensuring the long-term sustainability of regional air service. This strategy should define Canada's vision for aviation, addressing key areas such as infrastructure, connectivity, regulations, competition, and passenger experience. The strategy should situate the government's policy approach to supporting the aviation sector within its broader internal and international trade, tourism, immigration, global affairs and national defence agendas. This will enable air carriers and regional airports to plan on areas such including but not limited to resilient supply chains, national defence in the Arctic and destination development.

- **Support the Labour Needs of the Aviation Industry at Regional Airports:** The aviation industry is facing a shortage of critical professionals, including pilots, aircraft maintenance engineers, avionics technicians, flight instructors, and other operational staff. Regional airlines and airports often struggle to retain these workers, as larger competitors can offer more competitive salaries and benefits. To address this challenge, the government should develop a comprehensive recruitment strategy focused on regional communities. This strategy should include expanding aviation training programs at post-secondary institutions across Canada to attract both domestic and international students. Additionally, the government should establish dedicated immigration pathways to expedite the entry of aviation professionals and ensure swift credential recognition for highly skilled foreign workers. Enhancing labour mobility is also crucial, requiring collaboration with provinces to enable mutual recognition of aviation training and certifications across provincial borders.

  Furthermore, early career initiatives, such as scholarships and high school-entry programs, should be introduced to attract young talent, especially in regional areas. Financial support for academic and professional certifications would also help new and existing industry professionals advance their careers in Canada. Measures like reduced-interest loans, nationally backed lending programs, and other financial aid options could be implemented. By implementing these measures, the government can strengthen the aviation workforce, support regional airports, and ensure the long-term sustainability of the industry.

- **Streamline Regulations to Improve Regional Connectivity:** The government should eliminate inefficiencies that burden regional airports and limit connectivity. This includes exploring innovative solutions like video interviews for border and security clearances at smaller airports. Additionally, security screening could be optimized to reduce operational costs and connection times, particularly for U.S.-bound passengers transiting through Canadian hubs.

By implementing these measures, the Government of Canada can protect and enhance regional air service, ensuring its vital role in economic development and national connectivity.

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[189] Enhancement of the Airports Capital Assistance Program. Transport Canada. https://www.canada.ca/en/transport-canada/news/2021/05/enhancement-of-the-airports-capital-assistance-program.html

# Appendices

## IATA Connectivity Index

One well-known measure of air service connectivity, developed by the International Air Transport Association (IATA), estimates the quality of the air transport network based on the scale of service to airports with the largest and most diverse route networks, as a proxy for how accessible the local community is to the rest of the world. The IATA connectivity index measures the scope of access between an individual airport and the rest of the country and world. The index measures the number and size (in terms of passenger traffic or seat capacity) of destinations served, as well as the frequency of service to each destination. Thus, the index recognises that connections to major global gateways provide greater global connectivity than connections to the same number of spoke ends. For example, direct service to 40 small regional destinations does not have the same connectivity (or potentially economic) importance as direct service to 40 major global markets.

The IATA index is calculated from airline schedule data for passenger services. The connectivity index measures the number of frequencies and available seats to a particular destination. It then weights the number of available seats by the size of the destination airport (in terms of total capacity handled each year). This weighting reflects both the size and economic importance of the destination and the potential for onward connections.

For example, in an assessment of global air connectivity in 2024, Atlanta International Airport ranks as the world's largest airport and so it would be given a weighting of one (1). London Heathrow, which handles roughly 84% of the passengers handled by Atlanta, would have a weighting of 0.84. Therefore, if an airport has 1,000 seats available to Atlanta it is given a weighted total of 1,000. But if it also has 1,000 seats available to London Heathrow, these are given a weighted total of 840. Connectivity can instead be isolated to specific sectors or countries; in which case the destination airport weightings are adjusted accordingly. For instance, in an assessment of air connectivity within Canada only, Toronto Pearson ranks as the largest airport for domestic traffic, and so it would be given a weighting of one (1).

The weighted totals are then summed for all destinations (and divided by a scalar factor of 1,000)[190] to determine the connectivity indicator for a given airport:

$$\frac{\Sigma\ [\text{Number of destinations} \times \text{Weekly Frequency} \times \text{Seats per flight}]\ \textit{Weighted by the Size of the Destination Airport}}{\text{Scalar factor of 1000}}$$

[190] The scalar factor is arbitrary and only intended to make the index value easier to compare.

A higher figure for the connectivity indicator denotes a greater degree of access to the air transport network.

By definition, the IATA Connectivity Index focuses on direct connectivity by airports, or the scale and quality of nonstop services. It only accounts for indirect connectivity based on the weightings used for destination airports receiving the nonstop arrival. In other words, onward connectivity is presumed based on the relative size of the airport being flown into by the nonstop service, without consideration for how many connecting itineraries can actually be served from that nonstop arrival. Flights into the same airport will have different onward connections based on different airline networks, minimum connection times, flight times, etc.

# Onwards Connection (OC) Index

To supplement the findings from the IATA Connectivity Index and recognizing that many regional airports rely on connecting services for many destinations, InterVISTAS developed a second measure of connectivity, described as the Onwards Connection (OC) Index. This measure was developed to more explicitly consider both direct and indirect connectivity. This approach measures itinerary-level data to assess not only the non-stop connectivity available from regional airports, but also the connectivity available through reasonable connections via other airports.

The data used in this analysis refers to outbound seat capacity on direct and 1-stop itineraries originating from each regional airport for the second week of August in 2019 and 2024, pulled from airline flight schedule data. The connecting itineraries were determined based on airlines schedules for that week, filtering out impractical itineraries based on:

- Minimum connecting times (MCTs) based on IATA standards for each facility, connection type, etc.
- Maximum connecting time of eight (8) hours.
- Circuity limits based on industry standard circuity allowances.[191] A circuity limit filters out connecting itineraries which require a passenger to travel extremely out of their way to reach a destination.

The index is calculated by weighting the minimum seat capacity on each itinerary against two parameters indicative of the relative quality of the itinerary for connectivity:

- **Connection Type Multiplier**: an industry standard preference for ranking different types of itineraries. Direct itineraries receive a weighting of one (1), online connecting itineraries = 0.2, codeshare connecting itineraries = 0.1, and interline connecting itineraries = 0.02.
- **Travel Time Adjustment**: a comparison between an itinerary's travel time against the fastest available itinerary's travel time for each destination.

As such, the seats on all nonstop itineraries receive a weighting of one (1), while the connecting itineraries will receive a weight less than one (1) based on their varying results from the two parameters

[191] Circuity refers to the ratio of total miles flown on a given itinerary relative to the origin-destination pair's great circle distance.

above.[192] The weighted seats across all itineraries in the week are then summed to determine the connectivity indicator for a given airport:

**Σ [ Minimum Seats per Itinerary x Connection Type Multiplier x Travel Time Adjustment]**

Similar to the IATA Connectivity Index, a higher figure denotes a greater degree of access to the air transport network.


**Saguenay-Bagotville Airport**

[192] Note: Through flights are denoted as direct service which include an intervening stop but no change in aircraft or flight number. They therefore receive an itinerary type weight of 1 but can have a travel time weighting of less than 1 if there is a faster service available to the destination.


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