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# BLUE SKY

Canada's

INTERNATIONAL AIR POLICY



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# ***Blue Sky: Canada's International Air Policy***

- Introduced in November 2006
  - 3 year old policy approach that guides the negotiation of Canada's international air transport agreements.
  
- Primary objectives:
  - 1) Proactively pursue further liberalization of air transport agreements;
  - 2) Seek reciprocal "Open Skies"-type agreements, where in Canada's overall interest; and,
  - 3) Encourage long-term, sustainable competition and development of new and expanded international air services to benefit travellers, shippers, Canadian tourism and business sectors.



# 1) Proactively Pursue Liberalization

- Means a *strategic* approach to priority setting, with strong focus on Canada's economic interest.
- In 2008, Canada's top 5 O/D markets were:
  - 1) US representing 49% of our total market
  - 2) EU representing 17% of our total market
  - 3) Caribbean representing 6.6% of our total market
  - 4) Mexico representing 6% of our total market
  - 5) China representing 1.7% of our total market



# 1) Proactively Pursue Liberalization (cont'd)

- Other Considerations:
  - Cargo opportunities viewed as distinct from passenger;
  - Cabotage rights specifically excluded;
  - Long-term economic consequences of the agreement, which is a legally binding international treaty
  - Level of “excess” capacity under the existing bilateral agreement;
  - Desire to engage with Canada; and,
  - Bilateral market growth potential, especially for direct services.



## 2) Seek Reciprocal “Open Skies”-type Agreements in Canada’s Interest

- Not a “one-size-fits-all” approach.
  - Opportunity to balance risks and benefits.
  - Long-term perspective.
- Canada’s aviation context is an important consideration:
  - Vast domestic geography;
  - Multiple hubs for international services; and,
  - Few Canadian international scheduled carriers.



## 2) Seek Reciprocal “Open Skies”-type Agreements...(cont’d)

- Other Considerations:
  - Level playing field;
  - Doing-business issues (eg., taxations); and,
  - Readiness of other country: safety and security issues, willingness.



# Consultation Key to Determining Canadian Interest

- Continuous and done at all stages of the process.
  - Policy development, priority-setting, and development of negotiating mandates.
  - Formal and informal process
- Interested parties represent a diverse spectrum.
  - Negotiations seek to balance the range of interests over time.
  - Airports and airlines;
    - Airports traditionally represent interests of their community, province/territory, and primary users (consumers & business).
  - Others (tourism, business sectors, etc.)



# 3a) Encourage Sustainable Competition and Air Services

- A “proactive” approach requires risk-benefit considerations to assess likelihood of sustainable competition.
  - Not a “hard science”.
  - Risks not always understood by public: treaties long-term.
  - Benefits often hypothetical: air agreements create potential to market, but “actual” services dependent on carrier decisions.
  - Balance re: fair competition and development/sustainability of Canadian industry.



## 3b) New/Expanded Services to Benefit Travellers and Shippers

- Broad cross-section of stakeholder needs addressed over time.
- A “delicate” balancing of stakeholder interests is necessary.
  - Interests sometimes conflict.
  - No stakeholder gets *de facto* priority.
- Size of bilateral market a key consideration; direct air services an important driver for consumers and shippers.



# Role of Commercial Considerations

- Air Transport Agreements are negotiated by governments to provide governing framework for commercial arrangements necessary to offer international air services.
- “Separate” commercial arrangements are necessary for air transport agreements to work.
- The Blue Sky policy creates greater choice and flexibility for airports and airlines of both parties to generate new business.



# Effective Implementation: Real Opportunities

- Facilitation is essential to air transport liberalization (e.g., the efficient, safe and secure flow of international passenger and cargo traffic in Canadian airports).
- Transport Canada is partnering with other federal departments to address implementation issues:
  - Canada-U.S. Preclearance Consultative Group;
  - Congestion issues;
  - Horizontal work with other departments on various initiatives (e.g., transfer departure facilities, transit without visa).



# Supporting Tourism Objectives

- Under the Blue Sky policy, Canada has addressed each of the in-bound tourism target countries by the Canadian Tourism Commission.
  - US, UK, Mexico, France, Germany, China, Japan, South Korea, Australia.
- As priorities evolve under the Federal Tourism Strategy currently under development, we will take these into account.



# Blue Sky Results

- 20 negotiations since December 2006.
- Agreements negotiated/concluded covering nearly 50 countries.
  - EU Member States represent 27 countries.
  - Includes US as the precursor to Blue Sky policy (negotiated in 2005, signed in 2007).
- 11 new and/or expanded agreements.
- “Open” agreements with 34 countries representing 71% of Canada’s international air traffic.
  - Canada-US agreement
  - Canada-EU represents 27 “open” bilateral agreements
  - 6 other Open Skies-type agreements.



# Interpreting Blue Sky Results

- Canada has actively dealt with 90%+ of its international traffic in recent years.
- Each of these markets falls in one of three categories:
  - Already have an “open” agreement
  - Not ready to negotiate an Open Skies-type agreement with Canada, but expanded rights possible
  - Agreement has excess capacity; no constraint to drive urgency.
- All of Canada’s most important markets have been liberalized to the greatest extent possible.
- Canada continuously examines “bilateral” markets to ensure they are not underserved.



# Transparency

- Negotiating sensitivities mean transparency must be managed.
  - Front-end: consultations, inputs
  - Back-end:
    - Canada's treaty ratification process means signed agreements are tabled in Parliament before formal entry into force;
    - News release follows all successful negotiations, Canadian Transportation Agency website posts general aspects only; and,
    - Post-ratification: all agreement texts posted on Canada's Treaty website.
- Agreements often applied on an administrative basis: agreement texts/provisions are confidential until ratified.



# Negotiating Realities

- All countries pursue their domestic interest aggressively.
- Comparisons must take account into each countries' situations: air industry, geography and market.
- Competition and liberalization should not be seen as “absolute” public goods.
  - Contingent on fairness
- Communication is a sensitive, but integral part of negotiations.



# Good News Story

- Positive results have been achieved under Canada's Blue Sky international air policy in just 3 short years, including "open" agreements with 34 countries.
- Canada's sky is as open as can be, especially given our relative importance in the global air market and our national interest.



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# THANK YOU!

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