

**Transport Canada**  
**Consultations on the Proposed Acquisition of Transat A.T.**  
**Inc. by Air Canada**

## Background

On July 17, 2019, Air Canada and Transat A.T. Inc. notified the Minister of Transport (the Minister) whereby Air Canada would acquire Transat A.T. Inc. (the “Proposed Transaction”). This notification was in accordance with the mergers and acquisitions provisions of the *Canada Transportation Act*.

The Minister has determined that the transaction raises public interest issues related to national transportation. As such, a public interest assessment of the proposed transaction will be conducted with input from the Commissioner of Competition, who will assess its impacts on competition.

Under the *Canada Transportation Act*, Transport Canada has up to 150 days to complete this public interest assessment. However, the Minister has the authority to grant an extension should extra time be necessary. Considering the size and scope of the proposed transaction, an extra 100 days has been granted to both Transport Canada and the Commissioner of Competition, to ensure sufficient time for a thorough analysis and assessment.

The Department now has 250 days (until May 2, 2020) to complete the public interest assessment and provide it to the Minister.

## Public Interest Review Process

This formal public interest review under s.53.1 (5) of the *Canada Transportation Act* is being undertaken by Transport Canada to: 1) assert the validity of the Parties’ claims as they relate to public interest relevant to national transportation; and 2) ensure that the Proposed Transaction does not adversely impact national transportation.

As part of this process, Transport Canada is reaching out to you, as a stakeholder, to consult and obtain your views, if any, concerning the Proposed Transaction and its potential impacts. Your feedback is important to help develop and inform an analysis of public interest impacts, which, together with the Commissioner’s report on potential competition effects, will inform the Minister’s recommendation to the Government of Canada concerning the Proposed Transaction.

## Potential Impacts of Proposed Transaction

According to the Parties, the Proposed Transaction will:

- Improve network connectivity and deliver better flight options and an improved passenger experience for Canadians;
- Improve travel options for Canadians in smaller communities and rural areas;
- Reinforce Canada's presence in the global aviation industry and increase economic output;
- Support growth of other air carriers and other transportation methods;
- Support future growth of Air Canada and Transat;
- Support environmental sustainability;
- Promote aviation safety and security; and
- Support social development.

The public interest review process will be used to substantiate these claims.

## Public Interest Considerations

In conducting a public interest review, Transport Canada will consider the impact that the Proposed Transaction may have on the public interest in the following areas:

- Operating and Network efficiencies
- Fares
- Passenger Experience
- Trade
- Innovation and Investment
- Employment
- Safety
- Environment
- Tourism

## Consultation Questions

Please answer all of the questions that apply to you (or your organization). ***Your answers can be based on your own expertise, experience or opinion, or those held by your organization.***

Feel free to also provide any additional feedback with respect to your overall concerns with the Proposed Transaction or any of the areas that may be impacted.

### Operating Efficiencies

- Would the Proposed Transaction lead to a reduction in operating costs? Please explain.
- Would the Proposed Transaction lead to an increase in operating efficiencies? Please explain.
- Would the Proposed Transaction eliminate double marginalization<sup>1</sup>? Please explain.

### Network Efficiencies

- Would the Proposed Transaction affect scheduling of air services domestically and internationally?
- Would the Proposed Transaction lead to an increase in scheduling alignment?
- Do you have a concern that certain routes may be cut as a result of the Proposed Transaction? If so, could you identify which ones?
- Would the Proposed Transaction improve connectivity with other air carriers, both domestically and internationally?
- Would the Proposed Transaction impact network efficiencies for domestic and international travel?
- Would the Proposed Transaction impact connectivity for Canadians living in urban centers and in smaller population centers?

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<sup>1</sup> **Double marginalization** is the phenomenon in which different firms in the same industry that have their respective market powers but at different vertical levels in the supply chain (example, upstream and downstream) apply their own markups in prices.

## **Fares**

- Do you envisage air fares and service being positively or negatively impacted by the Proposed Transaction?
- How do fare levels impact your decision to travel whether it be for business and/or leisure purposes?
- In your view, would the Proposed Transaction lead to an increase or reduction in leisure travel?

## **Passenger Experience**

- Would the Proposed Transaction have a positive or negative impact on the passenger experience from booking flights and flight options, check-in procedures, connectivity and in-flight services?

## **Canada's Competitiveness in the International Air Transportation Industry**

- Would the Proposed Transaction make Canadian air carriers more competitive vis-à-vis their international competitors? How so?

## **Innovation and Investment**

- Would the Proposed Transaction have a positive or negative impact on innovation in the Canada, generally, and in Canadian air transportation, specifically? Please explain.
- In your view, what is needed in terms of investments in Canadian air transportation, and how will the Proposed Transaction address such needs?

## **Employment**

- Do you believe the Proposed Transaction would impact employment? If so, in what manner? (e.g. new jobs? Reassignments? Layoffs?) Please elaborate.
- What would be the economic impact of any layoffs incurred by the Proposed Transaction?

- Do you expect the Proposed Transaction to create new jobs? In what areas would you expect these new jobs to be and what would be their economic impact?
- How would the Proposed Transaction affect the Parties' ability to attract and retain pilots and aircraft maintenance staff?

### **Economic Impact**

- Would the Proposed Transaction have a positive or negative impact on the economy of the Province of Quebec? On the Canadian economy? Please elaborate.
- Why is it important that the Transat head office remains in the Province of Quebec?
- Should the Transat head office remain independent or should it be folded with the Air Canada head office?

### **Safety**

- What would be the impact of the Proposed Transaction on the safety of air transportation in Canada? Please explain.

### **Environmental**

- What would be the environmental impact of the Proposed Transaction on air transportation both domestically and internationally?

### **Tourism**

- How would the Proposed Transaction impact tourism in Canada?
- How would this impact benefit Canadians?

Additional Feedback