Competition in the Canadian airline industry

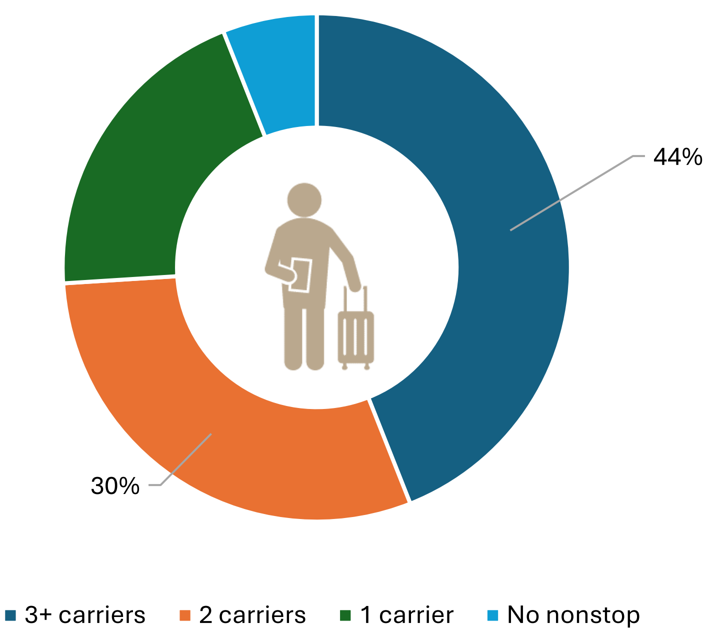
June 2025

Myth: There is a lack of competition in the Canadian air travel industry.

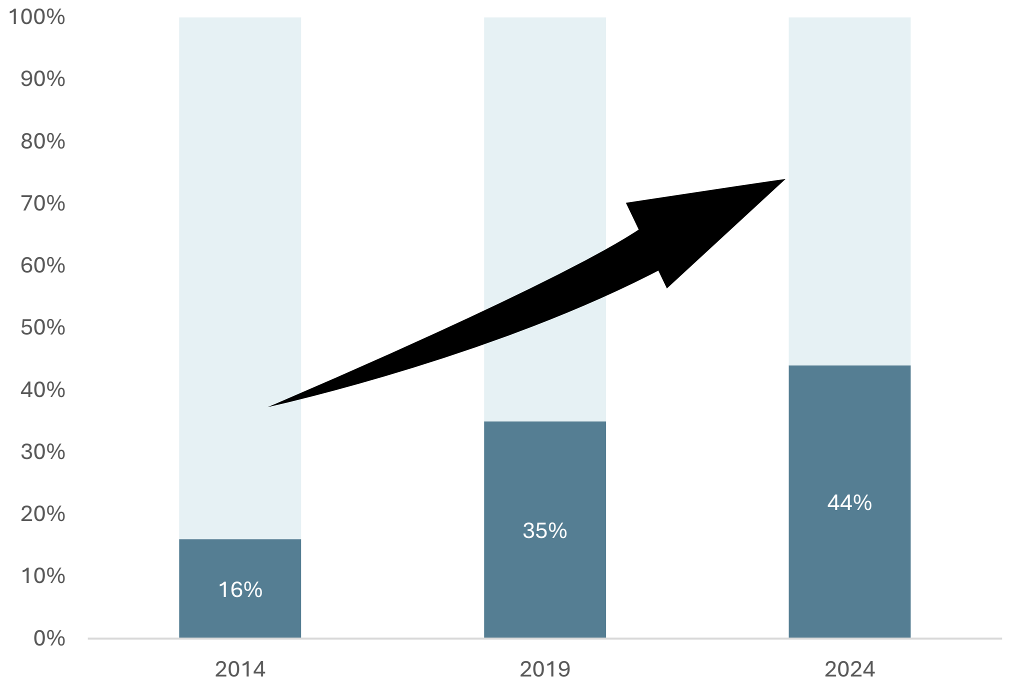
Fact: Canadians have greater choice than ever before on the vast majority of routes they travel on

In Canada, our relatively small population and vast geographic area contribute to shaping unique market dynamics in our air travel industry. Most air travellers in Canada fly between a small number of cities compared to other countries. In fact, **about 75% of air travellers in Canada fly between the top 50 cities**. In the US, only around 20% of travellers fly between the top 50 cities, and in the EU the number is 13%. In Canada, the routes served by two (or fewer) nonstop carriers generally involve very small weekly traffic.

Domestic Passengers by Non-stop Competitors, 2024

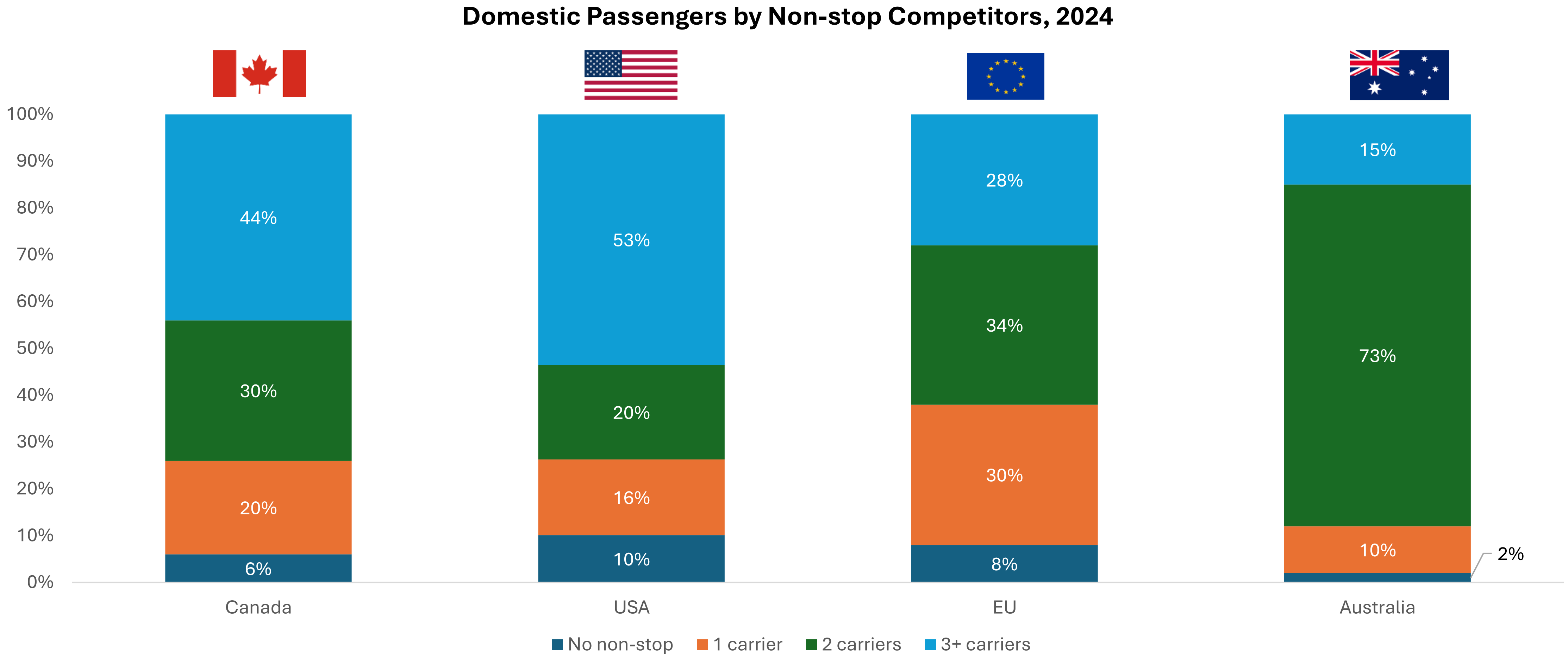


Domestic Passengers on top 95% O&D markets served by 3+ carriers, 2024



Source: InterVISTAS analysis of Sabre GDD 2023, Diio by Cirium data
Considers carriers serving city-pair markets nonstop on average 2x weekly (over the course of a full year) with at least a 5% nonstop seat share. Considers top markets constituting 95% of total O&D demand per region. CY 2023 demand used to calculate weighting of each nonstop market for each year. Subsidiaries are combined into one carrier for purposes of calculating the number of competitors.

Myth: The Canadian air travel market is less competitive than in other countries.
Fact: Competition in Canada is as robust, if not more, than other jurisdictions



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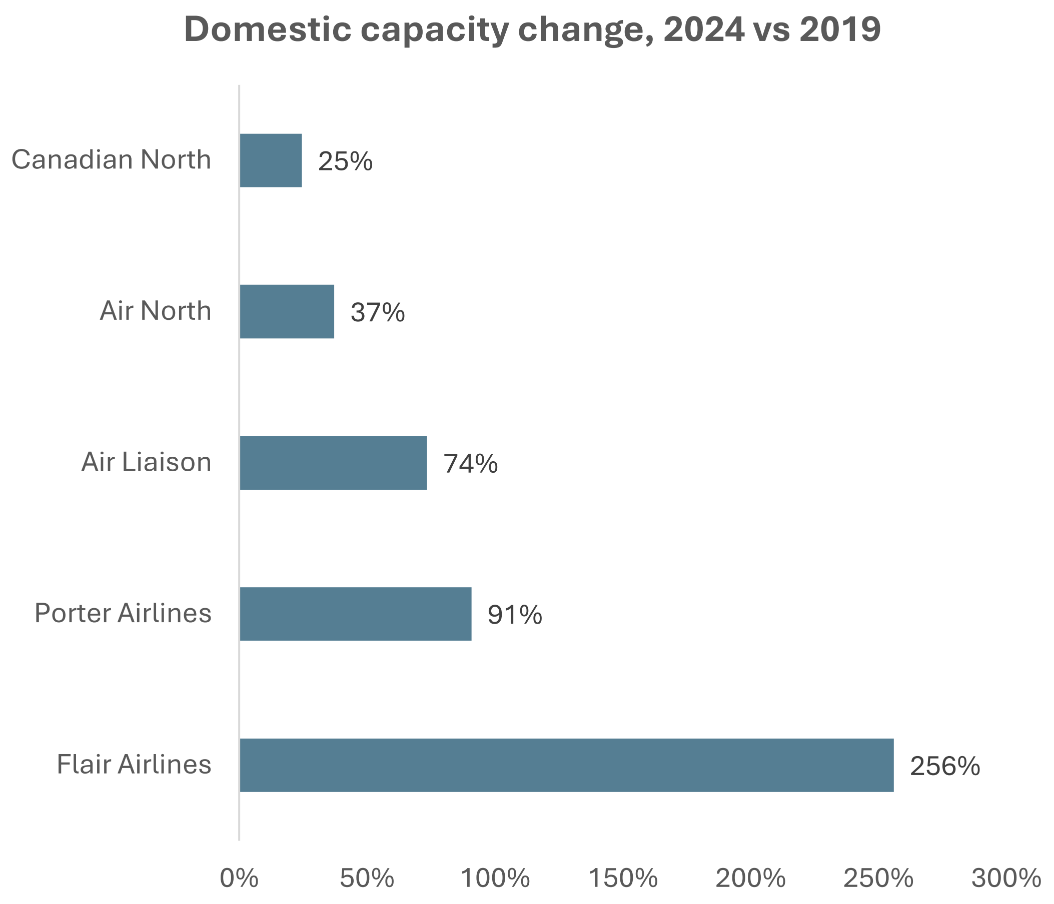
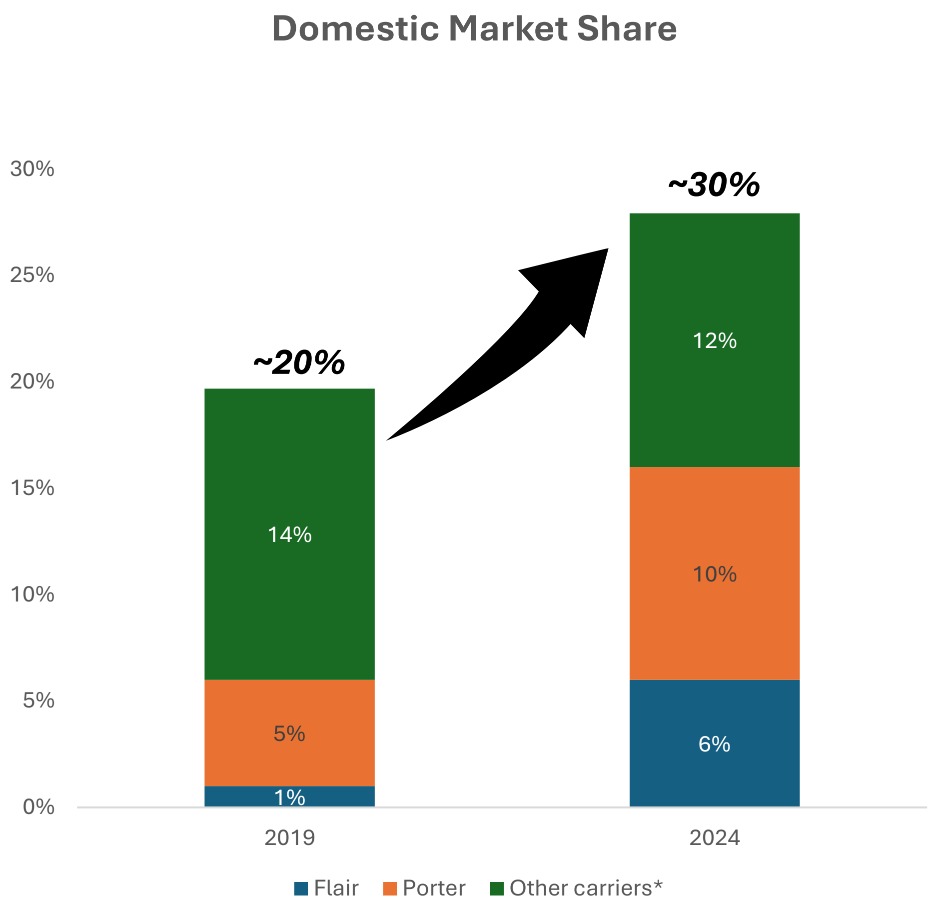
Myth: Small carriers cannot succeed in the Canadian air travel market.

Fact: Smaller carriers are seeing the most rapid growth in Canada, and are making up a larger share of the domestic market

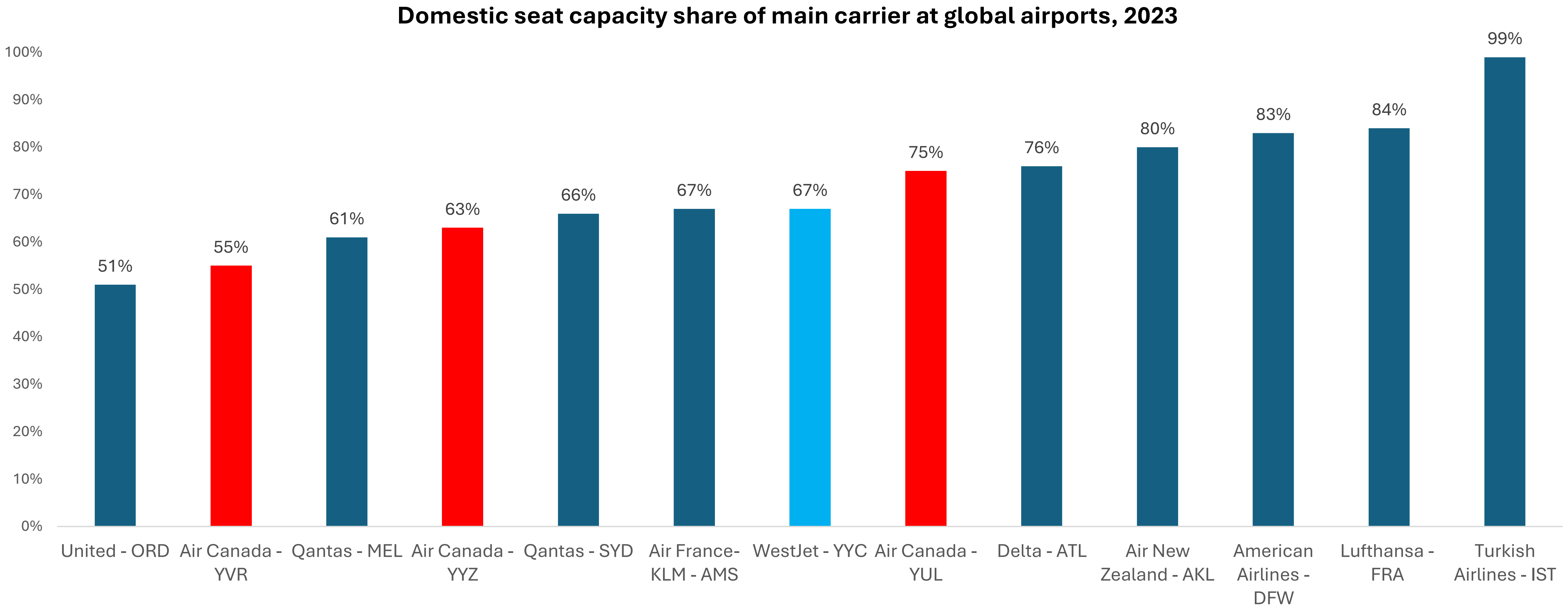




*Carriers other than AC and WS; Source: Cirium Diio MI. Includes Lynx for the time it operated in 2024.

Myth: Air Canada and WestJet's presence at Canadian hubs is too big.

Fact: Many main carriers have a strong presence at their respective hubs, and Air Canada and WestJet have a smaller share at hubs than global competitors. Investing in hubs helps network carriers develop world-class global connections.

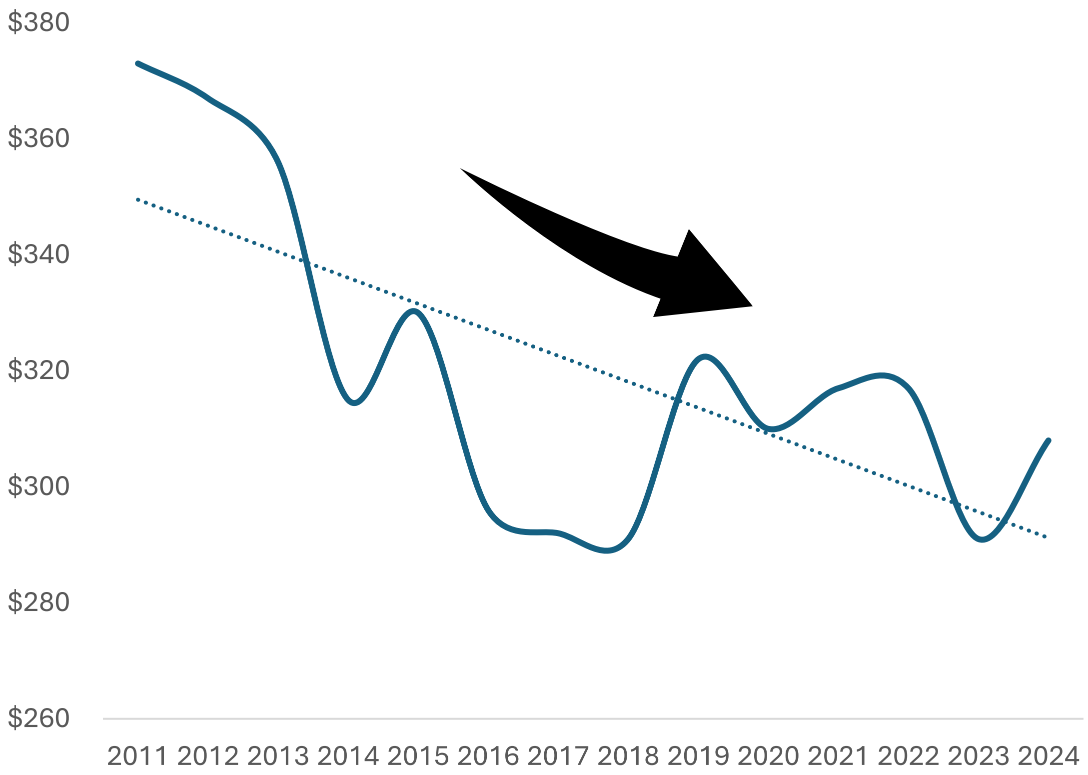


Source: Cirium, Diio MI

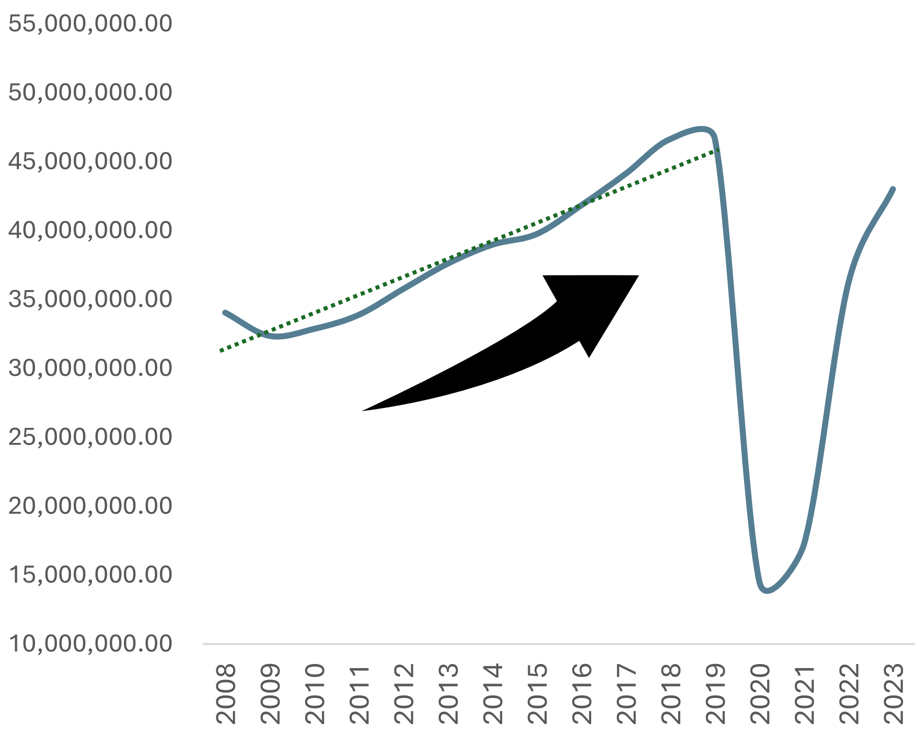
Myth: The price of airfares in Canada is continuously increasing.

Fact: There has been a consistent drop in inflation-adjusted airfares in Canada, and more people are travelling in Canada

Average Inflation-adjusted Domestic Base Airfare*



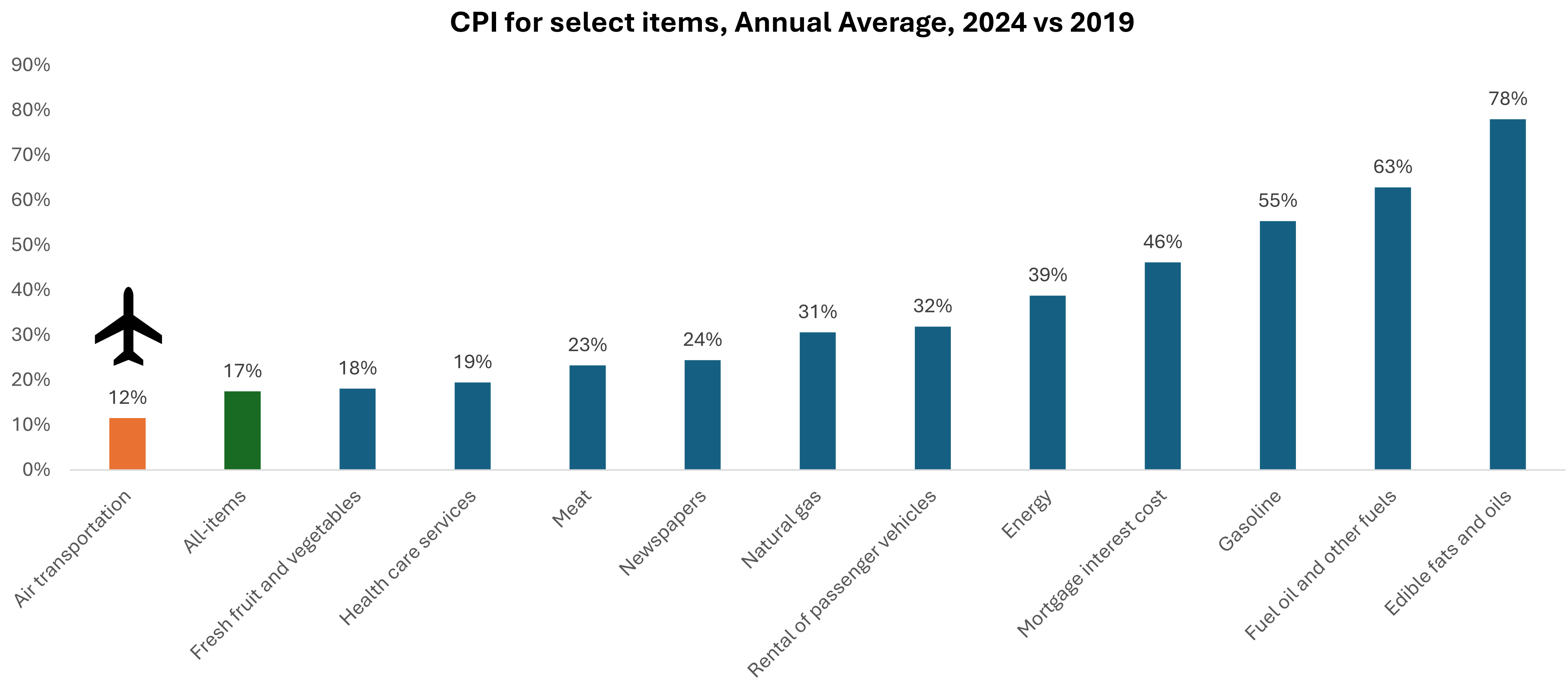
Domestic Air Passengers**



Source: InterVISTAS analysis of Sabre GDD, Bank of Canada CPI indicators, CAD/USD average yearly foreign currency exchange rates. Base fares are amounts to carrier net of ticket taxes/fees and are domestic Canada true O&D one-way (may include multiple segments). Sabre data includes all Canadian carriers with estimates for carriers underrepresented in indirect distribution; this distribution sampling may result in Sabre GDD overstatement of true fare levels by approximately 10%~15%.

**Source: StatCan Air passenger traffic at Canadian airports, annual; represents half of passengers enplaned and deplaned to avoid double counting domestic passengers

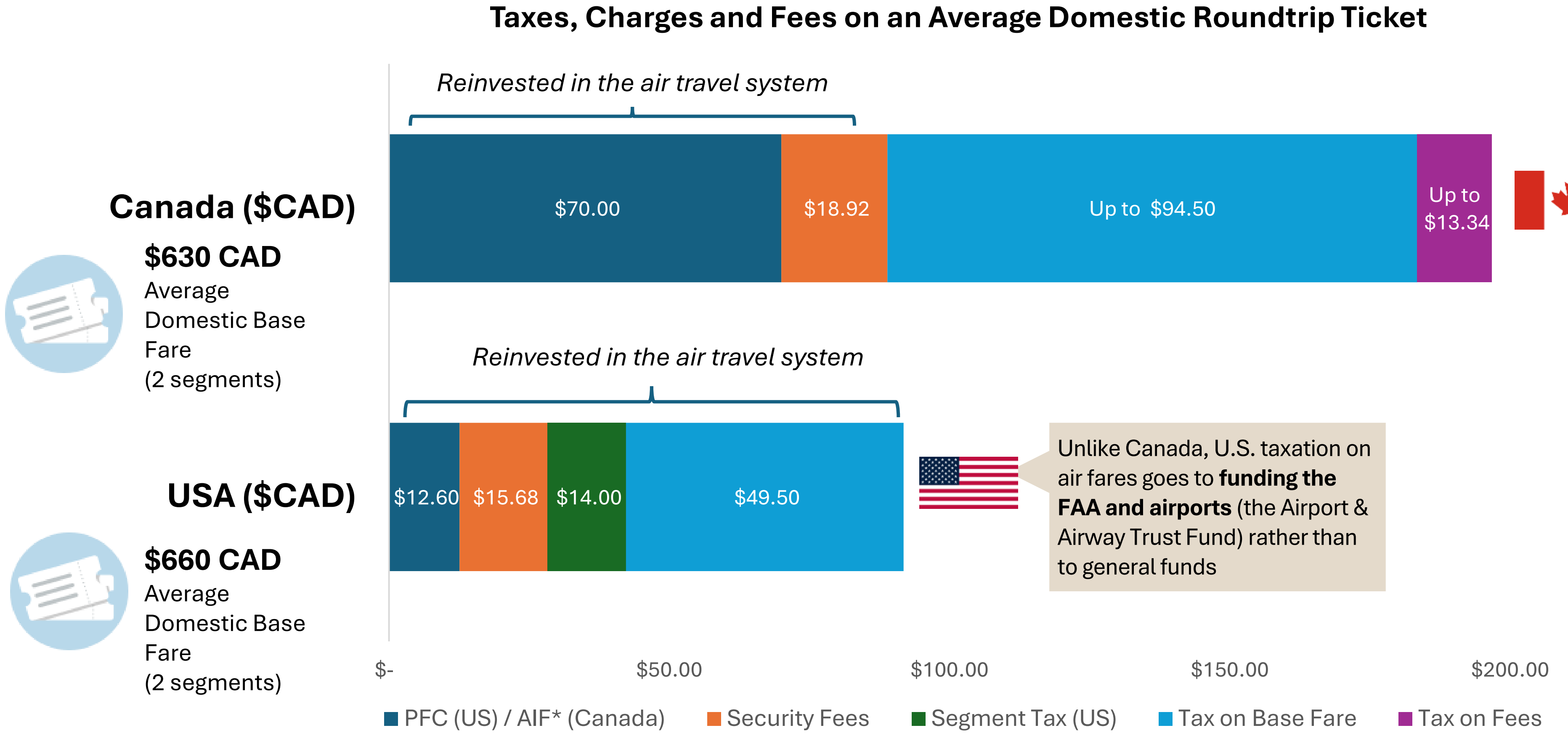
Myth: Airfares in Canada have risen considerably after the pandemic.
Fact: Since 2019, airfares have increased less than inflation, and far less than other items



Source: Consumer Price Index, annual average

Myth: A lack of competition is the main cause of high fares in Canada.

Fact: Higher and increasing third party and government taxes, charges and fees contribute to the higher cost of air travel in Canada vs other countries



Unlike Canada, U.S. taxation on air fares goes to **funding the FAA and airports** (the Airport & Airway Trust Fund) rather than to general funds

In addition to these fees paid by passengers, airports are charged ***rent*** *by the Federal government and* ***municipal taxes****, and airlines pay* ***navigation fees*** *for domestic flights,* ***none of which are payable in the US****.*

These amount to approx. $40.00 which contribute to a higher fee structure in Canada vs the US.

Source (Base Fare): InterVistas analysis of Sabre GDD data
*AIF amount based on the average Airport Improvement Fee for the 8 largest airports in Canada, however, this amount can vary depending on airports flown to and from.

Myth: Taxation has little effect on air traffic demand.

Fact: Reducing government and third-party taxes, charges and fees will stimulate air travel in Canada

Reducing overall taxes/charges to U.S. levels will result in 5.8 million additional domestic passengers and $2.8 billion in consumer surplus

Ticket Price Reduction	**12.5%**
% Demand Change	+10.7%
Demand Impact (Increase in Domestic Passengers)	5,800,000

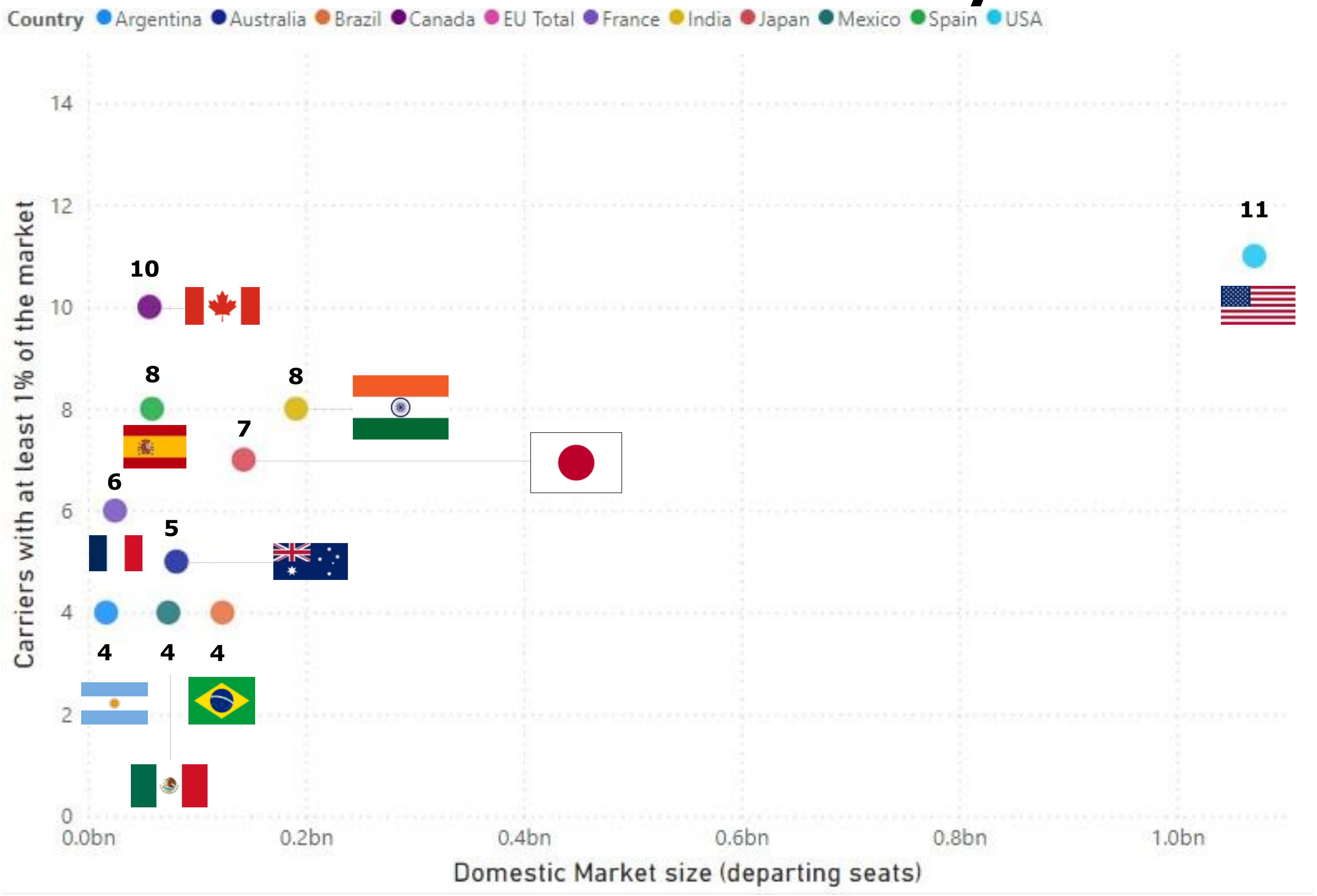
Reduction in charges/taxes and fees to levels equivalent to the US

Source: InterVistas; Analysis includes all Canada domestic markets. Demand impact may be conservative if actual base fares are overstated in Sabre GDD

Thank you
Merci

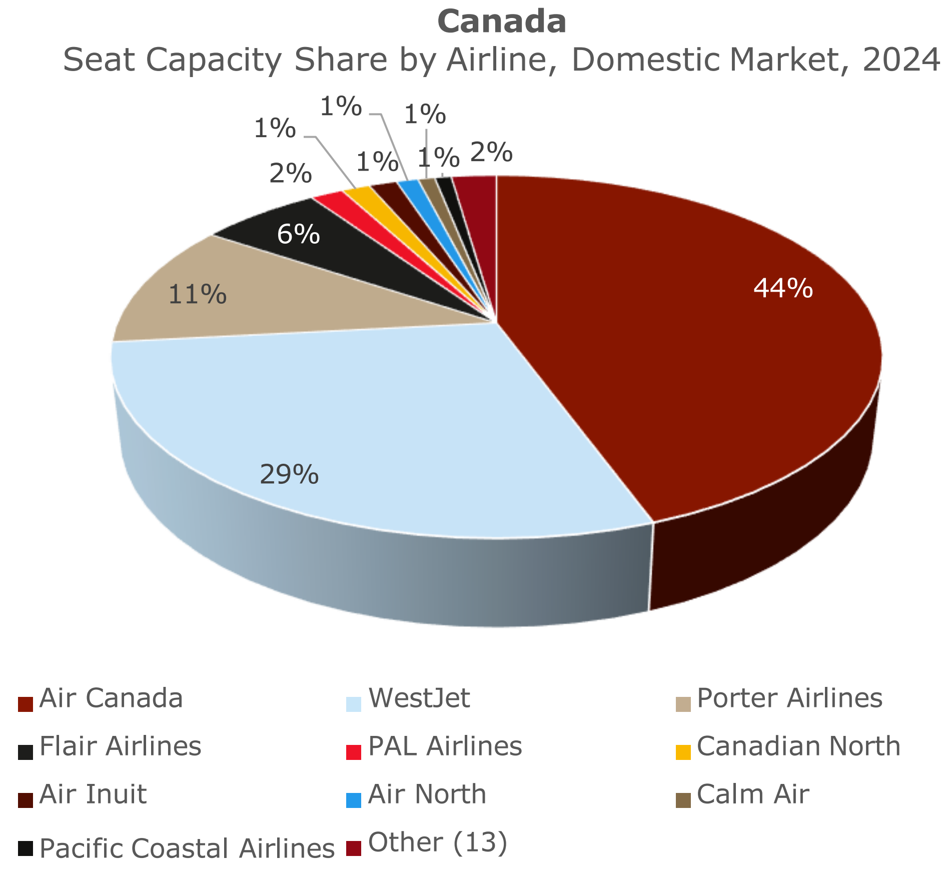
aircanada.com

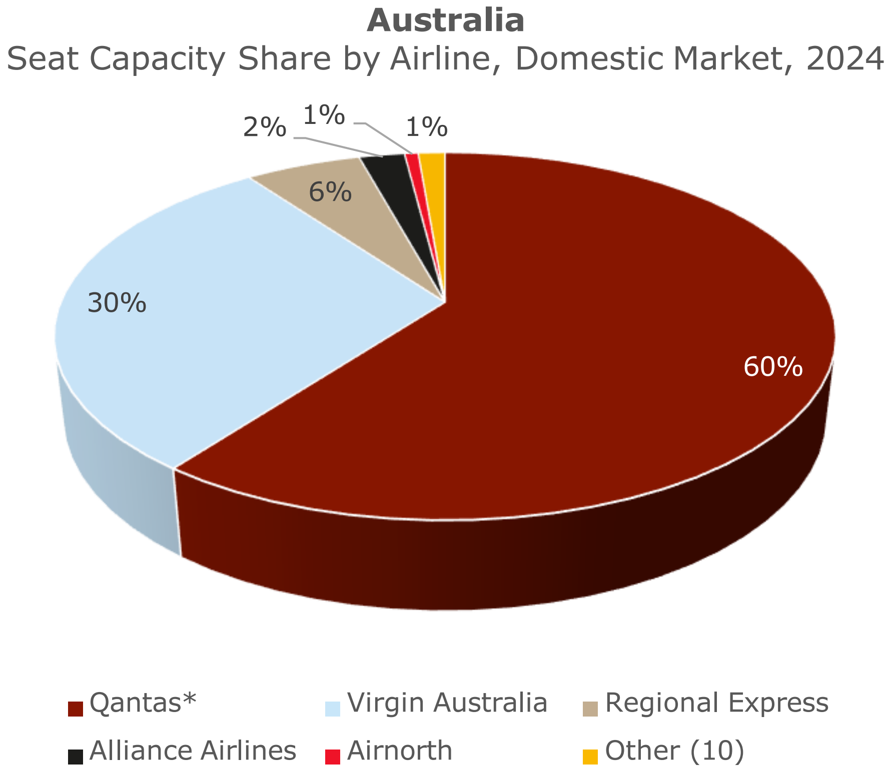
Number of domestic carriers* by market size**



*With at least 1% market share
**Based on passenger scheduled seats

Domestic Market Share by Carrier



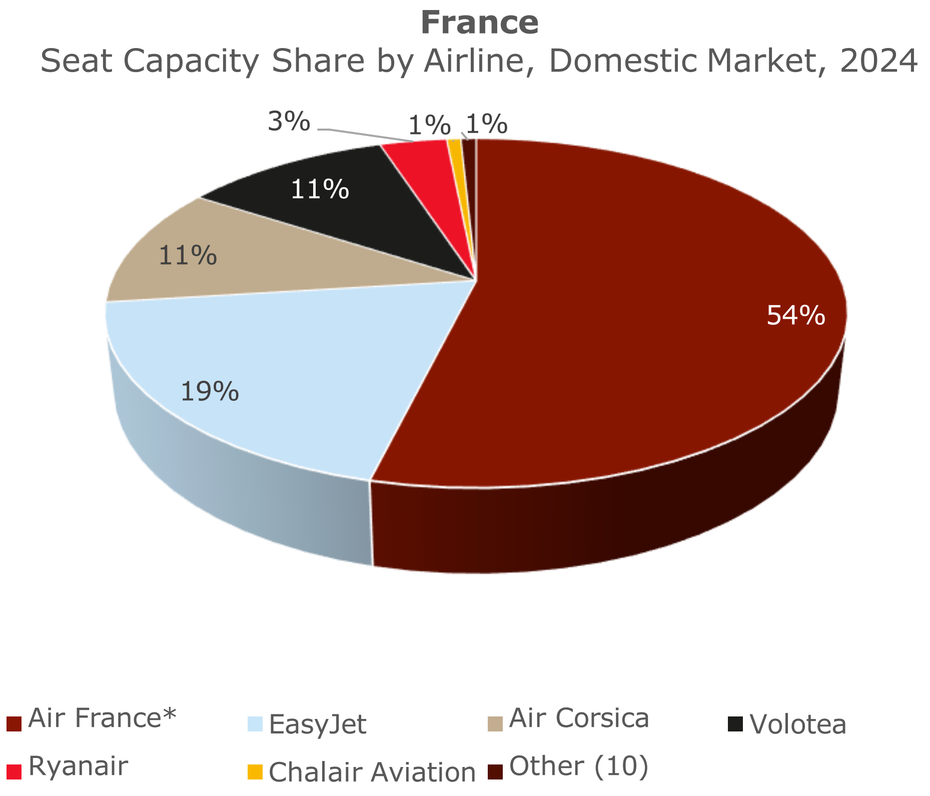


*includes Jetstar

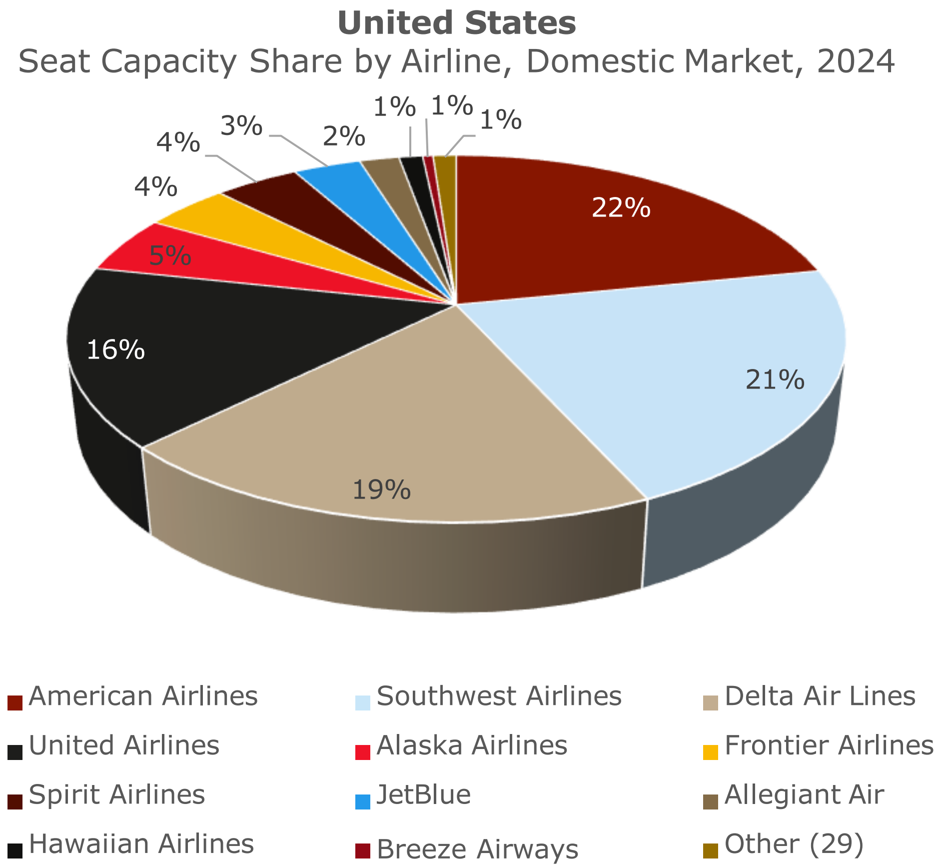
Based on passenger scheduled seats

Source: Diio

Domestic Market Share by Carrier



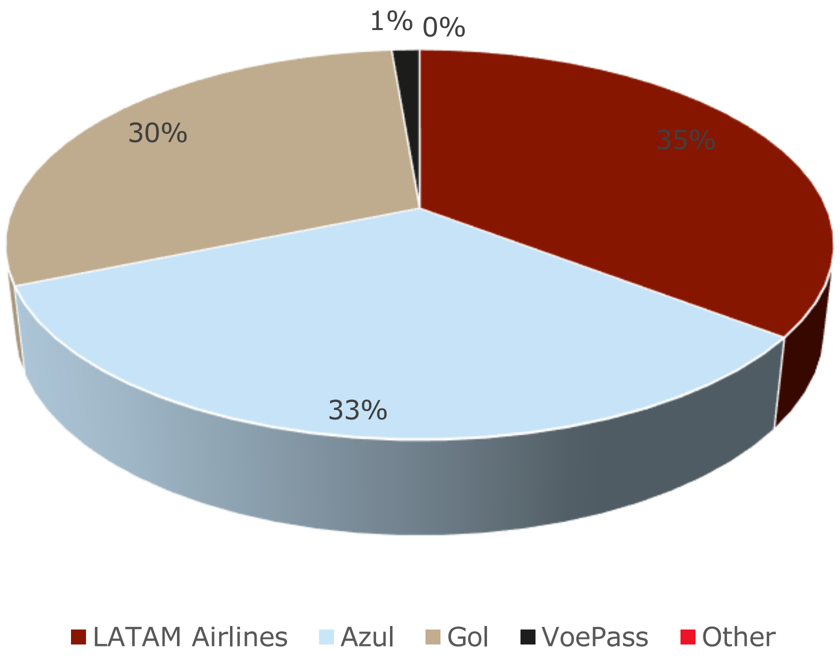
*includes Transavia France



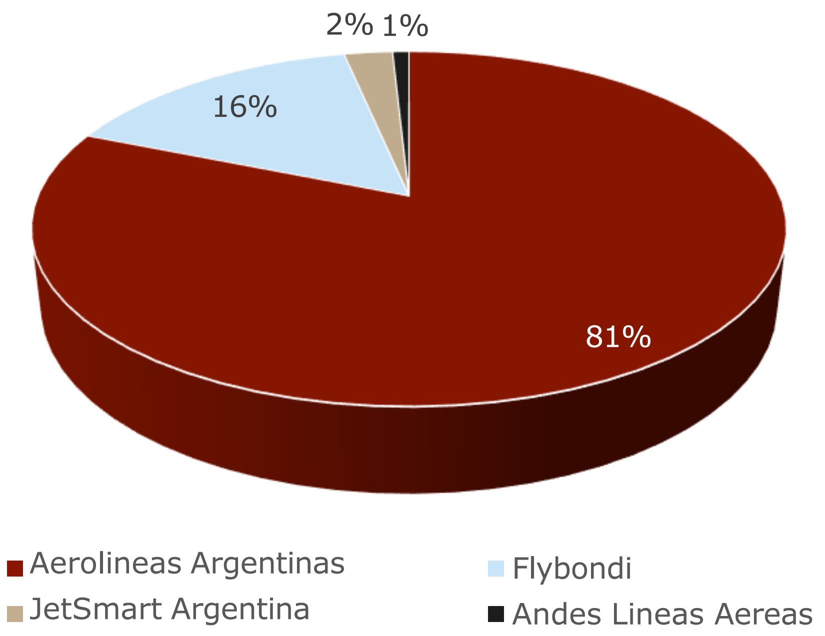
Based on passenger scheduled seats
Source: Diio

Domestic Market Share by Carrier

Brazil
Seat Capacity Share by Airline, Domestic Market, 2024

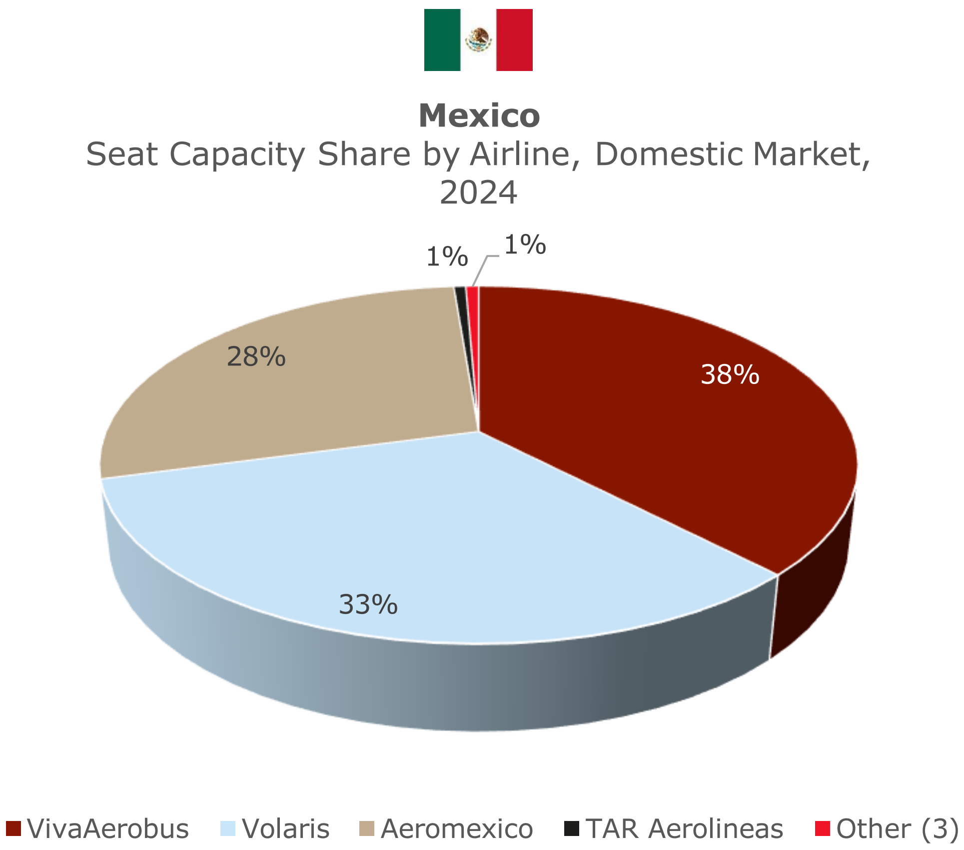


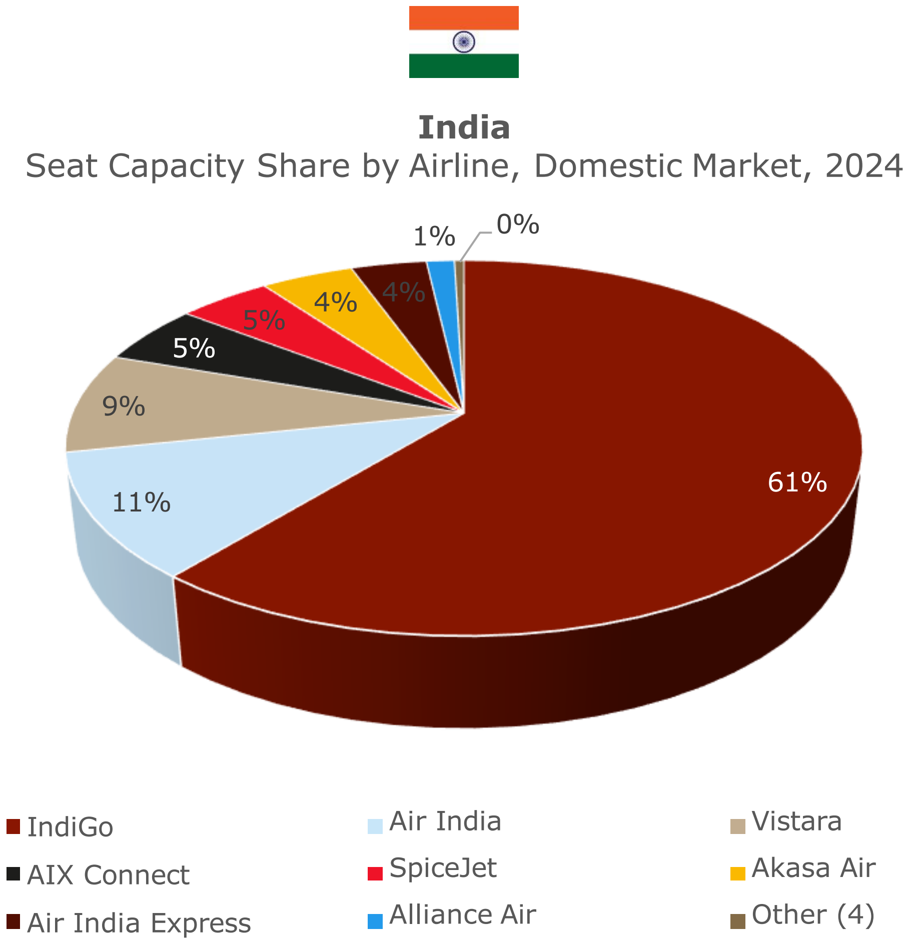
Argentina
Seat Capacity Share by Airline, Domestic Market, 2024



Based on passenger scheduled seats
Source: Diio

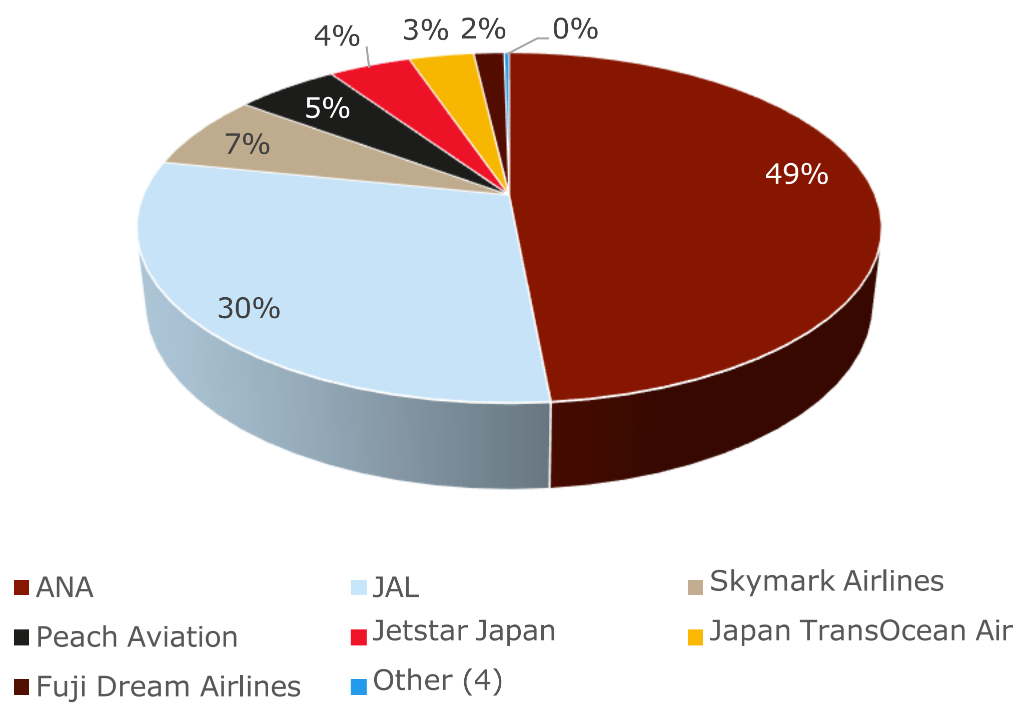
Domestic Market Share by Carrier



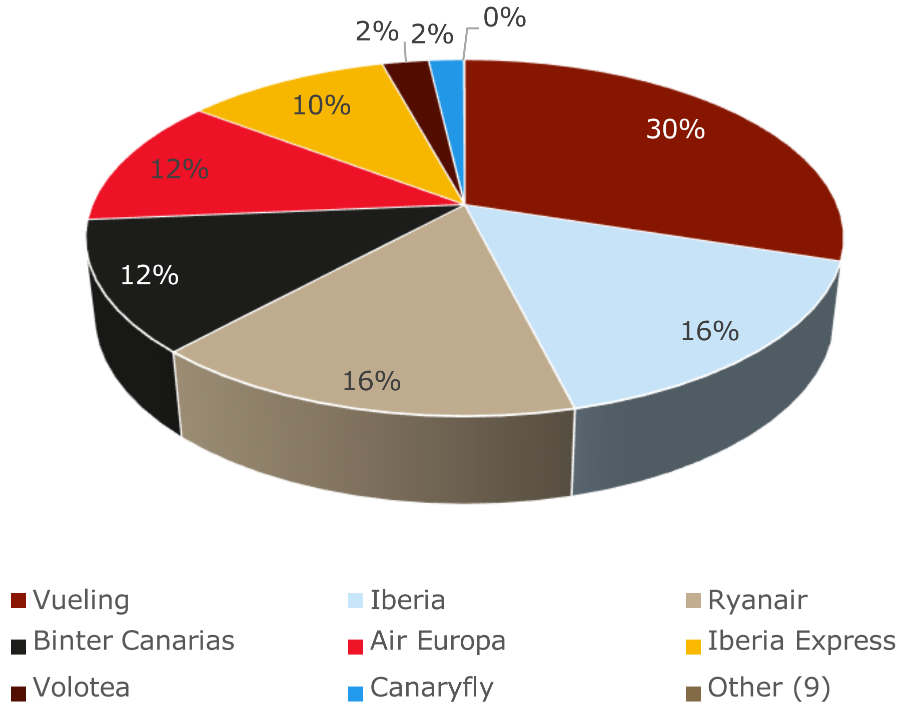


Domestic Market Share by Carrier

Japan
Seat Capacity Share by Airline, Domestic Market, 2024



Spain
Seat Capacity Share by Airline, Domestic Market, 2024



Based on passenger scheduled seats
Source: Diio