

## BACKGROUND NOTES

### CANADA-SINGAPORE AIR RELATIONS

On June 12, 1984, Canada and Singapore concluded an Air Transport Agreement that established for the first time the underlying traffic rights for air services between Canada and Singapore. Although the primary purpose of the Agreement was to improve the transport of passengers and cargo between the two countries involved, fifth freedom rights were also included to allow the airlines of each country to pick up passengers along the way to assist the viability of these long-distance routes.

Air Canada initiated a Toronto-London-Bombay-Singapore service in January 1985. Singapore International Airlines (SIA), however, said that it was unable to mount a viable service under the terms of the Agreement. In support of its airline, the Government of Singapore indicated it was dissatisfied with the Agreement and in 1986 served Canada with one year's notice of its intention to abrogate the Agreement. After long and complex negotiations, Canada and Singapore concluded an amended Agreement in 1987 that provided transatlantic and transpacific routes for both countries. SIA introduced a Singapore-Seoul-Vancouver air service in July 1988.

Recent developments have now led to an imbalance of benefits under the 1987 Agreement in Singapore's favour that is seriously detrimental to Canadian airline interests. Air Canada suspended its transatlantic service to Singapore early in 1991. However, SIA continues to serve Singapore-Vancouver, in combination with valuable traffic rights to carry Seoul-Vancouver passengers and cargo, and opened a new Toronto-Amsterdam-Vienna-Singapore service on June 1, 1991.

Over 80 per cent of the traffic carried by SIA on the transatlantic route are not Canada-Singapore passengers but Canada-Europe passengers who have been diverted from the market served by Canadian carriers operating across the Atlantic. By serving Amsterdam and Vienna, which are gateways to many other European destinations already served by Canadian carriers, SIA is able to draw traffic from traditional Canadian transatlantic markets such as France, Germany and Scandinavia, as well as from Eastern Europe. With the continuation of SIA's European service, Air Canada will almost certainly be forced to end its Toronto-Vienna service.