

Sharing Regional Experiences in Liberalization – The Canadian Perspective



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Canadian Context

- Vast geography (2nd largest) and low population density (228th lowest) create fundamental economic challenges for the air transport industry (e.g., economies of scale more difficult to achieve).
- Relatively small and mature internal market means that the growth prospects of Canadian airlines are limited without an active presence in international markets.
- Canadian aviation system is deregulated and based on a “user-pay” principle, i.e., market forces determine the levels of service/infrastructure and the amounts collected from users fund service providers. The Canadian Central Government does not fund an essential services program.
- Very few countries in the world use the “user-pay” principle and market forces to this extent (many governments still own their national carriers, airports or air navigation system provider; many support their aviation sector directly or indirectly; some have not deregulated their domestic network).

The Road to Increasing Liberalization

DIVISION OF THE WORLD POLICY

Canadian Government designated Canada's two major airlines for different parts of the world.



1970's

1975-85



DEREGULATION

Canada's domestic market is deregulated.

1989



PRIVATIZATION
Canada's national carrier, Air Canada is privatized.

1994



NATIONAL AIRPORTS POLICY

Commercialized airports

LIBERALIZATION

International Air Policy Changes:

- "Use-it-or-lose-it"
- Foreign Carrier Access
- Elimination of the Division of the World Policy

1994-95



LIBERALIZATION

Canada – United States :
Open Agreement for transborder services

1995



1996



PRIVATIZATION
Canada's air navigation services are privatized.

2002



DESIGNATION

Multiple designation policy

AIR TRANSPORT AGREEMENT

Full Open Skies Agreement with the United States

2005



2006



INTERNATIONAL LIBERALIZATION

Introduction of Canada's Blue Sky Policy

2009



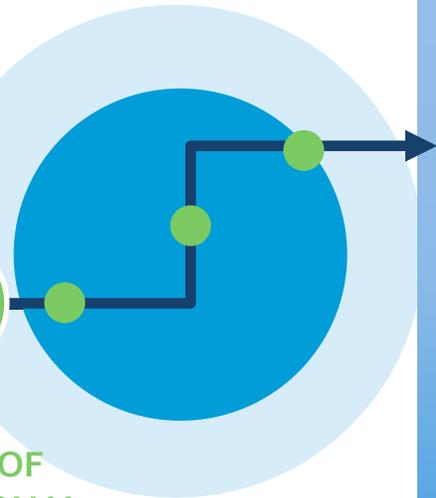
AIR TRANSPORT AGREEMENT

Comprehensive ATA with the European Union

2019

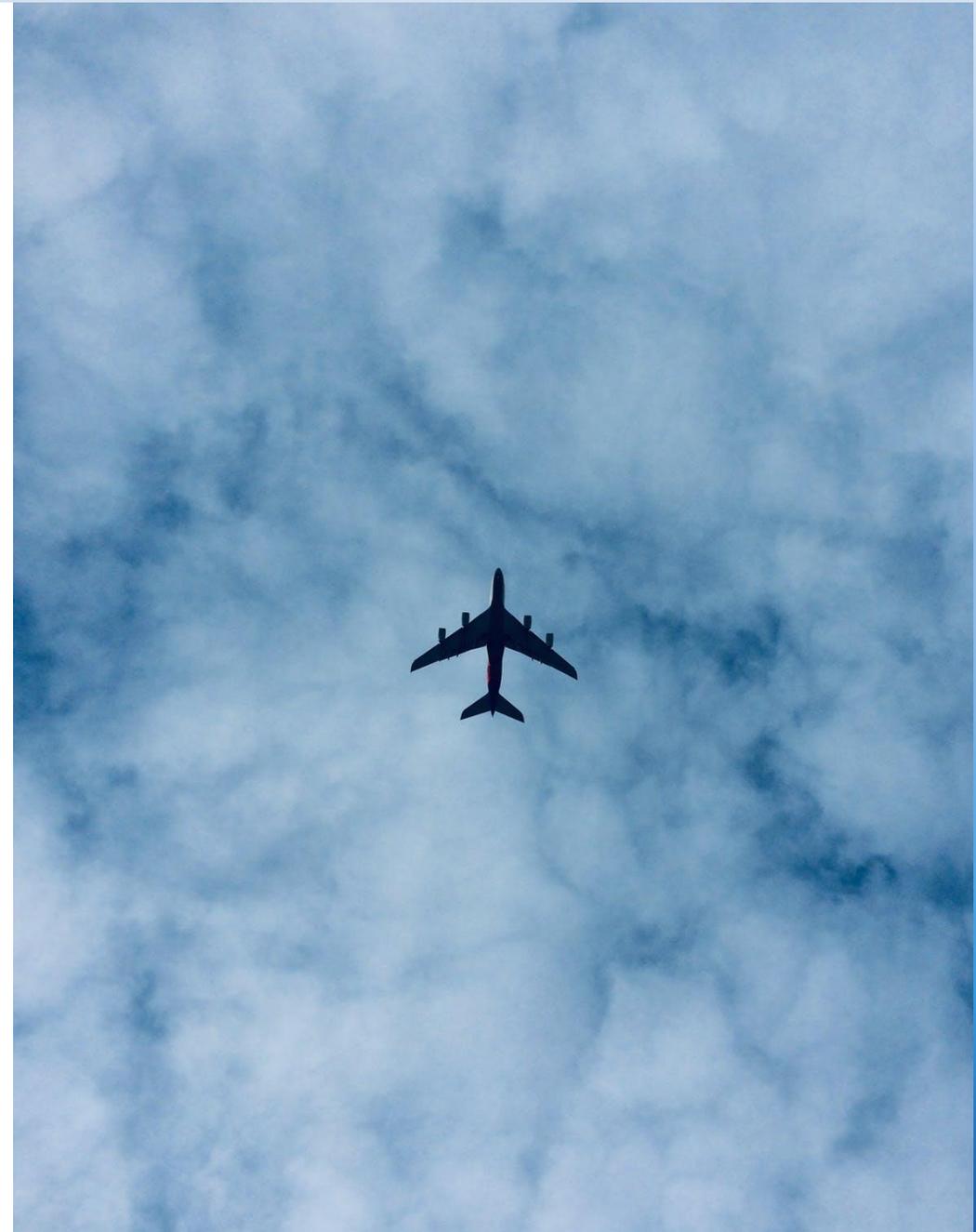


NUMBER OF INTERNATIONAL PARTNERS



Canada's Blue Sky Policy

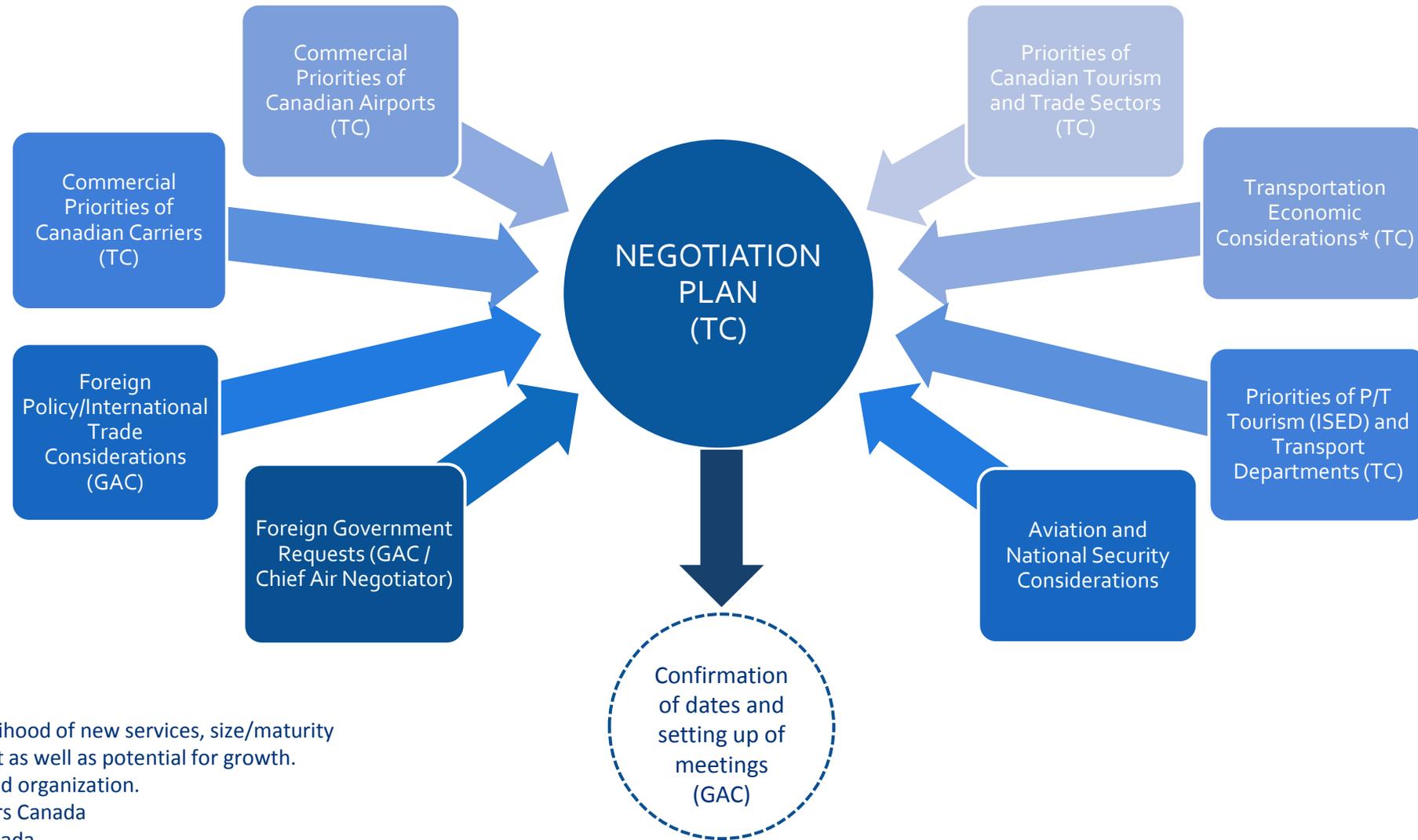
- Taking into account the characteristics of the Canadian aviation system, the policy aims to:
 - Proactively pursue further liberalization of air transport agreements.
 - Seek reciprocal Open Skies-type agreements, where in Canada's overall interest.
- The policy is the result of extensive nation-wide consultations (air industry, provincial, territorial and municipal governments, tourism organizations, chambers of commerce and trade associations, etc.).
- The policy does not advocate a “one-size-fits-all” approach and recognizes that, in some cases, Canada will adopt a more prudent approach to liberalization.



Blue Sky Policy: Implementation

- The Minister of Transport is responsible for the implementation of the Blue Sky policy, including the development and approval of air transport negotiating mandates.
- The Minister of International Trade Diversification approves negotiating mandates after the Minister of Transport.
- Transport Canada is responsible for consultations (with federal partners such as Global Affairs Canada, Canadian airlines, industry associations, airports as well as the tourism sector and provincial/territorial departments of transport and tourism).
- Prior to developing a specific mandate for a chosen country, airports and airlines are consulted again to gain insight on market priorities and intelligence on specific markets.

Establishment of Negotiation Priorities



*For instance, likelihood of new services, size/maturity of air travel market as well as potential for growth.

() indicates the lead organization.

GAC = Global Affairs Canada

TC = Transport Canada

P/T Provinces and Territories

ISED = Innovation, Science and Economic Development Canada

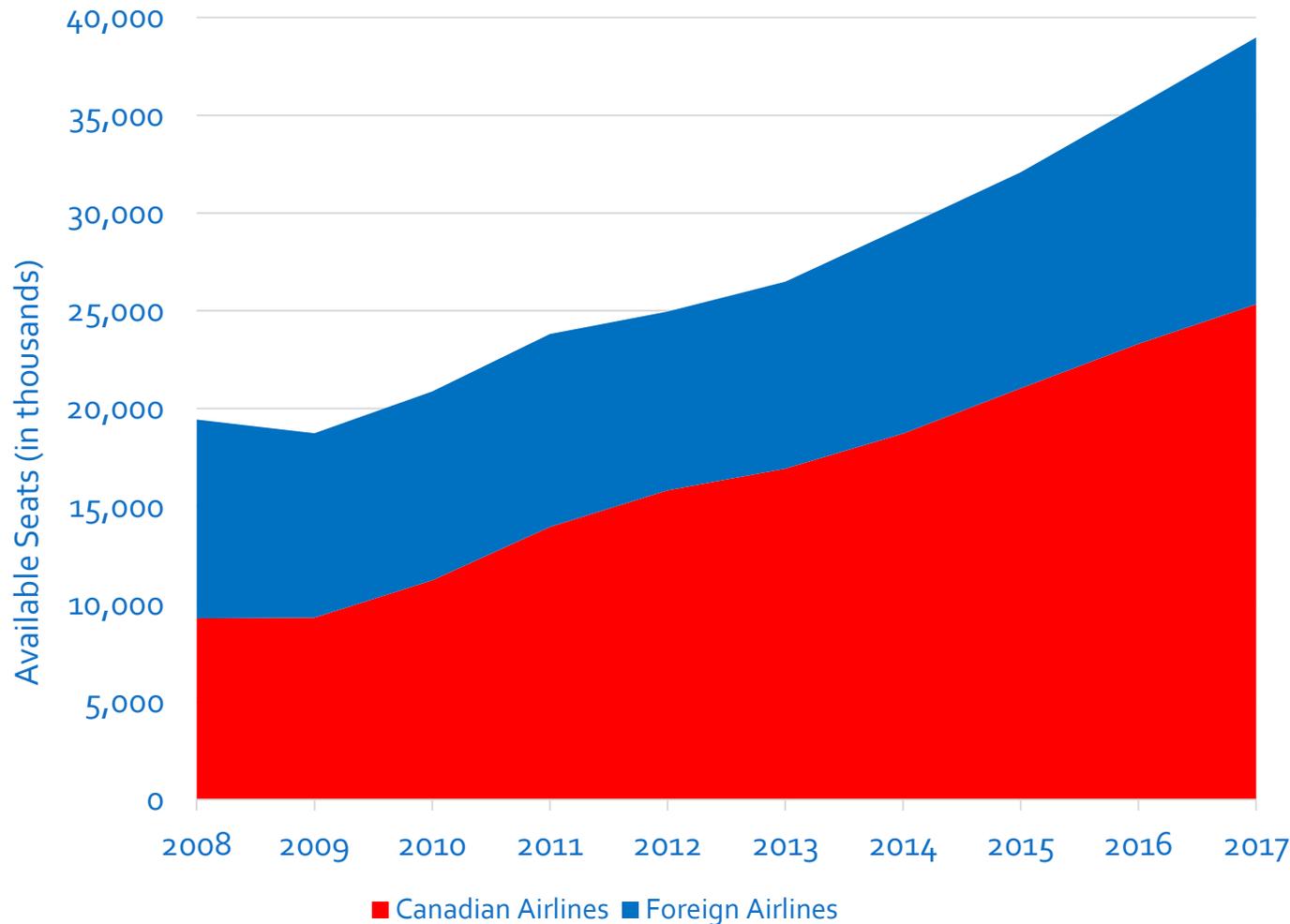


Blue Sky Policy: Results So Far

- Since the Blue Sky policy was introduced in 2006, Canada has concluded new or expanded air transport agreements covering 106 countries.
- As of 2017, Canada has open agreements covering 48 countries. These countries represent 70% of our overall international passenger traffic. There is a significant amount of unused rights in many agreements.
- Canada now has an air transport relationship with 122 countries around the world (before the policy, that number was 73).

Expansion of Consumer Choice and Convenience

Number of Seats Offered on International Routes

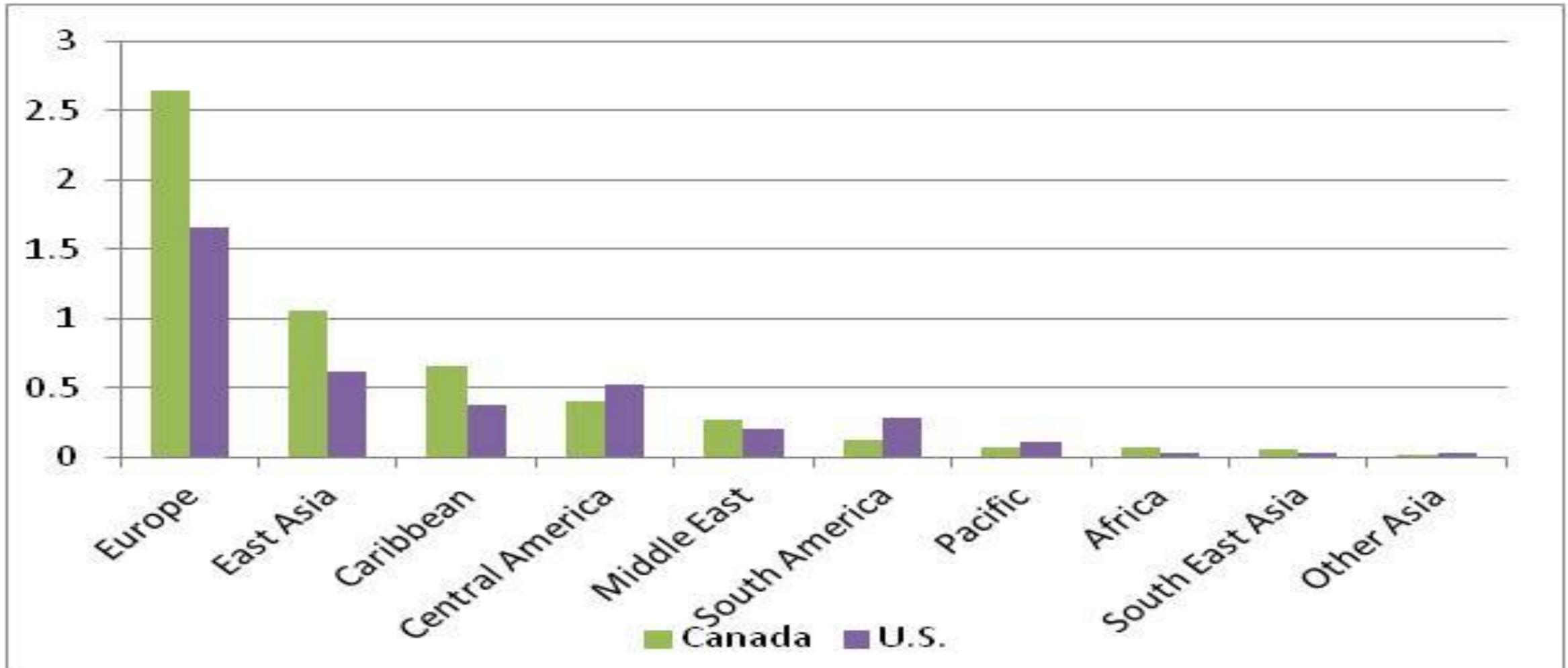


Compound Annual Growth Rate 2008 vs 2017

Canadian	11.8%
Foreign	3.3%
Total	8.0%

All figures exclude domestic and transborder (Canada-United States) services.

Connectivity Index / Capita – Canada vs. U.S.



Source: Transport Canada report based on an 2016 InterVistas study using the IATA connectivity index methodology

Connectivity Comparison of Canadian and American Airports

Airport	Airport Name	Airport Country	Number of International Destinations	Ranking	Excluding Canada / United-States	Ranking
YYZ	Toronto - Pearson	Canada	170	1	113	2
JFK	New York - JFK	United States	130	2	124	1
MIA	Miami	United States	110	3	108	3
YUL	Montréal - Trudeau	Canada	110	3	84	5
LAX	Los Angeles	United States	94	4	89	4
EWR	Newark	United States	87	5	79	6
ATL	Atlanta	United States	79	6	75	7
IAH	Houston	United States	71	7	66	8
YVR	Vancouver	Canada	71	7	43	15
ORD	Chicago - O'Hare	United States	68	8	61	9
FLL	Fort Lauderdale	United States	65	9	58	10
DFW	Dallas - Fort Worth	United States	57	10	53	11
MCO	Orlando	United States	56	11	40	16
IAD	Washington - Dulles	United States	55	12	50	12
BOS	Boston	United States	55	12	49	13
SFO	San Francisco	United States	49	13	44	14

Main Takeaways

- The Canadian aviation system faces fundamental economic challenges due to geography/population density and its reliance on the user-pay principle.
- To promote an orderly development of the system, liberalization and commercialization have occurred gradually.
- The Blue Sky policy was developed and is being implementing taking into account a broad range of perspectives.
- Despite fundamental challenges, connectivity is strong with other countries although a prudent approach is sometimes necessary to manage risks to existing services.

Thank You

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