

Aviation

Civil Aviation, Annual Operating and Financial Statistics, Canadian Air Carriers, Levels I to III

2007



Highlights

- In 2007, Canadian Level I to III air carriers reported nearly 55 million enplaned passengers, an all-time high, up 6.0% from 2006, continuing the upward trend that began in 2004. The domestic sector grew 6.7% in 2007 to 33.1 million passengers, while the international sector (including Canada-United States) rose 4.8% to 21.8 million passengers. The scheduled passenger counts reached 50.4 million and the charter passenger counts, 4.6 million. In terms of passenger-kilometres flown, these carriers recorded 126.4 billion passenger-kilometres in their scheduled and charter operations in 2007, up 6.5% from the previous year. The domestic sector (+6.0%) advanced at about the same pace as the international sector (+6.7%).
- In 2007, total operating revenues generated by the Canadian Level I to III air carriers amounted to \$16.2 billion, up 6.1% from 2006, continuing the upward trend that began in 2004. The total operating expenses increased to \$15.1 billion in 2007, up 3.6% over the previous year. In 2007, Canadian Level I to III air carriers reported a net income of \$909.9 million, an improvement in profitability from the \$328.0 million recorded in 2006 and an all-time high.
- In 2007, 93.0 cents of each operating revenue dollar were used to cover operating expenses. Aircraft operations absorbed the largest portion of each operating revenue dollar, at 47.7 cents, followed by general services and administration (29.9 cents) and maintenance (11.1 cents).
- Total assets of the Canadian Level I to III air carriers reached \$17.5 billion in 2007, up 2.9% compared to 2006.
- The aviation industry's earning power is reflected in the profitability ratios of profit margin, return on investment and return on assets. In 2007, the profit margin was higher than in 2006, rising from 2.1% to 5.6%. This shows that every dollar of service sold earned 5.6 cents of profit for the Canadian Level I to III air carriers. Both return on assets and return on investment showed thriving profitability within the aviation industry in 2007. The rate of return on assets went from 1.9% in 2006 to 5.3% in 2007, while the rate of return on investment went from 3.9% in 2006 to 7.6% in 2007.
- Total employment in the aviation industry grew 4.7% to 40,649, while total wages and salaries went up 9.0% to \$2.5 billion. In 2007, 16.7% of the operating expenses of the Canadian Level I to III air carriers were payments to their employees in wages and salaries.
- In 2007, the operating revenue per employee reached \$399,084, up 1.4% compared to 2006. This gain followed the 6.3% increase registered between 2005 and 2006. Another yardstick used to measure productivity within the aviation industry is to calculate tonne-kilometres flown per employee. According to this measure, labour productivity in 2007 declined 2.9% compared to 2006, while in 2006 it bettered the previous year level (+6.2%).
- Canadian Level I to III air carriers consumed 5.9 billion litres of fuel (turbine fuel and gasoline) in 2007 and spent \$4.0 billion acquiring the fuel. In 2007, fuel costs accounted for 26.3% of the operating expenses.

- Increases in tonne-kilometres flown per litre of fuel consumed occurred in both 2006 (+8.6%) and 2007 (+0.1%). These results indicated that the Canadian Level I to III air carriers were able to protect themselves partially from the effects of fuel price increases through technological improvements and productivity increases. Overall, between 2005 and 2006, productivity in the industry for one litre of fuel increased on average from 2.29 tonne-kilometres to 2.49 tonne-kilometres. In 2007, one litre of fuel also carried on average 2.49 tonne-kilometres.

Analysis

Some key aviation industry figures

In 2007, Canadian Level I to III air carriers reported nearly 55 million enplaned passengers, an all-time high, up 6.0% from 2006, continuing the upward trend that began in 2004. The domestic sector grew 6.7% in 2007 to 33.1 million passengers, while the international sector (including Canada-United States) rose 4.8% to 21.8 million passengers. The scheduled passenger counts reached 50.4 million and the charter passenger counts, 4.6 million. Between 1990 and 2007, the number of passengers carried by the Canadian carriers rose 50.2%, from 36.6 million to nearly 55 million. Notable growth periods span the 1990s and the 2000s. The two exceptions came during the early recession of the 1990s and between 2001 and 2003 due to many contributing factors such as the terrorist attacks against the United States in September 2001, the outbreak of Severe Acute Respiratory Syndrome (SARS), as well as the beginning of war in Iraq in 2003. The Canadian air transportation industry recovered in 2004 and 2005, thanks to a strong economy and to its restructuring pattern.

Another important aspect in examining the industry's growth is the number of passenger-kilometres flown. Canadian Level I to III air carriers recorded 126.4 billion passenger-kilometres in their scheduled and charter operations in 2007, up 6.5% from the previous year. The domestic sector (+6.0%) advanced at about the same pace as the international sector (+6.7%). Between 1990 and 2007, the number of passenger-kilometres almost doubled. Over these years, the average passenger trip length increased 26.5%, from 1,820 kilometres in 1990 to 2,302 kilometres in 2007. The average passenger trip length in the domestic and international sectors were 1,316 kilometres and 3,794 kilometres respectively in 2007.

Financial analysis

In 2007, total operating revenues generated by the Canadian Level I to III air carriers amounted to \$16.2 billion, up 6.1% from 2006, continuing the upward trend that began in 2004. In 1990, operating revenues were at \$7.7 billion.

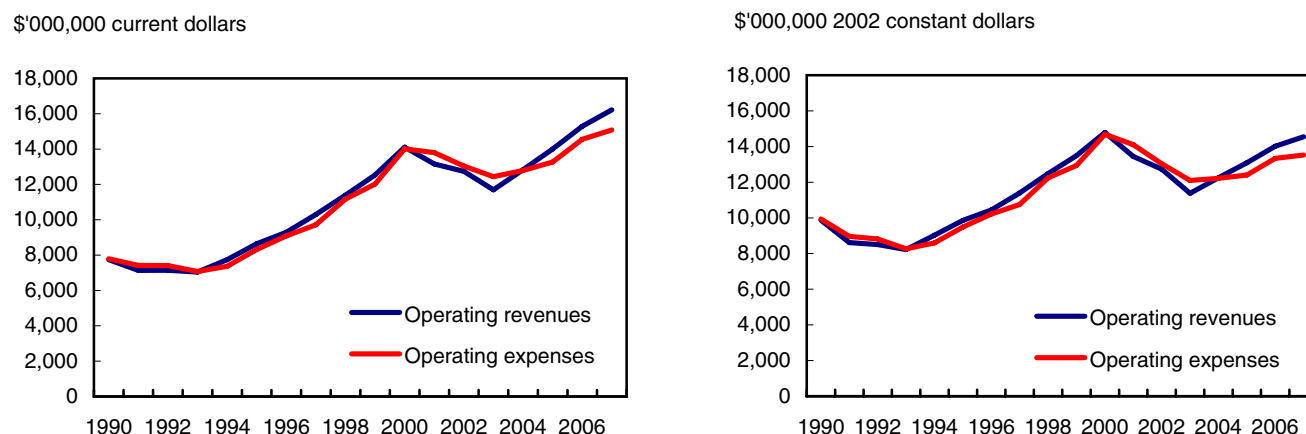
The total operating expenses from 1990 to 2007 have followed approximately the same growth curve as the operating revenues, although almost consistently they have been lower than the operating revenues (see Chart 1). From the \$7.8 billion recorded in 1990, operating expenses increased to \$15.1 billion in 2007, up 3.6% over the previous year.

From 1990 to 2007, the operating revenues and expenses, adjusted for inflation, showed increases of 47.4% and 36.1% respectively. As can be seen in Chart 1, in 1990, operating revenues were at about \$9.9 billion, as were operating expenses. In 2007, they reached respectively \$14.5 billion and \$13.5 billion (2002 constant dollars).

However, there have been some exceptions to this pattern of steady upward growth. The strongest decreases occurred at the onset of the economic recession in Canada in the early 1990s and during the period from 2001 to 2003. From 1990 to 2007, the industry's current dollar operating revenues covered operating expenses in all but seven years (from 1990 to 1993 and from 2001 to 2003). During this period, the industry's net annual income showed losses on 12 occasions, and largely they were due to non-operating expenses.¹ Over the 15-year period from 1990 to 2004, the industry lost \$6.9 billion. However, the Canadian Level I to III air carriers returned to profitability by 2005. In 2007, these carriers reported a net income of \$909.9 million, an improvement in profitability from the \$328.0 million recorded in 2006 and an all-time high.

1. There are non-operating income and expenses that can and do greatly affect the air carriers' net income. For example, non-operating income can be capital gains from the sale of aircraft, interest income and foreign exchange adjustment. Non-operating expenses can include capital losses and interest on bank loans and other debt.

Chart 1
Operating revenues and expenses, 1990 to 2007



A look at the operating revenue dollar

Another perspective on the industry can be gained by examining how the operating revenue dollar is spent. In 2007, for example, 93.0 cents of each operating revenue dollar were used to cover operating expenses. In 1990, however, the operating expenses were not all covered by the operating revenues; for each operating revenue dollar received, \$1.01 was spent on operating expenses (see Table 1).

As shown in Chart 2, the two most costly expense areas of an airline business were aircraft operations² and general services and administration³. Of these two, aircraft operations absorbed the larger portion of each operating revenue dollar in 2007, at 47.7 cents. In 1990, 36.2 cents of each operating revenue dollar were spent on aircraft operations. The rise in the expenses related to aircraft operations can be largely explained by increases in fuel costs and wages and salaries (see Table 2). Between 1990 and 2007, expenses related to general services and administration declined substantially from 48.0 cents of each operating revenue dollar to 29.9 cents. In 1990, if the expenses allocated to this category absorbed almost half of each operating revenue dollar, this was partly due to the increased need for airlines to administer the areas that were regulated by the government prior to 1988.⁴ Over the years, the relative share of depreciation and maintenance (flight equipment and ground property and equipment) expenses remained quite stable. This is partially due to the fleet renewal programs—the airlines' modernized fleet required less maintenance.

2. Aircraft operations included expenses for flight crew wages and salaries, aircraft fuel and oil, landing and navigation fees, aircraft insurance, aircraft rentals and other expenses.
3. General services and administration included wages and salaries and supplementary labour income for administrative employees, property taxes and building rentals, communications purchased, purchasing activities, representation at law and other general operational administration.
4. Under regulation, the government administered routes by determining which airlines could service a particular route and the type of aircraft they could use in this service. Since deregulation, the air carriers adjusted their capacity on a particular route according to the market forces.

Chart 2
Distribution of the operating revenue dollar, selected years

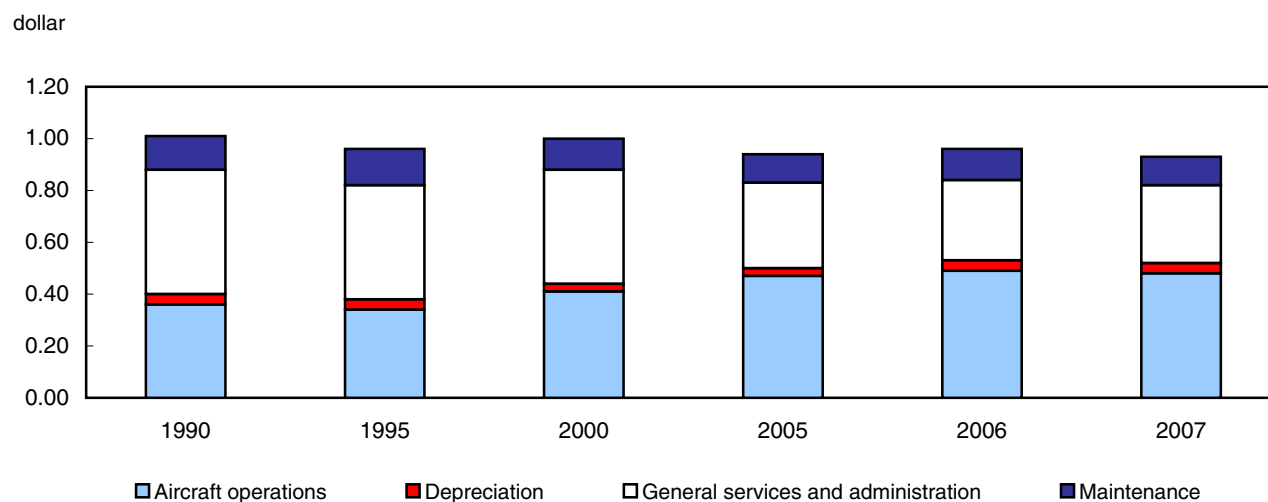


Table 1
Operating expenses by expense area, selected years

	Operating expenses				Total expenses
	Aircraft operations	Depreciation	General services and administration	Maintenance	
	cents				
1990	36.2	3.8	48.0	12.7	100.7
1995	34.1	4.0	44.2	14.0	96.2
2000	40.6	3.5	43.5	11.7	99.3
2005	46.9	3.5	33.4	11.1	94.8
2006	49.1	3.8	30.5	11.7	95.2
2007	47.7	4.3	29.9	11.1	93.0

Financial performance indicators

Financial ratios are a good way to gauge the economic health of an industry, and in this case, the airline industry. The income statement shows the current financial health while the balance sheet indicates long-term financial achievement. Ratios are also used to compare the performance of individual carriers, to locate the efficiency of a particular carrier within the industry, and to measure the results of one industry against another or of the Canadian aviation industry to another country.

The three major types of financial ratios which have been considered include: liquidity, solvency and profitability. For each category, the ratios considered in this analysis were calculated as follows:

Liquidity ratios

The *current ratio* is current assets divided by current liabilities.

The *debt structure ratio* is current liabilities divided by total liabilities.

Solvency ratios

The *debt-to-asset (debt) ratio* is total liabilities divided by total assets.

The *debt-to-equity (leverage) ratio* is total liabilities divided by total shareholders' equity.

Profitability ratios

The *operating ratio* is operating expenses divided by operating revenue.

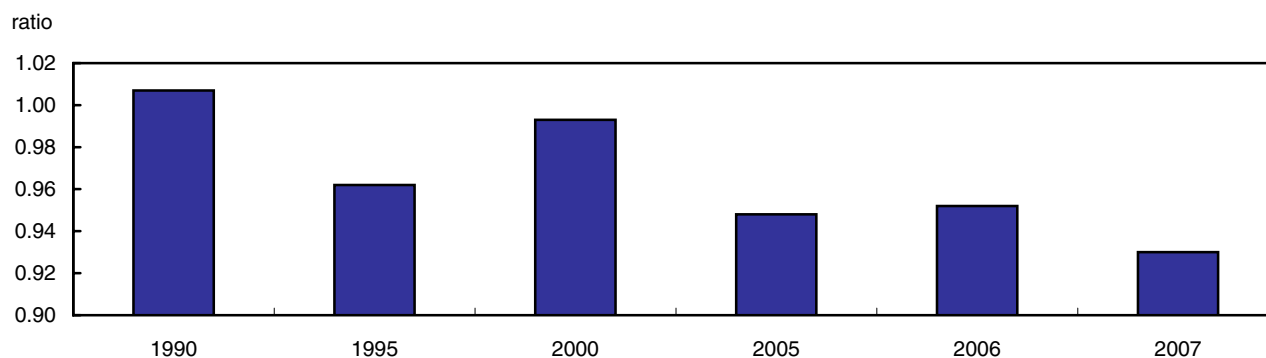
The *profit margin* is net income divided by operating revenue.

The *return on assets* is net income divided by total assets.

The *return on investment* is the sum of net income and interest expenses divided by total assets.

In 2007, the operating ratio (it displays the carrier's ability to meet its short-term obligations and represents the proportion of operating revenue absorbed by operating expenses) stood at 0.93, down from 0.95 in 2006. Overall, this means that the Canadian Level I to III air carriers made 7.0 cents of profit for every dollar spent in 2007 and 5.0 cents in 2006. Operating ratios greater than one indicate that the industry experienced an operating loss, as was the case in the recessionary year of 1990 (see Chart 3). The rising cost of fuel and employment coupled with lower load factors helped to explain the decrease in operating income.

Chart 3
Financial performance indicators, operating ratio, selected years



As can be seen in Charts 4 and 5, the liquidity of the industry, as measured by the current ratio (it measures the carrier's ability to meet financial obligations as they come due, without disrupting normal operations) and the debt structure ratio (it measures the proportion of total debt due and payable within the current year), showed some fluctuations over the years. The current assets-to-current liabilities ratio moved down in 2007, reaching 0.79, compared to 0.86 in 2006. The lower ratios recorded since 2000 mean that Canadian Level I to III air carriers have a reduced ability to pay short-term debts compared to earlier periods. Current ratios greater than one indicate that the industry is considered to be liquid, as was the case in 1990. The debt structure ratio declined from 49.9%

in 2006 to 40.6% in 2007, roughly the same level as in 2005 (40.9%). Overall, the aviation industry in Canada is still generating a positive net worth (total assets minus total liabilities). The net worth of the industry increased 27.0% to \$4.0 billion in 2007, as assets rose and liabilities decreased.

Chart 4
Financial performance indicators, current ratio, selected years

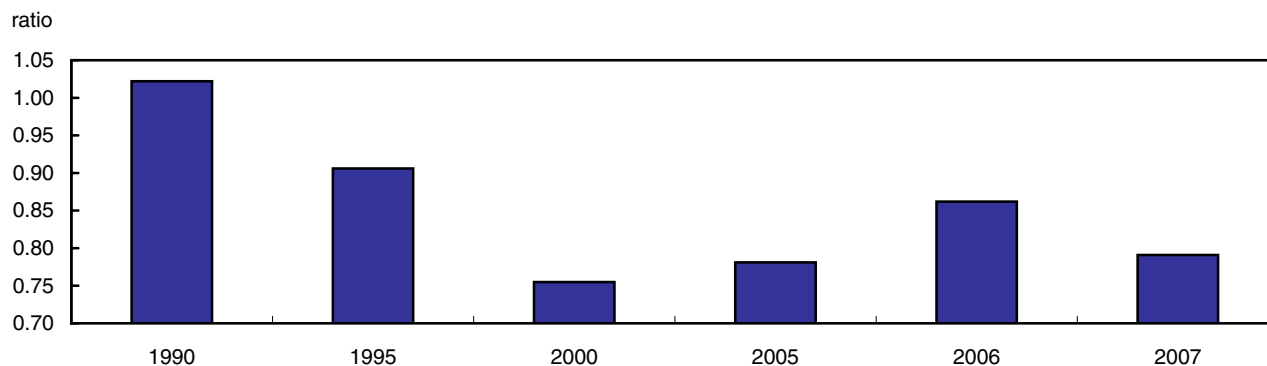
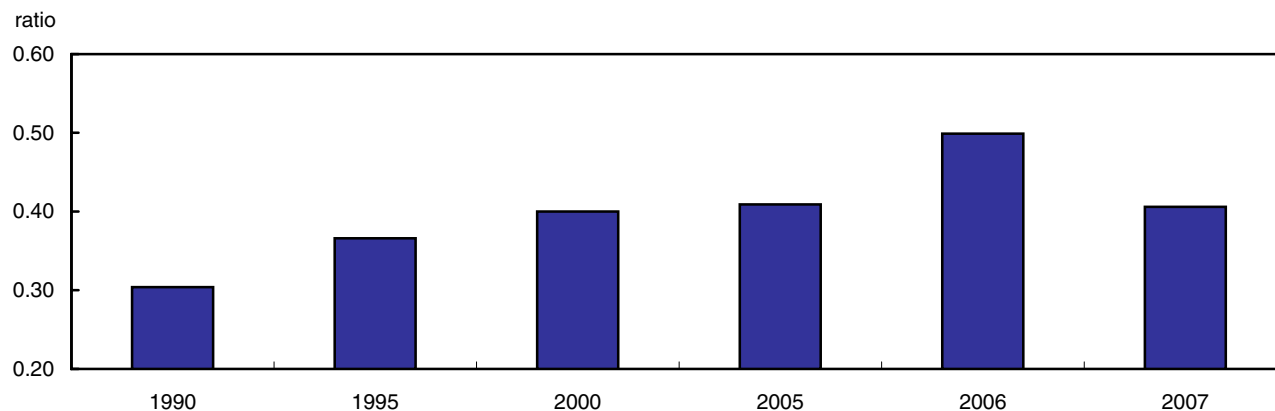


Chart 5
Financial performance indicators, debt structure ratio, selected years



The extent to which borrowed funds are used is reflected in the debt-to-asset ratio (it is a measure of the extent of leverage being used by an airline) and in the debt-to-equity ratio (it is a measure of the degree to which the creditors have financed the airlines compared to the shareholders). The debt-to-asset ratio of 0.77 in 2007, for example, showed that every dollar of assets was financed with 77.0 cents of debt. Such a highly leveraged industry is more efficient during growth years when profits can both pay off interest charges and more. This ratio climbed to 0.84 in 2005 and to an even higher 0.93 in 2000, concurrent with the beginning of problems by the aviation industry in Canada in acquiring finances⁵ (see Chart 6). Highly leveraged airlines run the risk of large losses during a recession or an economic slowdown, but also have a chance of gaining high profits when the industry is growing. Owners may prefer high leverage either to magnify earnings or because raising new equity means giving up some degree of control. Fleet renewal programs and mergers and acquisitions within the industry may partly explain the increase in the use of debt during the early 2000s. As shown in Chart 7, the solvency, as measured by the debt-to-equity (leverage) ratio, showed an improvement from 4.44 in 2006 to 3.41 in 2007. This means that in 2007, for example, for every \$3.41 in debt, the airlines had \$1.00 in equity (shareholders' money). In 2000, this ratio was 13.46.

5. The debt-to-asset ratio was 1.08 in 2001, 1.11 in 2002, 1.26 in 2003 and 0.93 in 2004.

Chart 6
Financial performance indicators, debt-to-asset ratio, selected years

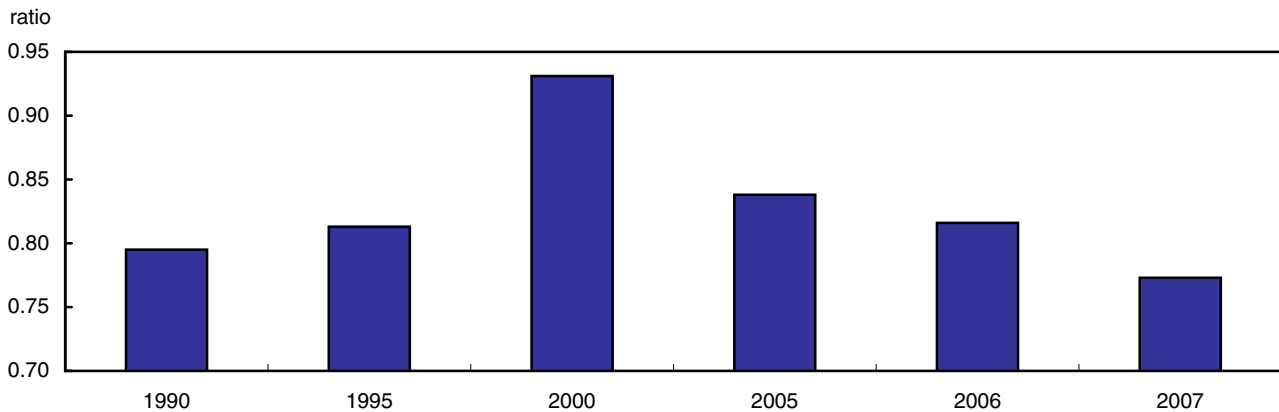
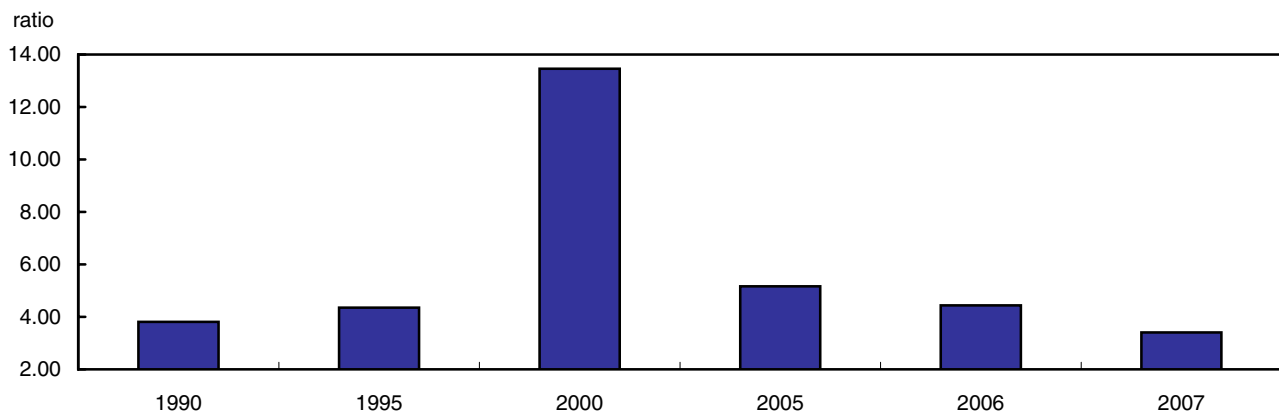
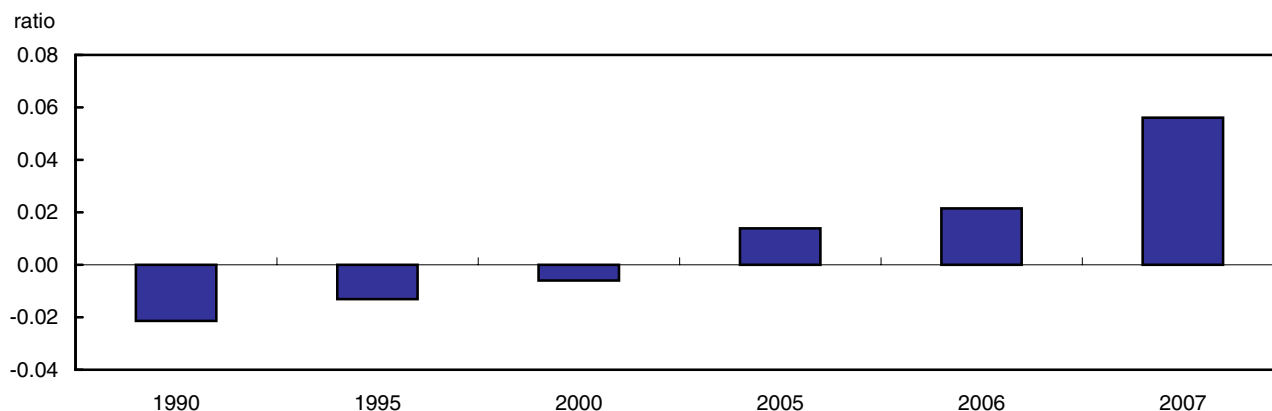


Chart 7
Financial performance indicators, debt-to-equity ratio, selected years



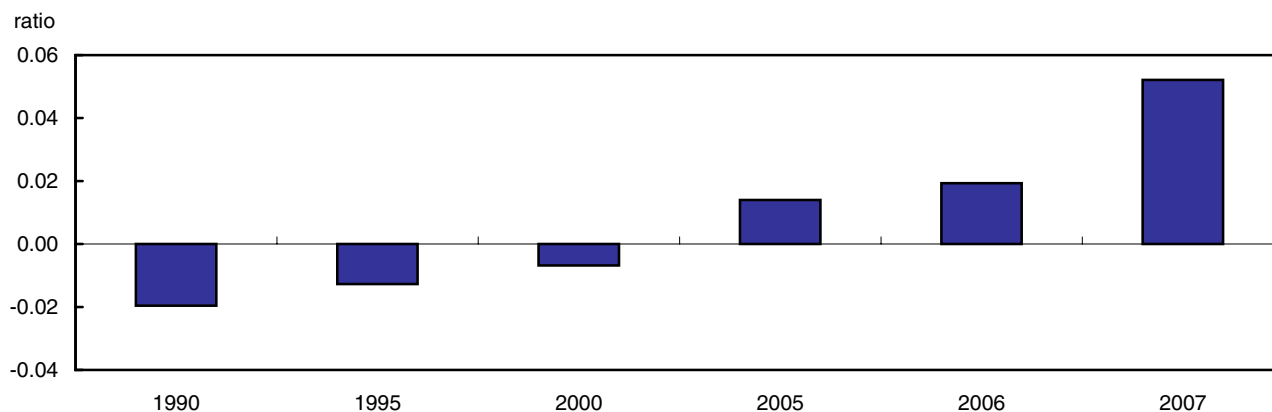
The aviation industry's earning power is reflected in the profitability ratios of profit margin, return on investment and return on assets. In 2007, the profit margin (it indicates the profit margin earned by revenue dollar—this ratio is expressed as a percentage) was higher than in 2006, rising from 2.1% to 5.6%. This shows that every dollar of service sold earned 5.6 cents of profit for the Canadian Level I to III air carriers (see Chart 8). The results for 1990 (-2.1%), 1995 (-1.3%) and 2000 (-0.6%) reflected the increases in operating expenses (aircraft operations—fuel cost and wages and salaries—and general services and administration) and non-operating expenses (capital losses, interest expenses and net miscellaneous non-operating expenses), which offset the gains in operating revenues.

Chart 8
Financial performance indicators, profit margin, selected years



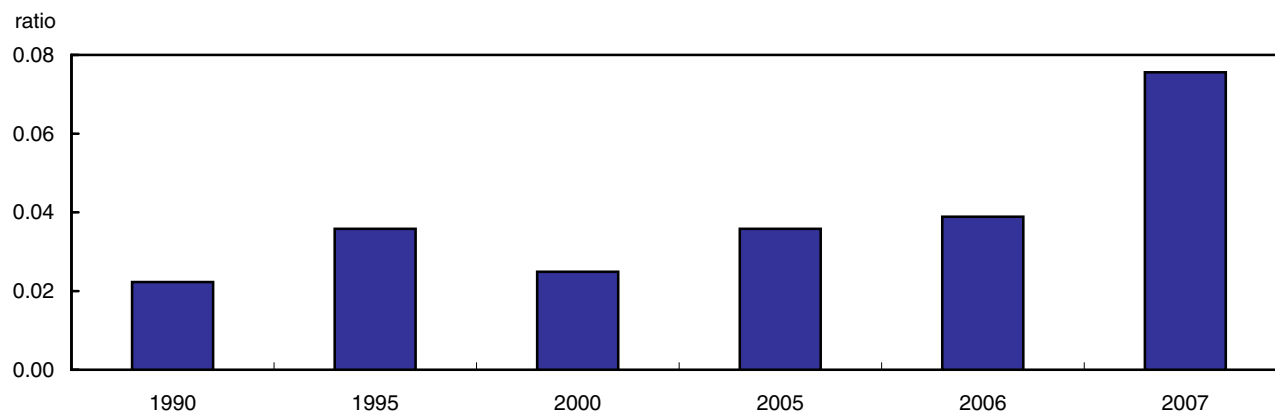
Return on assets was perhaps the best long-term measure of the operating efficiency of an airline or enterprise. It is used to evaluate the proceeds gained on all the assets entrusted to management. If interest is removed from this computation, it is possible for an investor to compare the return on investment in the airline industry to, for example, the interest rates of a bank deposit⁶ or some other investment to determine the best return. As interest expense is income tax deductible to the airline, financing with debt is efficient to the carrier, providing it costs less than financing with equity. As displayed in Charts 9 and 10, both return on assets and return on investment showed thriving profitability within the aviation industry in 2007. The rate of return on assets went from 1.9% in 2006 to 5.2% in 2007, while the rate of return on investment went from 3.9% in 2006 to 7.6% in 2007. Over the years, there has been a close correlation between the profit margin and the return on investment and the return on assets.

Chart 9
Financial performance indicators, return on assets, selected years



6. The prime interest rate was 14.06% in 1990, 8.65% in 1995, 7.27% in 2000, 4.42% in 2005, 5.81% in 2006 and 6.10% in 2007.

Chart 10
Financial performance indicators, return on investment, selected years



Productivity measures

A major component of airline costs is employment. In 2007, 16.7% of the operating expenses of the Canadian Level I to III air carriers were payments to their employees in wages and salaries. This represented an increase of 0.8 percentage points from 2006. In 1990, this percentage was substantially higher, when 27.2% of the budget went to wages and salaries. The 2007 percentage can be partly explained by the reduction in personnel (the number of employees working for air carriers went from 52,088 in 1990 to 40,649 in 2007—it was 58,911 in 2000) and by rising fuel costs which reduced the proportion of labour costs to total costs (see Table 2).

Table 2
Employment within the industry and fuelling the industry: two major variables, selected years

	1990	1995	2000	2005	2006	2007
Employment						
Employees (number)	52,088	46,342	58,911	37,821	38,839	40,649
Average wages and salaries per year (dollars)	40,753	45,161	54,484	56,608	59,405	61,885
Average wages and salaries per year - constant \$ (2002=100) (dollars)	51,981	51,554	57,111	52,905	54,450	55,503
Labour cost as % of operating expenses	27.2	25.2	22.9	16.1	15.9	16.7
Fuel						
Fuel consumed ('000 litres)	4,636,870	4,667,016	5,846,085	5,778,409	5,806,615	5,896,184
Fuel costs (\$'000)	1,397,701	1,243,128	2,347,543	3,408,320	3,743,764	3,973,378
Fuel cost per litre (cents)	30.1	26.6	40.2	59.0	64.5	67.4
Fuel cost per litre - constant \$ (2002=100) (cents)	38.4	30.4	42.1	55.1	59.1	60.4
Fuel cost as % of operating expenses	17.9	15.0	16.8	25.7	25.7	26.3

As shown in Table 3, in 2007, the operating revenue per employee reached \$399,084, up 1.4% compared to 2006. This gain followed the 6.3% increase registered between 2005 and 2006. From 1990 to 2007, this employee productivity measure increased 2.7 times. Another yardstick used to measure productivity within the aviation industry is to calculate tonne-kilometres flown per employee. According to this measure, labour productivity in 2007 declined 2.9% compared to 2006, while in 2006 it bettered the previous year level (+6.2%). From 1990 to 2007, the tonne-kilometres flown per employee increased 2.2 times. Over the same period, average

wages and salaries increased by a factor of 1.5, from \$40,753 per year in 1990 to \$61,885 in 2007. However, when adjusted for inflation, the average wages and salaries in 2007 were slightly higher than the 1990 level (see Table 2).

Fuel costs are also an important part of the budget for Canadian air carriers. However, while they figured very highly in the mid-2000s, they were less prominent in the 1990s and in 2000. In 1990, for example, they accounted for 17.9% of all operating expenses and in 2000, for 16.8%. In 2005 and 2006, however, fuel took up a quarter of all operating expenses (25.7%), increasing slightly to 26.3% in 2007. From 1990 to 2007, the price of fuel posted a twofold increment, going from 30.1 cents a litre to 67.4 cents a litre. Between 2005 and 2007, on a year-over-year basis, fuel costs advanced at a much faster pace (+25.3%, +9.3% and +4.5%, respectively) than the rate of inflation (+2.2%, +2.0% and +2.2%, respectively).

Increases in tonne-kilometres flown per litre of fuel consumed occurred in both 2006 (+8.6%) and 2007 (+0.1%). These results indicated that the Canadian Level I to III air carriers were able to protect themselves partially from the effects of fuel price increases through technological improvements and productivity increases. Overall, from 1990 to 2007, productivity in the industry for one litre of fuel increased on average from 1.81 tonne-kilometres to 2.49 tonne-kilometres (see Table 3).

Table 3
Productivity measures, selected years

	Operating revenue per employee	Tonne-kilometres flown per employee	Tonne-kilometres flown per litre of fuel consumed
	dollars	tonne-kilometres	
1990	148,580	161,009	1.81
1995	186,424	202,316	2.01
2000	239,505	217,417	2.19
2005	370,375	349,887	2.29
2006	393,711	371,732	2.49
2007	399,084	361,060	2.49
		% change	
from 2004 to 2005	29.9	28.9	-2.2
from 2005 to 2006	6.3	6.2	8.6
from 2006 to 2007	1.4	-2.9	0.1

Statistical Tables

Table 4
Operating statistics, 2006 and 2007

	Levels I and II			Level III			Levels I to III		
	2006	2007	Change from 2006 to 2007	2006	2007	Change from 2006 to 2007	2006	2007	Change from 2006 to 2007
	thousands		percent	thousands		percent	thousands		percent
All services									
Number of carriers included ¹	24	23	-4.2	97	93	-4.1	121	116	-4.1
Passengers	49,730	52,907	6.4	2,108	2,027	-3.8	51,837	54,934	6.0
Goods carried (kilograms)	689,415	657,378	-4.6	100,823	120,358	19.4	790,238	777,735	-1.6
Passenger-kilometres	117,797,630	125,402,073	6.5	931,101	1,039,001	11.6	118,728,731	126,441,074	6.5
Passenger tonne-kilometres	11,779,763	12,540,207	6.5	93,110	103,900	11.6	11,872,873	12,644,107	6.5
Goods tonne-kilometres	2,168,398	1,972,451	-9.0	58,597	60,180	2.7	2,226,995	2,032,631	-8.7
Total tonne-kilometres	13,948,161	14,512,658	4.0	151,707	164,080	8.2	14,099,868	14,676,738	4.1
Hours flown	1,855	2,011	8.4	560	534	-4.5	2,414	2,545	5.4
Scheduled services									
Passengers	46,413	49,405	6.4	1,018	977	-4.1	47,432	50,382	6.2
Goods carried (kilograms)	433,052	384,211	-11.3	26,649	25,462	-4.5	459,701	409,673	-10.9
Passenger-kilometres	107,369,765	113,871,074	6.1	469,952	516,255	9.9	107,839,716	114,387,329	6.1
Passenger tonne-kilometres	10,736,976	11,387,107	6.1	46,995	51,626	9.9	10,783,972	11,438,733	6.1
Goods tonne-kilometres	1,887,840	1,668,091	-11.6	12,910	12,484	-3.3	1,900,750	1,680,576	-11.6
Total tonne-kilometres	12,624,816	13,055,199	3.4	59,905	64,110	7.0	12,684,722	13,119,308	3.4
Hours flown	1,695	1,812	6.9	154	145	-5.6	1,849	1,957	5.8
Charter services									
Passengers	3,316	3,501	5.6	1,089	1,050	-3.6	4,406	4,552	3.3
Goods carried (kilograms)	256,362	273,166	6.6	74,174	94,896	27.9	330,537	368,062	11.4
Passenger-kilometres	10,427,865	11,530,999	10.6	461,150	522,746	13.4	10,889,015	12,053,745	10.7
Passenger tonne-kilometres	1,042,787	1,153,100	10.6	46,115	52,275	13.4	1,088,901	1,205,374	10.7
Goods tonne-kilometres	280,558	304,360	8.5	45,687	47,696	4.4	326,245	352,055	7.9
Total tonne-kilometres	1,323,344	1,457,459	10.1	91,802	99,970	8.9	1,415,146	1,557,430	10.1
Hours flown	160	199	24.9	406	389	-4.2	566	588	4.0

1. Figures expressed in full, not in thousands.

Note(s): Level I air carriers. This includes every Canadian air carrier that, in each of the two calendar years immediately preceding the reporting year, transported at least 1 million revenue passengers, or at least 200 thousand tonnes of revenue goods.

Level II air carriers. This includes every Canadian air carrier that, in each of the two calendar years immediately preceding the reporting year, transported at least 100 thousand but fewer than 1 million revenue passengers, or at least 30 thousand but less than 200 thousand tonnes of revenue goods.

Level III air carriers. This includes every Canadian air carrier that, in each of the two calendar years immediately preceding the reporting year, realized annual gross revenues of at least 1 million dollars for the air services for which the air carrier held a licence.

Table 5
Selected operating statistics, by sector, 2007

	Domestic		International	
	2007	Change from 2006 to 2007	2007	Change from 2006 to 2007
	thousands	percent	thousands	percent
All services				
Passengers	33,086	6.7	21,848	4.8
Passenger-kilometres	43,545,397	6.0	82,895,676	6.7

Table 6
Income statement, 2006 and 2007

	Levels I and II			Level III			Levels I to III		
	2006	2007	Change from 2006 to 2007	2006	2007	Change from 2006 to 2007	2006	2007	Change from 2006 to 2007
	thousands of dollars		percent	thousands of dollars		percent	thousands of dollars		percent
Operating revenues									
Scheduled services	12,461,616	13,012,371	4.4	282,684	286,299	1.3	12,744,300	13,298,670	4.3
Passengers	11,788,068	12,356,833	4.8	215,763	216,156	0.2	12,003,831	12,572,988	4.7
Goods	673,548	655,538	-2.7	66,922	70,143	4.8	740,469	725,681	-2.0
Charter services	1,352,120	1,440,198	6.5	633,915	666,318	5.1	1,986,036	2,106,516	6.1
Passengers	915,336	1,066,311	16.5	535,898	560,528	4.6	1,451,234	1,626,839	12.1
Goods	436,785	373,887	-14.4	98,017	105,790	7.9	534,802	479,677	-10.3
Other flying services	8,592	508	-94.1	22,038	20,366	-7.6	30,630	20,874	-31.9
Subsidies	0	0	...	0	0	...	0	0	...
Net incidental air transport related revenue	392,993	635,569	61.7	137,386	160,733	17.0	530,378	796,302	50.1
Total operating revenues	14,215,321	15,088,646	6.1	1,076,024	1,133,715	5.4	15,291,345	16,222,362	6.1
Operating expenses									
Maintenance, ground property and equipment	53,122	73,188	37.8	25,260	27,099	7.3	78,382	100,287	27.9
Aircraft operations	6,999,589	7,202,215	2.9	513,348	535,532	4.3	7,512,937	7,737,747	3.0
Maintenance, flight equipment	1,506,672	1,470,984	-2.4	210,674	234,391	11.3	1,717,346	1,705,375	-0.7
General services and administration	4,478,984	4,658,248	4.0	191,534	188,958	-1.3	4,670,518	4,847,205	3.8
Depreciation	523,386	628,096	20.0	51,805	63,861	23.3	575,191	691,958	20.3
Total operating expenses	13,561,753	14,032,731	3.5	992,622	1,049,841	5.8	14,554,374	15,082,573	3.6
Operating income (loss)	653,568	1,055,915	61.6	83,402	83,874	0.6	736,970	1,139,789	54.7
Non-operating income (expenses)									
Capital gains (losses), net	-7,925	22,913	...	2,189	5,472	150.0	-5,737	28,384	...
Interest and discount income	72,807	71,323	-2.0	1,165	1,346	15.6	73,971	72,669	-1.8
Interest expenses	313,816	389,693	24.2	17,571	20,859	18.7	331,387	410,552	23.9
Miscellaneous non-operating income (expenses), net	-54,885	395,960	...	18,938	-5,944	...	-35,947	390,016	...
Total non-operating income (expenses), net	-303,819	100,502	...	4,721	-19,985	...	-299,098	80,518	...
Income (loss) before provision for income taxes	349,749	1,156,417	230.6	88,123	63,889	-27.5	437,872	1,220,307	178.7
Provision for income taxes (tax refund)	94,028	293,078	211.7	15,819	17,313	9.4	109,847	310,392	182.6
Net income (loss)	255,721	863,339	237.6	72,304	46,576	-35.6	328,025	909,915	177.4

Note(s): Level I air carriers. This includes every Canadian air carrier that, in each of the two calendar years immediately preceding the reporting year, transported at least 1 million revenue passengers, or at least 200 thousand tonnes of revenue goods.

Level II air carriers. This includes every Canadian air carrier that, in each of the two calendar years immediately preceding the reporting year, transported at least 100 thousand but fewer than 1 million revenue passengers, or at least 30 thousand but less than 200 thousand tonnes of revenue goods.

Level III air carriers. This includes every Canadian air carrier that, in each of the two calendar years immediately preceding the reporting year, realized annual gross revenues of at least 1 million dollars for the air services for which the air carrier held a licence.

Table 7
Balance sheet, 2006 and 2007

	Levels I and II			Level III			Levels I to III		
	2006	2007	Change from 2006 to 2007	2006	2007	Change from 2006 to 2007	2006	2007	Change from 2006 to 2007
	thousands of dollars		percent	thousands of dollars		percent	thousands of dollars		percent
Assets									
Current assets	5,647,714	3,995,158	-29.3	304,242	345,061	13.4	5,951,956	4,340,220	-27.1
Investments and special funds	3,062,584	2,530,530	-17.4	50,415	48,105	-4.6	3,113,000	2,578,635	-17.2
Operating property and equipment	8,309,790	11,173,090	34.5	703,183	880,205	25.2	9,012,974	12,053,294	33.7
Less: accumulated depreciation	1,138,304	1,604,847	41.0	255,497	342,794	34.2	1,393,801	1,947,642	39.7
Non-operating property and equipment	82,909	170,518	105.7	61,882	52,274	-15.5	144,792	222,792	53.9
Less: accumulated depreciation	36,919	64,985	76.0	19,875	21,758	9.5	56,794	86,743	52.7
Deferred charges	181,428	280,088	54.4	10,890	24,024	120.6	192,318	304,111	58.1
Total assets	16,109,204	16,479,551	2.3	855,240	985,116	15.2	16,964,444	17,464,667	2.9
Liabilities and capital									
Current liabilities	6,652,575	5,214,633	-21.6	250,429	271,363	8.4	6,903,004	5,485,996	-20.5
Advances from associated companies and/or shareholders	70,245	99,693	41.9	68,271	50,829	-25.5	138,516	150,522	8.7
Long-term debt and other non-current liabilities	5,809,597	6,857,139	18.0	249,590	298,328	19.5	6,059,187	7,155,467	18.1
Non-current obligations under capital lease	22,350	32,011	43.2	19,009	21,909	15.3	41,359	53,920	30.4
Deferred income taxes	186,820	227,273	21.7	33,409	38,751	16.0	220,229	266,024	20.8
Other deferred credits	368,043	280,281	-23.8	1,988	912	-54.1	370,031	281,192	-24.0
Provisions for major overhauls	34,051	18,794	-44.8	5,225	9,418	80.3	39,276	28,212	-28.2
Other provisions	65,392	69,494	6.3	7,089	11,453	61.6	72,482	80,948	11.7
Total liabilities	13,209,073	12,799,318	-3.1	635,011	702,964	10.7	13,844,084	13,502,282	-2.5
Shareholders equity (incorporated carriers)									
Number of carriers included ¹	23	23	0.0	97	93	-4.1	120	116	-3.3
Capital stock	2,650,782	820,632	-69.0	93,420	95,224	1.9	2,744,201	915,856	-66.6
Other paid-in capital	31,789	1,993,576	...	21,807	23,625	8.3	53,596	2,017,201	...
Retained earnings	217,560	877,940	303.5	103,349	165,687	60.3	320,909	1,043,627	225.2
Reserves	0	-11,914	...	1,654	-2,384	...	1,654	-14,298	...
Total shareholders equity	2,900,131	3,680,234	26.9	220,229	282,152	28.1	3,120,360	3,962,386	27.0
Total liabilities and capital	16,109,204	16,479,551	2.3	855,240	985,116	15.2	16,964,444	17,464,667	2.9

1. Figures expressed in full, not in thousands.

Note(s): Level I air carriers. This includes every Canadian air carrier that, in each of the two calendar years immediately preceding the reporting year, transported at least 1 million revenue passengers, or at least 200 thousand tonnes of revenue goods.

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Level III air carriers. This includes every Canadian air carrier that, in each of the two calendar years immediately preceding the reporting year, realized annual gross revenues of at least 1 million dollars for the air services for which the air carrier held a licence.

Table 8
Financial performance indicators, 2005 to 2007

	Levels I and II			Level III			Levels I to III		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
	ratio								
Liquidity ratios									
Current ratio ¹	0.758	0.849	0.766	1.161	1.215	1.272	0.781	0.862	0.791
Debt structure ratio ²	0.410	0.504	0.407	0.394	0.394	0.386	0.409	0.499	0.406
Solvency ratios									
Debt-to-asset (debt) ratio ³	0.847	0.820	0.777	0.716	0.742	0.714	0.838	0.816	0.773
Debt-to-equity (leverage) ratio ⁴	5.532	4.555	3.478	2.516	2.883	2.491	5.165	4.437	3.408
Profitability ratios									
Operating ratio ⁵	0.949	0.954	0.930	0.934	0.922	0.926	0.948	0.952	0.930
Profit margin ⁶	0.012	0.018	0.057	0.030	0.067	0.041	0.014	0.021	0.056
Return on assets ⁷	0.012	0.016	0.052	0.038	0.085	0.047	0.014	0.019	0.052
Return on investment ⁸	0.034	0.035	0.076	0.058	0.105	0.068	0.036	0.039	0.076

1. Current ratio = Current assets divided by current liabilities.
2. Debt structure ratio = Current liabilities divided by total liabilities.
3. Debt-to-asset (debt) ratio = Total liabilities divided by total assets.
4. Debt-to equity (leverage) ratio = Total liabilities divided by total shareholders' equity.
5. Operating ratio = Operating expenses divided by operating revenue.
6. Profit margin = Net income divided by operating revenue.
7. Return on assets = Net income divided by total assets.
8. Return on investment = Sum of net income and interest expenses divided by total assets.

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Table 9
Employment and fuel consumption, 2006 and 2007

	Levels I and II			Level III			Levels I to III		
	2006	2007	Change from 2006 to 2007	2006	2007	Change from 2006 to 2007	2006	2007	Change from 2006 to 2007
	thousands of dollars		percent	thousands of dollars		percent	thousands of dollars		percent
Average number of employees, wages and salaries paid									
Pilots and co-pilots (number)	6,529	7,182	10.0	2,284	2,362	3.4	8,813	9,544	8.3
Wages and salaries ('000\$)	724,978	793,435	9.4	100,886	109,804	8.8	825,864	903,238	9.4
Other flight personnel (number)	10,141	10,714	5.7	330	434	31.5	10,471	11,148	6.5
Wages and salaries ('000\$)	455,721	509,839	11.9	11,685	12,386	6.0	467,406	522,225	11.7
General management and administration (number)	2,007	1,986	-1.0	1,102	1,117	1.4	3,109	3,103	-0.2
Wages and salaries ('000\$)	148,064	164,144	10.9	48,857	53,703	9.9	196,921	217,847	10.6
Maintenance labour (number)	4,642	4,646	0.1	1,350	1,426	5.6	5,992	6,072	1.3
Wages and salaries ('000\$)	284,337	279,998	-1.5	63,477	69,535	9.5	347,814	349,533	0.5
Aircraft and traffic servicing (number)	4,081	4,122	1.0	1,015	1,125	10.8	5,096	5,247	3.0
Wages and salaries ('000\$)	184,229	196,720	6.8	20,924	24,419	16.7	205,153	221,138	7.8
Other personnel (number)	4,814	4,915	2.1	544	620	14.0	5,358	5,535	3.3
Wages and salaries ('000\$)	247,841	283,591	14.4	16,234	18,004	10.9	264,075	301,595	14.2
Total average number of employees (number)	32,214	33,565	4.2	6,625	7,084	6.9	38,839	40,649	4.7
Wages and salaries ('000\$)	2,045,171	2,227,727	8.9	262,063	287,850	9.8	2,307,233	2,515,576	9.0
Fuel and oil									
Turbine fuel ('000 litres)	5,578,792	5,660,163	1.5	200,461	211,713	5.6	5,779,253	5,871,876	1.6
Cost ('000\$)	3,542,619	3,761,995	6.2	176,276	187,052	6.1	3,718,895	3,949,046	6.2
Gasoline ('000 litres)	5,925	4,374	-26.2	21,437	19,935	-7.0	27,362	24,309	-11.2
Cost ('000\$)	4,808	4,267	-11.3	20,062	20,065	0.0	24,869	24,332	-2.2
Turbine oil ('000 litres)	296	280	-5.3	37	45	19.7	334	325	-2.5
Cost ('000\$)	2,080	2,033	-2.2	276	262	-5.0	2,356	2,296	-2.6
Piston oil ('000 litres)	5	0	-100.0	70	41	-41.0	75	41	-45.2
Cost ('000\$)	31	0	-100.0	177	153	-13.6	208	153	-26.5

1. Figures expressed in full, not in thousands.

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Table 10
Wages and salaries paid, by sector, by province and territory, 2006 and 2007

	2006	2007	Change from 2006 to 2007
	thousands of dollars		percent
Domestic			
Newfoundland and Labrador	26,793	25,531	-4.7
Prince Edward Island	1,534	1,411	-8.0
Nova Scotia	73,972	75,326	1.8
New Brunswick	16,564	16,018	-3.3
Quebec	395,126	444,332	12.5
Ontario	819,992	881,271	7.5
Manitoba	93,311	91,903	-1.5
Saskatchewan	23,476	25,654	9.3
Alberta	358,640	444,602	24.0
British Columbia	339,063	339,555	0.1
Yukon	9,740	10,438	7.2
Northwest Territories	36,929	40,067	8.5
Nunavut	18,137	16,431	-9.4
Total domestic	2,213,277	2,412,540	9.0
International	93,957	93,242	-0.8
Total	2,307,233	2,505,782	8.6

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..	not available for a specific reference period
...	not applicable
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0 ^s	value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
P	preliminary
r	revised
x	suppressed to meet the confidentiality requirements of the <i>Statistics Act</i>
E	use with caution
F	too unreliable to be published

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