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Canada's current air policy had its foundation in a series of policy statements issued between 1964 and 1973. Initially, Canada's international air carriers were not to compete with each other. Areas of the world were defined where Air Canada and Canadian Pacific Air Lines would each be allowed to operate so that neither would serve any point served by the other. Air Canada was to remain predominant. Canada's international charter policy is based on a policy statement issued in 1978. The non-discretionary business travel market was to be encouraged to use scheduled carriers, while charter and scheduled services were to compete for the leisure travel market.

In recent years, there has been a movement in Canada from a highly regulated towards more liberal regimes of control. In 1987, there was an amendment to Canada's international air policy whereby Air Canada and Canadian Airlines International Ltd. were reallocated routes. In addition, other carriers (Wardair and Nationair) were also granted scheduled route rights.

Canada has 61 bilateral air services agreements with other countries. In addition to Canadian carriers, over 40 foreign carriers operate international scheduled services into and out of Canada. In 1989, over 20 million passengers (one-way) were carried on international flights in and out of Canada. Over 60 percent of international passengers were destined to or from the United States. Other major international markets are between Canada and the United Kingdom, Mexico, France and Germany. In all, Canada has approximately 20 international markets in which origin-destination passenger traffic exceeds 100,000 per year.

In 1989, Canadian scheduled passenger traffic was 44 percent international while for charter services the mix was overwhelmingly international--97 percent. International cargo revenues account for 11-12 percent of total international revenues earned by Canadian carriers.

Canada's geographic location can be a most important marketing advantage for its airlines. Moreover, with adequate in-transit facilities, international passengers travelling between Asia or Europe and the world's largest air market, the United States, could find it attractive to use the less congested airports and facilities of Canada, to the benefit of our economy.

The Canadian air transport industry generated over \$6 billion in revenues in 1989. Canada's two major carriers employ some 40,000 people. The aviation and aerospace