



RESOLUTION FOR THE CANADIAN CHAMBER OF COMMERCE 2007

Putting New Open Skies Policy Into Action

(Adopted by Canadian Chamber of Commerce on September 18, 2007)

Canada's social and economic development has always been achieved in tandem with its transportation system.

Our future economic prosperity rests on our ability to capitalize on our role as the Gateway to Asia Pacific. As part of its strategy the federal government said that it would tackle the roadblocks that stood between Canada and a "seamless, matchless flow of trade" with Asian countries. One of these roadblocks continues to be the lack of progress on Canada's international aviation policy.

The Canadian Chamber recognizes and welcomes the progress that has been made over the past year in terms of advancing truly open skies.

Recently the federal government has taken steps that begin to dismantle the roadblock by liberalizing individual bilateral aviation agreements. Most notably a new Open Skies agreement between Canada and the United States comes into effect in March 2007. Canada also has recently liberalized bilateral aviation agreements with China, India and Portugal and negotiated an Open Skies agreement with the United Kingdom.

Further to this progress the Canadian Chamber welcomed the announcement of the federal government's new "Blue Sky" international air policy as a significant step in the right direction.

The new policy states clearly that "as a primary objective, Canada will seek to negotiate reciprocal "Open Skies" type agreements, similar to the one negotiated with the US." These agreements would cover the following elements for scheduled passenger combination and all cargo service;

- third, fourth, fifth, sixth and seventh freedom rights
- no limit on the number of airlines permitted to operate
- no limit on the permitted frequency of service or aircraft type
- open and flexibility for the operation of code-sharing services

While the Canadian Chamber agrees that these must be the foundation of all air agreements our members have expressed concern regarding certain conditions placed on the negotiating priorities of the federal government.

Primary amongst these concerns is the continued focus on serving the needs of Canadian airlines. Historically air agreements have been characterized by bilateral agreements that have focused on securing reciprocal rights for national carriers and which are characterized by significant pricing and service restrictions.

While Canada has a number of agreements in place with other countries these have traditionally been focused on Eastern Canada. Prior to the recent period of liberalization, of the agreements in place only 40% of these agreements allow foreign carrier's access to Vancouver, compared to 75% for Toronto and 90% for Montreal. Even in these existing agreements, many have frequency restrictions to these destinations.

The Canadian Chamber is also concerned with the seeming lack of urgency placed on the need to immediately enter negotiations with key markets. Many provinces have a history of suffering under the legacy of restrictive agreements with some of our most important markets for tourism and trade. With this in mind the Canadian Chamber believes it is incumbent on the federal government to move aggressively to utilize the new framework to negotiate new agreements with key markets as identified by the major airports.

The Canadian Chamber was also disappointed to note the lack of action on the issue rights of establishment in the new policy.

It must be recognized that the airline industry is very capital intensive and to have arbitrary barriers to foreign investment in an age of increasing integration of the global economy is anachronistic to say the least.

With this in mind the Canadian Chamber believes that rights of establishment are the most effective way to immediately introduce significant new investment and competition into the market. The granting of rights of establishment will bring increased competition and choice as companies look to establish a Canadian presence.

This increased investment will inevitably bring increased employment, as the sector grows and foreign carriers establish operations in Canada they will by definition employ Canadians.

It seems clear that the approach to international aviation taken to date has failed and there is a new consensus developing on how to move forward. There are new markets and new sources for growth in a truly liberal aviation environment if policy makers begin to approach the issue with the primary focus being the importance of the airports and the businesses they serve rather than on an outdated, protectionist focus on protecting routes and services for national carriers.

The Blue Sky policy is a welcome recognition of this fact; it is now time for the federal government to put the policy into immediate action.

Recommendations

That the federal government:

1. Immediately pursue liberalization with other jurisdictions and if possible on a multilateral basis focusing on the key markets above.
2. Review all existing agreements to determine which can be enhanced to Open skies agreements in an expedited manner.
3. Ensure that the principles of Canada's Blue Sky international air policy are followed in all agreements and ensure airports have an equal voice with airlines in all open sky's negotiation.
4. Immediately allow the establishment of foreign-owned but Canadian domiciled carriers (the "right of establishment") in Canada while working to ensure that reciprocal access is granted in foreign markets.

Submitted by The Richmond Chamber of Commerce

The Transportation Committee Supports This Resolution As Amended.