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Chair

Mr. Merv Tweed

Standing Committee on Transport, Infrastructure and Communities

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• (0900)

[English]

The Chair (Mr. Merv Tweed (Brandon—Souris, CPC)): We're in public session and we are now on orders of the day. We have a notice of motion from Ms. Chow.

Ms. Chow, you have the floor.

Ms. Olivia Chow (Trinity—Spadina, NDP): Thank you, Mr. Chair.

Last Thursday the United States enacted and made it law—well, they not only made it law, they made it a reality—that all airlines have to state, when they advertise their fares, every single dollar they will charge.

Here in Canada, after a long study, Parliament approved an act to amend the Canada Transportation Act. That was approved on June 22, 2007. That's a good four years ago, almost five. It was very clear in the act, which said:

requiring a carrier who advertises a price for an air service to include in the price all costs to the carrier of providing the service and to indicate in the advertisement all fees, charges and taxes collected by the carrier on behalf of another person in respect of the service, so as to enable a purchaser of the service to readily determine the total amount to be paid for the service.

Since then, the Conservative government has not made the regulation changes as required. At Christmastime last year, I saw the parliamentary secretary showing up at the airport, saying we will do so—I thought, “All right!”—and then there was a comma right after: we will do so, next Christmas. We will spend another year talking to airlines—as if four years of talking to airlines is not enough—and next year regulations will be presented so that maybe sometime, not this March break but next March break, the good Canadians who want to buy some airfares will actually get the truth.

I put this in front of the committee to urge the government not to wait another ten months before taking action. Ten months of consultation, after consultation of already four years.... That's enough. This motion basically asks the government to immediately enact the airfare advertising regulations. It's basically asking the government to implement the law.

Some of you may have noticed that Air Canada has already been fined by the U.S. because of the way it advertised; it did not reveal the entire cost. I suspect more will happen, because the U.S. last Thursday enacted their law.

I put this in front of the committee and hope that I can get complete support from my colleagues.

Thank you.

• (0905)

[Translation]

The Chair: Go ahead, Mr. Coderre.

Hon. Denis Coderre (Bourassa, Lib.): Before the holidays, the Liberal Party intended to introduce a private member's bill to this effect. We are in full agreement. We see no reason to wait any longer. This debate has already been held. In fact, the question should go directly to the government: what are we waiting for?

I know that there are administrative complications, that some negotiations have to be held, but there is nothing stopping a regulation from being enacted quickly. I know, because I had to do it myself in a previous government.

So could the parliamentary secretary enlighten us about this? We don't want to be debating this for ever. Are you doing it or not? Are you waiting until next Christmas or are you going to do it immediately? What is the government's intention? Our position is that we would like it done right away.

[English]

The Chair: Monsieur Poilievre.

Mr. Pierre Poilievre (Nepean—Carleton, CPC): To offer some background on the subject, Bill C-11—some of you might know it as the act to amend the Canada Transportation Act and the Railway Safety Act—contained some provisions that required air carriers to include all fees and taxes in the advertised prices. Clause 27 also included the provision allowing the agency to make conditional and restricted regulations, to be enacted as Section 86.2.

With the exception of clause 27, the bill was brought into force on June 22, 2007. Madam Chow is quite right in her chronology. The reason that the Senate standing committee on transport infrastructure added that clause to the bill was to provide the airfare advertising clause some time to come into force, in order to reflect the transition that would be necessary for it to happen without harming competition.

Since 2007, the European Union has introduced regulations to the same effect. The United States did the same, and it has now come into effect on January 24, 2012. Clause 27 of the original bill is expected to be brought into force in the reasonably near future, and that will trigger the regulation. It was actually brought into effect already, in December last year—quite recently—but that just triggers the Canadian Transportation Agency to now develop the regulations, and that's exactly what the CTA is doing as we speak.

The government is committed to competition and to enhancing consumer protection with full-cost ticket advertising. That being said, we do need to ensure that the regulations are drafted properly, and that they are not harmful to an industry that employs people across this country. The agency has commenced the process of drafting regulations. Consultations with stakeholders are part of that drafting process, and it is expected to take approximately one year.

I do appreciate the urgency with which Ms. Chow wants to treat this matter. She has been passionate about the subject for a very long time, and I credit her with that. At the same time, I think she will agree that it is important that the agency is meticulous and precise in the way it applies these regulations and that the industry is able to transition towards them.

I think it's important to keep in mind a couple of things. This is an international business. This is not the kind of business where you're transporting someone down the street; you're transporting people across borders and across continental divides. There are countries in this world that don't have this regulation. When Canadians go online and try to find, for example, a connecting flight from Paris to Dubai, they'll have a whole series of options. If that same flight is advertised by Air Canada and the price is, let's say, \$1,500—but that's an all-in price—and then they see that Emirates offers the flight for \$600, but that's not all-in, the consumer could be tricked into believing they're getting a vastly better deal by buying from a foreign carrier.

As a result, that puts Canada's airlines at a potential competitive disadvantage. The problem I just identified is mitigated by the fact that the EU and the United States have now gone toward this regulation, but it is not completely eliminated as a problem. We believe the best way to move forward with full-price ticket advertising is to provide a window of transition, so that industry can find ways to confront the challenges that this new rule will bring in and to prepare ways to communicate to customers, who might be looking at a flight like the one I just described and do not understand the variance in regulations between the rules that apply to domestic Canadian carriers and foreign carriers that are in competition on some international routes.

• (0910)

That's the approach we're taking, and we are moving as quickly as it is responsible to do. So our members will have to oppose this particular motion, while acknowledging its worthy intent and the good work that the honourable member who moved it has done on the file.

The Chair: Monsieur Coderre.

[Translation]

Hon. Denis Coderre: Yes, of course, you have to write the regulations first. Second, you have to publish them in the *Canada Gazette*. Third, there has to be a consultation period. How long is that consultation period likely to be? You can have 30 days or 75 days. Basically, we understand about competitiveness and about the judgments people have to make. But it was all about transparency. As you said, everything will be included in the price. Anything else is semantics.

So the practicalities of the situation are causing me to reconsider my vote because of the word “immediately”, but I still need more information.

So a year at the most. That means consultation and publication included.

Mr. Pierre Poilievre: Yes.

[English]

The Chair: Ms. Morin.

[Translation]

Ms. Isabelle Morin (Notre-Dame-de-Grâce—Lachine, NDP): I just want to add one thing. I heard the parliamentary secretary talk about competition and about a competitive disadvantage.

I do not know if he is aware that, in Quebec, we have the Consumer Protection Act that requires air carriers to show the full price. So competitive disadvantage really means that it's no problem in Quebec that Quebec carriers have to show the full price and Canadian carriers don't. That's a competitive disadvantage between provinces.

Let me give you an example. I went to Cuba over the holidays. On the Internet, Air Transat was telling me \$800 and Air Canada was telling me \$300. But the price turned out to be the same.

So we see it even in our own country. By putting the enactment of this legislation off for another year, we are saying to some provinces that have provincial carriers that they are at a disadvantage vis-à-vis others because we are taking another year to put the legislation into effect.

We should do the opposite; we should move quicker; we should say that all provinces are equal and that all Canadian carriers have to comply with the same legislation.

[English]

The Chair: Mr. Sullivan, you're next, but there's a question I have.

Is that a provincial decision or a federal decision? I don't know.

Ms. Isabelle Morin: It's a provincial decision.

The Chair: It is provincial? Okay.

Mr. Sullivan.

Mr. Mike Sullivan (York South—Weston, NDP): It's all about truth in advertising, really. That's what this is about.

I would like to point out that apparently Canadian carriers are now complying with American regulations—and have been for a couple of months now—in the advertising of prices. So we have a very strange situation in which an American law appears to be applying to our Canadian carriers when we can't seem to get our act together and design exactly the same set of regulations and set of laws.

Let me give you an example of why the carriers need to have a regulation much more quickly than a year from now. It has been four and a half years since the law was passed and we are still not anywhere near.... If you want to book a flight to Europe with Air Canada—or any of the carriers—which is not something on which we're competing with Dubai or Emirates airlines, Air Canada charges a ticket price. In addition to the ticket price, there are three surcharges Air Canada charges, which are really the fare.

The first of those is what's called a fuel surcharge, which many airlines picked up when fuel prices started to spike as the price of crude oil went up. However, this fuel surcharge—which makes one think that it's because of the variance in price of fuel—for a Toronto-to-London flight is \$208 per economy class passenger and \$309 for each business class passenger. In total, it's \$77,000 for that flight. The total cost of fuel to take that plane to London is about \$60,000.

So Air Canada is actually using a fuel surcharge to pay for more than its fuel. It's completely phony and completely unjustified. There is no indication whatsoever that this fuel surcharge is somehow related to the varying price of fuel. They're charging more than the actual cost of the fuel, which was at \$2.94 a gallon in December. It takes about 20,000 gallons—maybe 25,000—to get to London.

The second of these charges is something called a Nav Canada surcharge. Now, what this really means is very confusing to the consumer. There are fees charged by Nav Canada, which are the costs of running security systems, and there's an actual per passenger fee that Nav Canada publishes.

But this, in Air Canada's view, is a \$15 per passenger fee to Europe—it varies depending on where you are going—and it is supposed to be reflective of what Nav Canada charges to take off and land a plane from Pearson airport. So I did a little digging. I'm not sure how accurate my figures are, but they're not far off the mark. It's about \$3,600 to take off a 777 from Pearson airport. These Nav Canada surcharges, though, net Air Canada about \$5,200 on a plane to England. So again, they are charging more than what Nav Canada actually charges, and there is no reflection of the actual price.

The third surcharge is something called an insurance surcharge. I have no way of telling what it costs Air Canada to insure their fleet, nor would anybody, but they charge \$3 per passenger. It's not reflective of any fee, of any government tax, or of anything.

The airlines are.... I won't say they're gouging the customers, because they're charging what it costs to get there, but they are engaging in very, very misleading practices, and they have been doing so for a considerable period of time. When they first instituted these fuel surcharges, they were in the order of \$25. Now that it's \$309.... And why is there a difference in a fuel surcharge, whether you're travelling business or economy? You're a passenger and weigh about the same.

An hon. member: You eat more.

Mr. Mike Sullivan: Yes, you eat more, I guess.... I really don't know.

An hon. member: You drink more.

Mr. Mike Sullivan: And maybe you drink more.

An hon. member: In the back, so you can get through the flight.

Some hon. members: Oh, oh!

Mr. Mike Sullivan: That's right.

• (0915)

I'm not certain why it is that at least on flights that originate in Canada we have to have a system that creates such a misleading, downright devious system of fares from Canada's airlines, one of

which the Conservative government seems to be very friendly to—this is Air Canada—because you did threaten to legislate them back to work. I would hope that you're not delaying the implementation of these very needed regulations because of your friendship with Air Canada. I think it's something all the airlines are engaged in. They're all doing exactly the same thing.

We end up with these published fares that are completely erroneous in terms of the actual cost of getting somewhere. Air Transat recently published a fare of \$25 to go to London, England: \$25. Now, the fees were \$277 on that same flight. It was actually a pretty good deal, but those fees are not taxes. They're not GST and the cost of security at the airport. They're really the cost of transporting somebody.

What we're suggesting.... What this law we thought did was force airlines to display on their advertisement and on their website, and on everywhere they put forward the cost of transportation, the entire cost of transportation and to not hide it in these so-called surcharges that are really all about breaking up the price.

If I don't want to pay the fuel surcharge, we'll just coast; we'll coast from the coast of Ireland into London because I don't want to pay the fuel surcharge, so you don't have to carry as much fuel for me. But it doesn't work that way. A plane has to have fuel to get all the way across the Atlantic. It's not realistic; there's nothing honest about pricing something in which you have a price for the fare, a price for the fuel, a price for the Nav Canada charges, and somehow a price for the insurance.

They are providing a service. They are providing a way for people to get from points A to B. As I understand it, Air Canada can no longer, because of the American regulations, hide their costs with surcharges in transborder flights and inside-Canada flights, because they have to be competitive and because the U.S. has already engaged these regulations. But between here and other countries, when a flight originates in Canada and is a Canadian airline, we ought to be in a position to at least make sure that there's some honesty in the pricing, and that's what Ms. Chow's motion is suggesting.

I understand completely the necessity to be competitive against foreign carriers in other places in the world. Maybe there will have to be some higher-level negotiations at the country-to-country level in terms of how these carriers will advertise their prices, and maybe there will have to be some negotiations undertaken between the Government of Canada and governments of countries where these airlines are engaging in these duplicitous practices. But surely in Canada, surely where we have flights originating in Canada, where we are regulating in Canada, we should be in a position to now tell the airlines that enough is enough: publish the fare and the taxes and that's it.

Thank you, Mr. Chair.

• (0920)

The Chair: Mr. Nicholls.

[Translation]

Mr. Jamie Nicholls (Vaudreuil-Soulanges, NDP): I did not really understand one aspect of the parliamentary secretary's remarks. He supported not enacting the regulations. He stressed the competition. I would like to clarify something.

Why are we focusing on the difference between foreign companies and Canadian ones? Am I to understand that the regulations for foreign air carriers and for Canadian carriers are different? Are companies subject to different regulations in Canada? Do we make a distinction between the two?

I am sure that those companies have offices in Canada. So Canadian law applies on Canadian soil. I am quite sympathetic towards the airline industry. Airline employees work hard and do such a good job. But I have to say that this is not fair for consumers.

[English]

It's unfair to consumers. Even though my colleague said it's not quite gouging, the consumers feel as though they're being gouged. The message being given is that the only way this industry can compete, if I understood your line of argumentation, is by being dishonest.

I'm not sure that's the message your government wants to give to consumers. They save up their money to go on trips. During the short time of the year they get off, they want to go to sunnier places. Canadian winters are really harsh. They save up their money and when they go to buy their plane ticket they just want honesty. They want to know that the full price is being divulged.

I'm not sure if the message you want to give to consumers is that the industry needs time to implement these regulations, when they've had almost five years to do so. There are cases in which industry can self-regulate, but I don't think this is one of those, and I don't think this is the message you want to give to the public.

• (0925)

The Chair: Ms. Chow.

Ms. Olivia Chow: I understand that regulations have to be drafted precisely, carefully, and meticulously, but I'm sure the Canadian Transportation Agency has had many years to consider what kinds of regulations it wants to put forward. By January 26 of this year, the U.S. had already implemented its law, and the Europeans did so on November 1, 2008. So there are examples out there of the kinds of regulations that would be required.

I just took a look at the website to see what it would cost if I were to take a plane to go to Hong Kong. I searched Air Canada, and it told me I could fly there for \$495. If I fly Cathay Pacific, which is a big airline with a lot of flights to Hong Kong and China, it's \$1,009. Now, I like people to travel Air Canada, because it's Canadian, but that price is not very truthful. Other major airlines already are very up front on how much they cost. I'm sure by the time you add up whatever the amounts are for fuel charges and everything else, it's not \$495, but probably closer to or maybe even over \$1,000. It's really not fair and not honest to consumers.

I looked at my calendar. March break is the middle of March. If the government wanted to, it could draft the regulations now. Given all this preparation time, they could probably be done very rapidly,

maybe in a week or two. They would then be published in the *Canada Gazette*. There is usually a consultation period of 30 days built in. You might actually make the March break. So the minister could show up at the airport and say that finally we have this law in place and you will now get truth in advertising, instead of just announcing that it will happen in a year.

It's not too much to ask, and I just hope things move along a bit faster. Rather than taking one year to draft the regulations, perhaps it could be done in a few weeks or a month. Surely, it shouldn't take that long to draft regulations.

The Chair: Mr. Holder.

Mr. Ed Holder (London West, CPC): Thank you, Chair. It's a pleasure to be at this committee.

My Cape Breton mother used to say about politicians that after it's all said and done, there's a lot more said than done. The good news is I don't sense that around this committee table thus far. I think people have been succinct and thoughtful.

In the same spirit of that, I'd like to call the question if I may.

Ms. Olivia Chow: All right. Do it.

The Chair: Regrettably, you cannot do that.

Mr. Ed Holder: I can't?

Ms. Olivia Chow: Let's hear you speak.

Mr. Ed Holder: Oh no, I was ready.

Ms. Olivia Chow: No, he can ask. He can call the question—

The Chair: Thank you, anyway.

Mr. Coderre.

As long as there are people willing and able to present—

[Translation]

Hon. Denis Coderre: I would like to recognize my colleague Ed, which is why I am going to speak.

Mr. Chair, the government is entitled to take a certain amount of time and is right to do so. In light of what my colleague Olivia has just said, we cannot enact the regulations immediately because enacting them implies that they have to go into the *Canada Gazette* and that there is a consultation period.

The Liberal Party cannot vote for this because it is not accurate and it is not possible to enact regulations immediately. If she had said "in the next two months", right away it would be possible to get it into the *Canada Gazette*. I don't feel that writing a regulation takes a lot of time. The problem comes afterwards. With the shortest consultation period for regulations—on security, for example—we have even got it done in 30 days because we knew that we could talk to each other quickly.

So we cannot move to enact these regulations immediately. It is not possible. Given what we know, and the fact that we have to fall in line with the Americans quickly, it would have been different if Ms. Chow had said "by April 1, 2012".

I can understand, given the lack of experience of the NDP members who have never held power. They do not know how a government works. But we can find the middle ground and come up with a practical way of doing it. May I make an amendment, Mr. Chair?

Listening to the two sides, I think we could have a compromise if we passed the following amendment:

That the government enact the regulations by April 1, 2012.

So my proposal is to remove the word “immediately”. As I see it, that reflects the position of everyone here.

● (0930)

[English]

The Chair: Is there further comment?

All right, we have an amendment to the motion proposed by Monsieur Coderre that we remove the word “immediately” and add “April 1, 2012”.

Ms. Olivia Chow: April Fool's Day.

The Chair: Coincidentally.

(Amendment negatived)

The Chair: We will now vote on the main motion, and we have a request by Ms. Chow for a recorded vote.

(Motion negatived: nays 8; yeas 4)

The Chair: Seeing that there's no further business, I'll adjourn the meeting and we'll see everybody on Tuesday. The amendments are to be given to the clerk by the end of the day and distributed as soon as they're received. Thank you.

The meeting is adjourned.

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