

fuel and user costs, as well as on the tax burden because of depreciation rates. These witnesses were very firm in their opinion that these various cost factors must be addressed or our airlines will be at a singular disadvantage under a more liberalized regime.

We agree that these cost factors demand serious consideration. We also understand that this is a "made-in-Canada" problem which cannot be rectified through negotiations. Furthermore, most of these issues are outside the responsibility of the Minister of Transport and within the jurisdiction of the Minister of Finance. In addition, we recognize that special treatment of the transportation industry may be required and this will take time to resolve. Therefore, we agree with those witnesses who said an examination of these issues should not delay the start of negotiations but should certainly proceed in tandem with them. On that basis, we recommend:

- 15. That the government must give the highest priority to achieving a level playing field for doing business for Canadian air carriers.**

**e. Foreign Ownership**

Several witnesses pointed out that, in order for our national carriers to compete and flourish under a new regime, there might be a need for substantial equity infusion and the formation of alliances with American carriers. They indicated that they were not sure if the 25% foreign ownership limit was sufficient and, consequently, suggested that the limit should be raised to as high as 49%, emphasizing that this could be seen as a safeguard because such capital infusions and alliances would help to ensure the viability of our two national carriers in continental and international markets.

We appreciate that the consideration of the foreign ownership limits is outside our mandate and, therefore, we do not intend to make any further comment on it. However, we do want to point out that the U.S. has the same limit and that this issue is one which will probably have to be addressed in the future — certainly, it is under review in the U.S. now.

## **B. NON-SCHEDULED SERVICES (CHARTERS)**

As pointed out earlier, a separate bilateral agreement for non-scheduled air services was concluded in 1974. In 1989, charter services accounted for 18% of the total transborder traffic and the Canadian carriers carried 96% of that traffic. Little was said regarding transborder charter services except by the three Canadian charter companies which appeared before the Committee. Generally speaking, they favoured moving toward an open skies regime with some safeguards in place.

It is clear that, while the main focus of the negotiations will be on scheduled air services, it is inevitable that some, if not all, of the Canadian frequent charter services to favourite American sunspots will be included in these negotiations. Therefore, what we have said about negotiating options and safeguards for scheduled services applies equally to charters.