

# **Modern Approach to Bilateral Air Services Agreements for Canada**

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# Outline

- ❑ *Changed Role of Air Transport* in the Economy
- ❑ *Air Transport Policy* for an Advanced Economy
- ❑ *Canada's Past and Current Approach*
- ❑ Comments on *Specific Records and Issues*
- ❑ What need to be done for Canada

# Changed Role of Air Transport in the Economy

- ❑ In the past, growth of Air Transport as *an industry in itself* created substantial Value-Added to the economy;
- ❑ As airline industry matures, *its direct contribution of value-added becomes relatively smaller* as compared to the sizes of tourism, trade, foreign direct investment, etc. that depend on *cheaper and more convenient air services*.
- ❑ In modern economy, therefore, airlines' existence is justified as *a supporting industry*, helping other industries grow and *consumers improve welfare*.
- ❑ This made *the old style policy of protecting flag airlines inconsistent* with national economic benefit maximization.

# Air Transport Policy for an Advanced Economy

- ❑ The Air Transport Policy should be designed *to maximize its total value-added to the economy*;
- ❑ *Airlines total contribution to Canada's value-added is quite small* (\$5.9 billion in 2008) as compared to *\$30 billion* for Tourism; *\$932 billion* (with \$47b. Surplus) size of Int'l trade sector, and *\$1.3 trillion* size of Canadian economy;
- ❑ In modern economy, *Consumer Welfare* is a major part of national economic benefit;
- ❑ Therefore, *air policy must shift to pro-economy and pro-consumer*; most OECD economies like EU, US, Australia follow this principle.

# Canada's Approach

- ❑ Despite two successive attempts by Canadian govt of different political parties (1994; and 2006 Blue Sky Policy), *the Canada's approach to bilateral ASAs has not kept up with reality of modern economy;*
- ❑ The goals/principles of the Policies are excellent. But *they have not been applied properly in bilateral negotiation;*
  - *Our Bilateral Team sees “Level Playing Field considerations are **FRONT and CENTRE**” of Canada's approach. This is a serious bias in applying the intent of the Blue Sky Policy.*
  - *Matching carrier benefits (Bean-Counting) approach* has been applied to most of the bilateral negotiations *to deny foreign airlines' access and expansion of services at the expense of consumers and other sectors* when our carriers are not comfortable opening up the market.

# Specific Records and Issues

- ❑ Canada's record: Open Skies with *USA (2005), Iceland, Barbados, New Zealand, Dominican Rep., Costa Rica*, and recently with *Korea*; "Near" Open Skies with EU27 nations.
- ❑ USA, (EU), Korea Open Skies were done mainly due to *political pressure*; the rest don't have much traffic to speak of.
- ❑ *Singapore Airline, Koreanair, etc.* have had a long history of frustration with Canada's bilateral processes. *SQ finally gave up.*
- ❑ *Emirates* asks for more flights to Canada (including YVR), but Canada is reluctant, claiming that *3 flight per week is sufficient to handle Canada-UAR Origin-Destination traffic*. Such claim ignores *the reality of airlines' network development* (hub/gateway building which requires connecting traffic) :  
e.g. Canada's Asia Pacific Gateway Initiatives

## What need to be done

- ❑ *Time has come to change our approach to airline sector:* Airlines contribute to the economy mainly by supporting other industries; thus, *Making pro-economy and pro-consumer policy* is consistent with maximization of Canada's economic benefits;
- ❑ History taught us that *most of the protected flag carriers eventually fail after wasting billions of tax payer and consumer dollars:* Varig, Alitalia, Swissair, Olympic, Iberia, etc.
- ❑ Canada would be served far better by *adopting Open Skies as principle,* and *Reversing Onus of Proof to the opponents* of Open Skies.
- ❑ Need more *transparency in bilateral ASA processes;* abolish Confidential Addenda; Expand Airports and Community participation in the process; Consider pulling Trade and Bilateral ASA negotiations together.

**Thank YOU**