When this structural advantage is coupled with preclearance in Canada, which means U.S. airlines can treat the passenger as a U.S. domestic traveller, the incentive to use U.S. carriers becomes overwhelming. This allows them to offer same-plane or timely connecting service to and from cities behind the U.S. gateways, to markets from which Canadian carriers are excluded. These inherent competitive advantages enable U.S. carriers to capture a substantial amount of the traffic on many bilateral routes. This greater traffic volume permits a higher frequency of service (which is the key element along with price in competing for markets), which further enhances the attractiveness of U.S. carrier service. However, where these structural competitive advantages are absent, that is, where most of the traffic has its true origin or destination at the U.S. gateway (e.g., Toronto—Los Angeles) and/or a good proportion originates behind the Canadian gateway (e.g., Toronto) the Canadian carrier has been able to compete effectively against the much larger U.S. carrier.

In contrast, Canada, with the bulk of its small population spread in an east-west strip within 200 kilometres of the border, has a much smaller domestic base with only a few hub/gateway points. Moreover, our two national carriers combined would not be as large as the seventh largest U.S. competitor in the transborder market.

The Committee believes that, as a result of the bilateral route exchange imbalance, the significant differences in population densities, and the U.S. hub-and-spoke/gateway system combined with preclearance, the U.S. carriers have a significant competitive edge in most transborder markets as well as to third countries.

Under these circumstances, we can only conclude that, not only have the Americans got the best of the current deal, but our two national carriers have faced very tough competition under the existing agreement and will certainly face a formidable challenge under a new, more pro-competitive agreement.