

## **Executive Summary**

### **Volume I**

# **International Air Transportation: Competition and Regulation**

On June 8, 1990, the Right Honourable Joe Clark, Secretary of State for External Affairs, and the Honourable Doug Lewis, Minister of Transport, announced the appointment of a Task Force to carry out a review of Canada's international aviation policy. The Task Force was established to recommend an appropriate international air policy in light of emerging global trade, cargo and travel patterns and emerging trends in the airline industry worldwide.

The Task Force invited submissions from all interested persons. Notices were published in newspapers across Canada, and those persons, businesses or organizations who would likely have a specific interest in the work of the Task Force were asked for submissions and meetings were arranged. The Task Force met with or received submissions from 60 separate businesses, governments, unions and other organizations and individuals.

This Volume of the Task Force Report examines the international air transport regime, historical evolution of Canadian international air transport policy, the characteristics of international air transport markets and conclusions about the direction for international air transport markets in the future.

The international air transport regime has its basis in a number of international conventions which established the sovereignty of individual countries over their air space, the principle that exchange of route rights for scheduled services would be determined by bilateral agreements between nations and the principle that charter services would be subject to regulation by each country unilaterally.

The regime following World War II was one of strict regulation. Bilateral agreements not only specified routes, but they also controlled frequency, capacity and the basis for setting fares. Airfares were established according to internationally agreed formulas and there was little or no price competition. This highly regulated regime began to be eroded in the 1970s with the introduction of discount fares by new carriers and the need for existing carriers to compete. With U.S. domestic deregulation in 1978, the U.S. adopted a pro-competitive stance internationally. This has led to the move away from strict controls in a number of agreements between the U.S. and other countries. In more