

SCOMM

83:4

Canada United States Air Transport Agreement

B a c k g r o u n d I n f o r m a t i o n

October 1990

CANADA-U.S. AIR TRANSPORT AGREEMENT

Bilateral Air Agreement

A bilateral air agreement sets out how scheduled air services may be operated between two countries. It specifies:

- . the cities that may be served and under what conditions,
- . the frequency of flights,
- . the routes (including how they may be combined with services to other countries),
- . tariffs or pricing,
- . provisions for safety and security,
- . provisions for ground handling, and
- . other details.

Bilateral air agreements are negotiated by delegations of officials from both countries.

Canada's aim in such negotiations is to conclude agreements that are in the best interests of the travelling and shipping public, communities, the tourism industry and Canadian airlines.

Canada-U.S. Agreement

The Canada-U.S. air agreement covers the single largest air bilateral relationship in the world. The U.S. is Canada's single largest international market for air services.

Canada's bilateral air agreement with the United States is the most complex of its 46 agreements with foreign countries. It consists of a number of separate documents dealing with:

- . scheduled services (the main Air Transport Agreement),
- . charters (the Nonscheduled Services Agreement),
- . customs and immigration services in the other country (the Preclearance Agreement),
- . cargo services (the All-Cargo Notes),
- . commuter services (the Regional, Local and Commuter Services Notes) and
- . aviation security.

History

The most important of these documents were revised in 1974 and no major changes have been made since that time. The consequence has been that for the past 16 years, Canadian and U.S. scheduled air service patterns have been limited to what is permitted in the route schedules agreed to in 1974. Important market pairs such as Montreal-Atlanta, Toronto-Washington or Vancouver-Denver do not have direct service.

During this same period, the North American air industry has changed significantly. The U.S. (in 1978) and Canada (in 1988) deregulated their domestic air services, with the result that today's services are determined by the commercial decisions of airlines and not government regulators.

In order to achieve the highest degree of efficiency and best use of their aircraft, airline companies have chosen to concentrate their city-to-city connections at certain major airports, which are referred to as "hubs". The cities which feed hubs with passenger traffic are known as "spokes".

The emergence of hub and spoke networks, especially in the U.S., has created new traffic patterns and new opportunities for carriers that were not envisaged at the time the main agreement was negotiated.

With growing trade relations between Canada and the U.S., the communities want transborder air services opened up to allow air carriers to respond to this new economic environment.

Today more than 13 million passengers move annually between the two countries, generating some \$2.3 billion in revenues.

Scheduled and Charter Air Services

Scheduled air services between Canada and the U.S., including local and regional services, are provided on 83 city pairs. Canadian carriers are the sole operators in 26 of these markets while U.S. carriers have exclusivity in 39 markets. Carriers from both sides share 18 city pairs.

Canadian carriers are particularly strong in the smaller charter market with over 95 per cent of the traffic, while U.S. carriers dominate scheduled air services, taking almost two-thirds of the traffic.

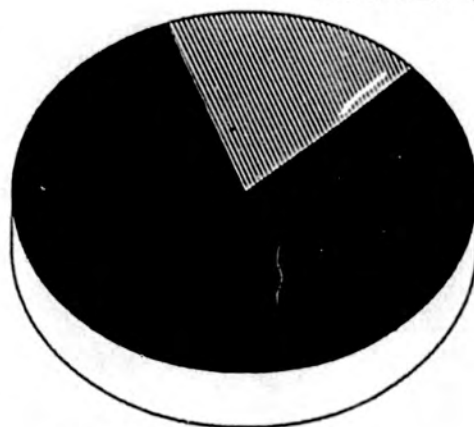
The charter market is concentrated in three areas - Florida, Nevada and Hawaii, with Florida representing more than 50 per cent of the market.

CANADA - U.S. AIR AGREEMENT - TOTAL TRAFFIC - (1989)

	Number of Passengers Carried <u>(millions)</u>	<u>%</u>
Scheduled Services	10.7	82%
Charter Services	<u>2.4</u>	<u>18%</u>
Total	13.1	100%

PASSENGERS

CHARTER SERVICES 18%

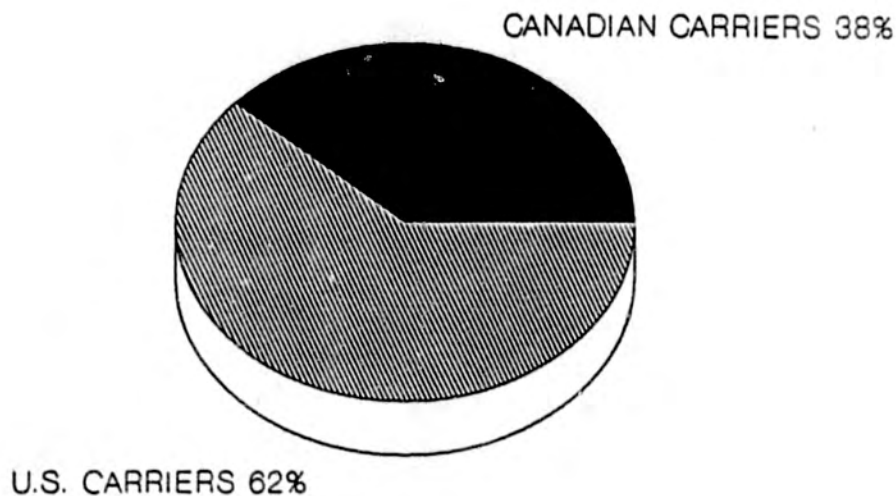


SCHEDULED SERVICES 82%

CANADA – U.S. AIR AGREEMENT – SCHEDULED SERVICES – (1989)

	Number of Passengers Carried <u>(millions)</u>	<u>%</u>
Canadian Carriers	4.1	38%
U.S. Carriers	6.6	62%
Total	<u>10.7</u>	<u>100%</u>

PASSENGERS

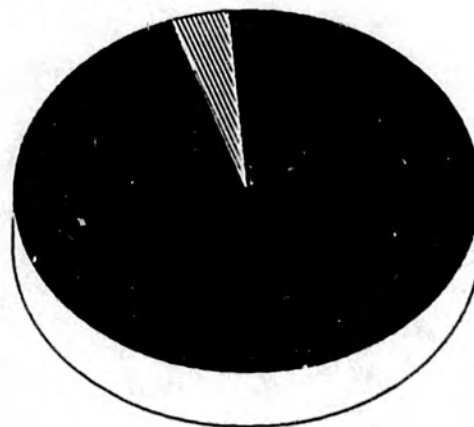


CANADA - U.S. AIR AGREEMENT - CHARTER SERVICES - (1989)

	Number of Passengers Carried (millions)	%
Canadian Carriers	2.3	96%
U.S. Carriers	0.1	4%
Total	2.4	100%

PASSENGERS

U.S. CARRIERS 4%



CANADIAN CARRIERS 96%