

An Analysis of Canadian Air Transport Bilateral Agreements

I. Introduction

On February 24, 1995, after 16 years of negotiations, Canada and the United States agreed to an “open skies” air transport bilateral.¹ After an initial phase-in period, the bilateral removed restrictions to transborder routes by both Canadian and U.S. carriers and effectively eliminated governmental control over pricing.² The intent of the agreement was to open transborder routes to greater competition among airlines, reduce prices on transborder routes, and increase the number of services offered. Early results indicate that the open skies agreement has been effective at increasing the number of services available to cross-border travelers.³

But what of Canada’s other air transport bilateral agreements?⁴ Do they promote competition on international air routes, act to reduce prices, and increase services to the traveling public? The bilateral agreement with Canada was just one of a series of open skies agreements

¹ “Air Transport Agreement Between the Government of Canada and the Government of the United States of America”, *Canada Treaty Series*, 1995, no. 4.

² *Ibid.* Annex 5 limited the frequencies U.S. carriers could offer on transborder services into Montreal and Vancouver for a period of two years and on services to Toronto for a period of three years. After this phase-in period, carriers from both countries are free to offer whatever transborder services they choose, subject to gate and slot availability. Article 5(2) on pricing states that without the mutual agreement of the Governments of Canada and the United States, airline prices may “go into effect or continue in effect”. In other words, prices determined by carriers may not be disapproved by any single government.

³ Canadian Transport Minister David Anderson reported that the open skies agreement sparked the creation of 102 new scheduled routes between Canada and the U.S. in its first year of existence, 56 of them operated by Canadian carriers and 46 by U.S. carriers. The Canadian government also maintains that transborder air travel is now less expensive. See: “New Routes, Bargain Fares: Consumers Cash In”, *The Globe and Mail*, Toronto, April 3, 1996, p. C1.

⁴ Canada currently has air transport bilateral agreements with about 60 countries. See: Canada, Transport Canada, “Canada’s International Air Transportation Policy”, statement of the Minister of Transport, December 20, 1994, p. 3.