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# news release

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## CANADA SERVES SINGAPORE WITH NOTICE OF TERMINATION OF THE BILATERAL AIR TRANSPORT AGREEMENT

The Secretary of State for External Affairs, the Honourable Barbara McDougall, and the Minister of Transport, the Honourable Jean Corbeil, today announced that Canada has served Singapore with one year's notice of termination of the bilateral Air Transport Agreement.

Canada has taken this action because, on June 1st, Singapore International Airlines (SIA) opened a transatlantic service to Toronto, which is placing heavy emphasis on the carriage of Canada-Europe traffic.

"The current situation is detrimental to Canadian carriers," said Mr. Corbeil. "Although Canada recognizes the importance of maintaining direct air services between the two countries, the Government must take this step to defend Canada's interests. The next 12 months will give an opportunity for the renegotiation of a more equitable Agreement."

"Canada values its excellent relations with Singapore and would not wish the dispute to have a negative effect on our relationship," said Mrs. McDougall. "However, Canada will stand firm on this issue. This matter must be resolved to our mutual benefit."

Canada's notice of termination is the result of months of unsuccessful consultations between officials, airline representatives and Foreign Ministers from both countries. In these consultations, Canada sought to redress the damage caused by the new SIA services between Toronto and Singapore via Amsterdam and Vienna.

The initial purpose of the Atlantic route was to provide an alternative connection to the one offered by SIA since July 1988 between Singapore and Vancouver via Seoul.

The Ministers noted that in the past the two countries had been able to reach a new agreement when in 1986 Singapore similarly served Canada with one year's notice of termination of the bilateral Air Transport Agreement.

Background notes on Canada-Singapore air relations are attached.

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## BACKGROUND NOTES

### CANADA-SINGAPORE AIR RELATIONS

On June 12, 1984, Canada and Singapore concluded an Air Transport Agreement that established for the first time the underlying traffic rights for air services between Canada and Singapore. Although the primary purpose of the Agreement was to improve the transport of passengers and cargo between the two countries involved, fifth freedom rights were also included to allow the airlines of each country to pick up passengers along the way to assist the viability of these long-distance routes.

Air Canada initiated a Toronto-London-Bombay-Singapore service in January 1985. Singapore International Airlines (SIA), however, said that it was unable to mount a viable service under the terms of the Agreement. In support of its airline, the Government of Singapore indicated it was dissatisfied with the Agreement and in 1986 served Canada with one year's notice of its intention to abrogate the Agreement. After long and complex negotiations, Canada and Singapore concluded an amended Agreement in 1987 that provided transatlantic and transpacific routes for both countries. SIA introduced a Singapore-Seoul-Vancouver air service in July 1988.

Recent developments have now led to an imbalance of benefits under the 1987 Agreement in Singapore's favour that is seriously detrimental to Canadian airline interests. Air Canada suspended its transatlantic service to Singapore early in 1991. However, SIA continues to serve Singapore-Vancouver, in combination with valuable traffic rights to carry Seoul-Vancouver passengers and cargo, and opened a new Toronto-Amsterdam-Vienna-Singapore service on June 1, 1991.

Over 80 per cent of the traffic carried by SIA on the transatlantic route are not Canada-Singapore passengers but Canada-Europe passengers who have been diverted from the market served by Canadian carriers operating across the Atlantic. By serving Amsterdam and Vienna, which are gateways to many other European destinations already served by Canadian carriers, SIA is able to draw traffic from traditional Canadian transatlantic markets such as France, Germany and Scandinavia, as well as from Eastern Europe. With the continuation of SIA's European service, Air Canada will almost certainly be forced to end its Toronto-Vienna service.

The effect of SIA's operations on Canada's European markets and Canadian markets in the Pacific is of serious concern to Canada in the absence of current reciprocal benefits for Canadian carriers.

Canada has attempted to stem the growing imbalance of benefits, particularly the further erosion of its transatlantic services, and to renegotiate a more balanced exchange of traffic rights during several bilateral consultations between government officials, airline representatives and Foreign Ministers of the two countries, but without success.

The Canadian government now believes that only by introducing a firm deadline for the resolution of this situation will serious and productive negotiations result. Consequently, on August 16, 1991, Canada served Singapore with notice of termination of the Air Transport Agreement, for effect August 16, 1992. This gives a 12-month period in which both sides will have an opportunity to find a solution.