



Transport
Canada

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BLUE SKY



Canada's new INTERNATIONAL AIR POLICY



Blue Sky: Canada's New International Air Policy

The following policy will apply to Canada's approach to bilateral air transportation negotiations for scheduled passenger and all-cargo services.¹

Policy Objectives and Principles

Canada's new international air policy approach will be **guided by the following objectives and principles**:

Objectives

- Provide a framework that encourages competition and the development of new and expanded international air services to benefit travellers, shippers, and the tourism and business sectors.
- Provide opportunities for Canadian airlines to grow and compete successfully in a more liberalized global environment.
- Enable airports to market themselves in a manner that is unhindered by bilateral constraints to the greatest extent possible.
- Support and facilitate Canada's international trade objectives.
- Support a safe, secure, efficient, economically healthy and viable Canadian air transportation industry.

Principles

- Recognize that air transportation is a direct contributor to a dynamic economy and is a leading trade and tourism facilitator.
- Market forces should determine the price, quality, frequency and range of air services options.
- Canadian carriers should have the opportunity to compete in international markets on a reasonably level playing field.
- Air liberalization initiatives will continue to be guided by safety and security considerations.

In addition, Transport Canada recognizes that many of the expected benefits of air transport liberalization efforts are dependent on the efficient flow of passenger and cargo traffic within airports. Consequently, Transport Canada will continue to collaborate with other Canadian government departments, airport authorities, airlines and, where applicable, Canada's bilateral partners to develop and promote measures that facilitate the **efficient, safe and secure** flow of international passenger and cargo traffic.

¹ Canada's 2002 Multiple Designation Policy will continue to apply. This policy facilitates both the designation of all Canadian carriers wishing to operate scheduled services in international markets and the allocation of rights in cases where designations are limited and/or unused under our bilateral agreements.



Policy Approach for Air Transportation Negotiations

Canada will **proactively pursue** opportunities to negotiate more liberalized agreements for international scheduled air transportation that will provide maximum opportunity for passenger and all-cargo services to be added according to market forces.

As a primary objective, Canada will seek to negotiate reciprocal “Open Skies”-type agreements, similar to the one negotiated with the U.S. in November 2005, where it is deemed to be in Canada’s overall interest.

In essence, an “Open Skies”-type agreement would cover the following elements for scheduled passenger and all-cargo services:

- Open bilateral markets/access (third and fourth freedom rights);
- No limit on the number of airlines permitted to operate;
- No limits on the permitted frequency of service or aircraft type;
- Market-based tariff/pricing regime for bilateral and third-country services;
- Open and flexible regime for the operation of code-sharing services;
- Unrestricted services to and from third-countries (fifth and sixth freedom rights); and
- Rights for stand-alone all-cargo operations (seventh freedom rights).

Under no circumstances will the policy approach include cabotage rights – the right for a foreign airline to carry domestic traffic between points in Canada.

In determining its **negotiating priorities**, the Government will consult both airlines and airports and will take the following elements into consideration (in no particular order):

- Canadian airline and airport priorities and interests;
- Likelihood and extent of new Canadian and foreign carrier services, giving preference where early startup of air services is planned;
- Size and maturity of the air transportation markets and potential for future growth;
- Foreign government requests;
- Canada’s international trade objectives;
- Safety and security issues;
- Foreign relations; and
- Bilateral irritants and disputes.

The Government will also consult more broadly prior to undertaking major air liberalization initiatives.



Recognizing that there may be situations where other countries will not be interested in negotiating an Open Skies-type arrangement with Canada, a scaled-down exchange of rights will be considered that will seek further liberalization without compromising Canada's ability to secure an Open Skies-type agreement in the future. **In all such cases, however, Canada will seek to secure as much flexibility for all-cargo services as possible.**

In other limited situations, the Government may determine that it would not be in Canada's best interests to negotiate an Open Skies-type agreement. Considerations that could influence Canada's approach to bilateral air negotiations include:

- the ability of Canadian airlines to operate services is severely limited by discriminatory airport access and/or facilitation issues;
- the "doing business" environment (e.g., transfer of funds, provisions on double taxation) presents major obstacles to Canadian airlines' commercial operations;
- the foreign carrier(s) appears not to be behaving in accordance with rational business principles or is protected from normal market disciplines, resulting in a markedly unbalanced playing field vis-à-vis Canadian airlines; and
- the foreign carrier(s) would be reasonably expected to offer a level of service to such an extent that competition in some markets/routes would be significantly reduced or effectively eliminated – resulting in a net loss for Canada.

However, in these cases, if a particular market is determined to be a negotiating priority Canada would consider negotiating an arrangement that would permit incremental liberalization and possibly provide scope for future introduction and/or expansion of air services.



GLOSSARY

Bilateral Air Transport Agreement: The document most often used by states to provide a legal framework governing their scheduled international air services.

Code-Sharing: Is a type of air service whereby an air carrier uses its designator code (e.g., “AC” in the case of Air Canada) on a flight operated by another carrier for the purposes of marketing and selling an air service. For example, pursuant to a code-share arrangement, Air Canada may put its code on United Airlines flights between Ottawa and Chicago and market them as Air Canada services.

Freedoms of the Air:

First Freedom of the Air is the right or privilege for an air carrier to fly across the territory of another country without landing.

Second Freedom of the Air is the right or privilege for an air carrier to land in the territory of another country for non-traffic purposes, most commonly to refuel aircraft, to make unexpected repairs or to respond to an emergency.

Third Freedom of the Air is the right or privilege for an air carrier from country A to put down, in the territory of country B, traffic coming from country A.

Fourth Freedom of the Air is the right or privilege for an air carrier of country A to take on, in the territory of country B, traffic destined for country A.

Fifth Freedom of the Air is the right or privilege for an air carrier of country A to take on traffic in the territory of country B and carry it to a third country as part of a service to/from country A.

Sixth Freedom of the Air is the right or privilege for an air carrier of country A to take on traffic in country B and carry it to country C via country A.

Seventh Freedom of the Air is the right or privilege for an air carrier of country A to carry traffic between country B and country C, without serving country A (stand-alone service).