

clearance. Under this system, the traveller is given a choice: if he has nothing to declare he goes through the green door; if he has something to declare he goes through the red door where he is inspected by customs officials. A few witnesses even went so far as to recommend consideration of continental clearance which would, in effect, mean a customs union for Canada and the United States.

The issue of continental clearance is one that has far reaching implications. It may well be a topic for consideration in the future, but we do not feel that it should be dealt with in this report. Regarding northbound Canadian preclearance, there has not been much pressure to establish such facilities because of the large number of major U.S. airports originating Canadian traffic and the fact that most northbound air services terminate at the Canadian gateways with little or no beyond traffic. As a result, it does not appear that our Canadian carriers would derive much benefit, or competitive advantage, from the establishment of northbound preclearance at a few major American airports. Nevertheless, we think that northbound preclearance merits consideration, as well as ways and means of enhancing postclearance, including the red door/green door concept. Therefore, the Committee recommends:

- 11. That the government give consideration to the establishment of Canadian preclearance services at some major U.S. airports, such as New York, Chicago and Los Angeles, and that the government examine in cooperation with the United States the introduction of the red door/green door concept.**

ii. Cabotage

As has been pointed out, cabotage was a contentious issue during the hearings. We have chosen not to accept or reject it as an element in the negotiations. However, the Committee was interested in those witnesses that suggested that one way of offsetting the competitive advantages of the U.S. carriers in the transborder market would be to give Canadian carriers limited cabotage rights. Limited cabotage is interpreted to mean that Canadian carriers can take on domestic U.S. passengers at an intermediate point on a transborder route. For example, Canadian Airlines International (CAIL) would be able to fly Vancouver—San Francisco—San Diego with “fill-up” rights at San Francisco. This is in contrast to “full” cabotage rights which would allow our two carriers to carry domestic U.S. traffic to and from any points within the United States.

The Committee wishes to note that our two national carriers were divided on this important issue. CAIL argued very forcefully that, no matter how cabotage in transborder markets was approached, it saw no way in which CAIL could benefit from it. In its view, the U.S. domestic market was simply too tightly controlled and dominated by the large American carriers. On the other hand, Air Canada is calling for, at a minimum, an examination of a limited cabotage exchange under a new air agreement.