

III. A NEW CANADA – UNITED STATES AIR RELATIONSHIP

A. SCHEDULED AIR SERVICES

The heart and soul of the Canada-U.S. air bilateral relationship is the agreement on scheduled air services between the two countries. In 1989, scheduled services represented 82% of the total transborder traffic. Clearly, it is by far the largest element in the relationship and will be the main focus of the negotiations. This is what the Committee will concentrate on; other elements, such as cargo and charters, will be considered separately.

A substantial number of witnesses indicated that the current relationship is too restrictive and outdated. They said that a new arrangement was required to expand and improve air links with the United States which would be beneficial to the travelling public, enhance economic development and investment opportunities, and stimulate convention and tourist traffic, and that the status quo was simply not acceptable particularly in light of the Free Trade Agreement. In addition, others emphasized that there was little choice but to pursue a more liberalized agreement in order to meet the challenge of globalization in the aviation industry and the impact of a united Europe in 1992.

We agree that, for all of the reasons stated by the witnesses, the status quo is not acceptable and endorse the government's decision to initiate negotiations to establish a more liberalized bilateral air transport agreement.

1. The Negotiating Objectives

Several witnesses pointed out that one of the major objectives of transportation is to serve the needs of the travelling public and improve the level and quality of services. We were told that there was a perception that Canada's transborder air policy has historically been driven more by the interests of our major airlines than those of the travelling public and communities — that when it came to the crunch in negotiations, the public interest was usually subordinated to that of the airlines. Whatever the case, we are, in light of all the evidence on the need for better transborder services, convinced that a major aim of these negotiations must be to try to satisfy the expectations and needs of the travelling public and communities. We therefore recommend:

- 1. That a primary objective of these negotiations is to improve and expand transborder air services.**

These are going to be major commercial negotiations: traffic rights are valuable and rights to serve each other's markets must be paid for. The preamble to the 1966 air