

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 Analysis of Canadian Air Transport Bilateral Agreements***

removed restrictions on 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. ³ The open skies agreement has

been effective at increasing the number of transborder travelers.³

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But what of Canada's other air transport bilateral agreements? Do they promote

competition on international air routes, act to reduce prices, and increase services to the traveling

public? The bilateral agreement with the U.S. is part of a series of open skies agreements

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¹ "Air Transport Agreement Between the Government of Canada and the Government of the United States of America", *Canada* February 1997 1995, no. 4.

² *Ibid.* Annex 5 limited the frequencies U.S. carriers could offer on transborder services into Montreal. 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

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³ Transport Minister David Anderson reported that the open skies agreement spawned a total of 102 new scheduled routes between Canada and the U.S. in its first year of operation, 48 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, New Airports, Carriers 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's International Air Transportation Policy", statement of the Minister of Transport, December 20, 1994, p. 3.