

Obviously, there will be a considerable amount of confidentiality surrounding the government's final negotiating strategy and we do not want to recommend anything at the present time that might adversely affect this.

Having said this, we want to reflect the strong views that many witnesses had against the inclusion of cabotage as part of the negotiating strategy. They were convinced that, if the mega American carriers were given cabotage rights, it would devastate our airline industry. While we want to give the government as much latitude as possible in these negotiations, we do not think that American carriers should be given cabotage rights under a new agreement. However, we would encourage our negotiating team to explore the feasibility of obtaining exclusive cabotage rights for our Canadian carriers.

Whatever the case, we firmly believe that, no matter what negotiating strategy is finally developed, a central feature must be, as most of the witnesses stated, a significant safety net containing a bundle of essential safeguards.

3. Safeguards

a. Phase-In

In the Minister of Transport's statement announcing negotiations he said that they would include the development of a phased approach for the implementation of a new regime. Most of the witnesses said this was an essential safeguard, but few offered the Committee any concrete suggestions about how this might be done or how long a phase-in period was required. What they recognized was that our carriers were going to need a period of time to adjust to the new environment and that the whole process should be evolutionary rather than revolutionary in order to minimize the potential adverse impact on our national carriers.

Obviously, we are not in a position to indicate to the government what type of phase-in mechanism or formula should be negotiated. One suggestion was that it be based on decreed market share quotas, while another proposed that it be based on a division of the total number of seats that could be offered in the transborder market at any one time. Whatever the case, we strongly endorse a phased-in approach and consider it to be a vital and necessary safeguard for our airline industry.

In support of this approach, some witnesses suggested that there be provision in the agreement for periodic reviews to assess its impact on services and carriers. Others proposed some type of sunset clause which would require a complete review of the agreement, say after five years. It was also pointed out that one of the serious problems with the existing agreement was its rigidity and inability to respond to changing transborder markets and demands. Some witnesses suggested that the new agreement should contain a mechanism which would ensure flexibility and timely response to rapidly changing airline