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## **Standing Committee on International Trade**

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**EVIDENCE**

**Monday, February 2, 2015**

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**Chair**

**Mr. Randy Hoback**



## Standing Committee on International Trade

Monday, February 2, 2015

• (1530)

[English]

**The Chair (Mr. Randy Hoback (Prince Albert, CPC)):** Good afternoon, ladies and gentlemen. It's good to see you all out at our first public meeting of 2015. Pursuant to Standing Order 108(2), our orders of the day involve the study of the positive effects of the global market action plan.

Today we have witnesses from the Department of Foreign Affairs, Trade and Development. Mr. Bruce Christie is the chief air negotiator and director general of the intellectual property and services trade policy bureau. Then from the Department of Transport we have Marc Rioux, executive director of air policy, international.

I understand Mr. Christie has a statement, so, colleagues, we will go into Mr. Christie's statement. I will remind you that we have set aside a little time at the end to do a bit of committee business just to finish off what we did last week.

Mr. Christie, I will turn the mike over to you.

Welcome to both of you.

**Mr. Bruce Christie (Chief Air Negotiator, Director General of Intellectual Property and Services Trade Policy Bureau, Department of Foreign Affairs, Trade and Development):** Thank you very much, Mr. Chair.

Members of the committee, I am Bruce Christie, Canada's chief air negotiator, and I am from the Department of Foreign Affairs, Trade and Development. I am grateful for this opportunity today to appear before the committee to discuss Canada's air transport agreements.

With me from Transport Canada is Marc Rioux, whom you have already been introduced to, who is executive director of air policy, international.

Mr. Chairman, over the next few minutes I'll provide an overview of Canada's air transport agreement program and the blue sky policy and its alignment with Canada's broader international trade agenda, namely the global markets action plan, or GMAP as we call it, and its role in advancing Canadian business interests at home and abroad.

Canada's vast geography, low population density, and trade-focused economy drive a reliance on the air transport sector. As a trading nation far from important overseas markets, Canada relies on air carrier service through Canadian airport hubs to support economic growth and long-term prosperity.

The air sector directly employs 140,000 Canadians and annually contributes over \$35 billion to our GDP and \$12 billion to federal and provincial treasuries. Canada's relatively small internal market means that growth prospects for the industry are limited unless it competes in global markets. However, Canadian carriers operate in a deregulated, user-pays aviation system in Canada, unlike many of the international competitors, including U.S. airlines, whose national and subnational governments support their domestic aviation.

These characteristics create challenges for this strategic sector of the Canadian economy.

Through the negotiation of bilateral air transport agreements, or ATAs with other countries, the government helps Canadian carriers compete internationally by facilitating their access to new markets and supporting a stable "doing business" environment as well as helping Canadian airports market their services to Canadian and foreign airlines. When new or expanded air services are launched, the whole Canadian economy benefits.

The Chicago convention signed in 1944 established a legal framework for the provision of international air services and created the International Civil Aviation Organization or ICAO, which is headquartered in Montreal. A byproduct of this convention, which Canada and 190 other states signed, is the negotiation of bilateral air transport agreements that govern the provision of international air services.

The primary issues covered by an ATA include: operating rights, for example, the city served and frequency of flights; the rules for doing business, like access to airport facilities and the avoidance of double taxation; and provisions dealing with pricing, safety, security, and dispute resolution. Once they enter into force, ATAs become treaties under international law.

It is important to understand that ATAs simply establish a legal framework within which Canadian and foreign carriers make decisions based on their own commercial interests. In this sense one should not confuse air rights with air services. In a large number of cases, air rights are available but are not being used by carriers. Consequently there is a significant unused capacity in our suite of ATAs. This means that new or expanded air services could be launched in the short term without the need to negotiate the relevant ATA. This also means that non-open ATAs are not automatically restrictive.

Canada has a long history of successful ATA negotiations. Most recently in 2006 the Government of Canada modified its approach and adopted a more proactive approach to liberalization of ATAs and the negotiation of open sky-type agreements where doing so is in Canada's overall interest. This is called our blue sky policy.

The main objectives of the policy are to ensure long-term and sustainable competition for the benefit of consumers across Canada, to provide opportunities for Canadian airlines and airports to grow and compete internationally, to support Canada's international trade objectives as well as business- and tourism-sector priorities, and to ensure a safe, secure, efficient and economically viable air sector. The blue sky policy does not advocate a one-size-fits-all approach to air transportation negotiations and recognizes that in some instances it is justified to be more prudent, especially where there are concerns about a level playing field or where new services run the risk of destabilizing existing ones valued by Canadian communities.

The implementation of the blue sky policy requires interdepartmental coordination among Transport Canada; the Canadian Transportation Agency; and Foreign Affairs, Trade and Development Canada.

• (1535)

The Minister of Transport is responsible for the overall implementation of the blue sky policy, with mandates approved by both the Minister of Transport and the Minister of International Trade. While I report to both ministers, my role as chief air negotiator resides at the Department of Foreign Affairs, Trade and Development, which maintains the negotiation lead for ATAs.

Since its inception, the policy has become an important vehicle to promote connectivity between all Canadian regions and the world. It has also provided Canadian consumers with more choices in terms of destinations and the number of direct flights. Since November 2006, Canada has concluded new or expanded ATAs covering 80 countries. Including pre-blue-sky open skies agreements with the U.S., Canada has now concluded open agreements with over 44 partners, including the 28 member states of the European Union, with which we have a comprehensive agreement. We also have expanded agreements with 20 countries and first-time agreements with 21 countries.

As of October 2014, the open agreements we have concluded cover approximately 72% of Canada's international passenger traffic. Canada has also concluded with or offered an open agreement to countries representing about 91% of Canada's overall international two-way merchandise trade. Currently, about 2% of Canada's overall international passage traffic is under agreements or arrangements that contain practical constraints on airlines' commercial plans. Since 2006, the number of bilateral partners has gone from 73 to 112, which amounts to a 58% increase.

There is strong alignment between the government's air transport agreement negotiating agenda and its international trade agenda, specifically the global markets action plan, or GMAP. You will recall that GMAP is Canada's blueprint for creating jobs and opportunities for Canadians through trade. It consists of comprehensive action plans to advance the interests of Canadian businesses in a specific group of key markets and priority sectors.

GMAP identifies three types of priority markets: emerging markets with broad Canadian interests, such as Brazil, China, or Korea; emerging markets with specific opportunities for Canadian businesses, such as Kuwait and Panama; and established markets such as the EU, the U.S., and Japan. It also identifies 22 priority sectors, including transportation and tourism.

Of the 50 markets listed in the GMAP, there are only five with which we do not already have or are not seeking to negotiate an air agreement, and the main reason for this is that these markets are too small to sustain viable own-aircraft services. Of the 21 new or expanded air agreements concluded in 2013 alone, 11 were with GMAP markets.

ATAs are an essential facilitator of trade, supporting the sectoral action plans under the GMAP both directly and indirectly. For example, ATAs also cover cargo flights, which allow for the transportation of time-sensitive, high-value goods to and from Canada. Provisions in ATAs provide for more convenient and diverse travel options for Canadian engineers, lawyers, and consultants who need to travel abroad to provide their services. Finally, this directly supports Canada's tourism and higher education sectors, providing access for tourists and international students coming into Canada. In this regard, Canada has ATAs with all of our target markets identified for tourism in the GMAP.

For the first time this year, Canadian officials consulted with key business organizations—namely, the Canadian Council of Chief Executives, the Canadian Manufacturers and Exporters association, and the Canadian Chamber of Commerce—in the development of the ATA negotiating strategy for 2015. Involving these important stakeholders at the planning stage of our negotiating agenda will help to ensure that the air connectivity interests of our business community are taken into account and that our ATA program is aligned with Canada's trade objectives.

Canada will continue to seek more ATAs to promote the interests of Canadian consumers, as well as our trade and tourism sectors. The outcome of future negotiations will continue to support a range of federal government policies, such as the economic action plan, the global commerce strategy, the federal tourism strategy, gateways and corridors initiatives, and the Americas strategy.

In conclusion, Mr. Chairman, my colleague Marc and I would be delighted to respond to any of the questions you or members of the committee might have on Canada's ATA program, its blue sky policy, and its role in facilitating Canada's trade agenda.

• (1540)

Thank you very much.

**The Chair:** Thank you, Mr. Christie.

I'll turn the floor over to Mr. Davies. You have seven minutes.

**Mr. Don Davies (Vancouver Kingsway, NDP):** Thank you, Mr. Chairman.

Thank you, Mr. Christie and Mr. Rioux, for being with us today.

I'll start with some basics. As you know, this is the beginning of our study and I think that nailing down some basic understanding would be helpful for all of us on this committee. I'll start with open skies agreements. Can you briefly describe for us what are the core features of an open skies agreement? What does it do?

**Mr. Bruce Christie:** Basically an open skies agreement is akin to a free trade agreement, where we remove any restrictions between our national carriers to be able to fly into each other's markets, the number of destinations they can fly to, the frequency of flights per week, and the amount of cargo they can carry between the markets. It's basically an open agreement that covers all of the basic air freedoms under an air transportation agreement, with the exception of cabotage, the ability to pick up passengers in a second market and carry them within domestic destinations in that market.

**Mr. Don Davies:** On the website of Foreign Affairs, Trade and Development Canada it differentiates between open skies agreements and expanded agreements. Can you tell us what the core features of an expanded agreement are, and perhaps how that differs from an open skies agreement?

**Mr. Bruce Christie:** Under this blue sky policy that I outlined in my opening remarks, if it's in Canada's interest right off the start to negotiate an open-skies type of agreement, then we would propose that option to the other country.

But in some cases what we would prefer to do is to follow a more incremental approach. For example, we would start with a code-share agreement that doesn't afford our airlines the opportunity to fly into each other's markets, but it allows our airlines to code-share with other airlines that do fly into those markets. From there we test the market, we test what we feel would be the amount of air passenger traffic the market would bear, while we're promoting these new markets through our domestic carriers.

An expanded agreement is more of a graduated approach where we build on the air services rights that our carriers have by starting with the basic agreement, which is a code-share agreement, and then negotiating supplemental agreements that include additional numbers of frequencies and destinations and other air transport rights.

• (1545)

**Mr. Don Davies:** If I can just drill into open skies agreements, approximately how many open skies agreements did we have in 2006?

**Mr. Marc Rioux (Executive Director, Air Policy, International, Department of Transport):** In 2006 we had two.

**Mr. Don Davies:** How many do we have in 2014, which I think is your latest data?

**Mr. Marc Rioux:** We now have open agreements that cover 44 countries, so those are the open skies agreements, plus the comprehensive agreement that covers all of the 28 EU member states.

**Mr. Don Davies:** That number of 44 includes the 28 EU countries?

**Mr. Marc Rioux:** Yes.

**Mr. Don Davies:** You pointed out some of the intended goals and hoped for benefits we'd get: expanded competition, greater consumer selection, and I guess we are always looking for reduced costs. Is there any study you've done that has tracked the performance of these open skies from 2006 to 2014 so that we can determine how we're doing in that regard?

**Mr. Marc Rioux:** We have not done a study of each open skies agreement to see what has changed afterwards; however, we have some numbers in terms of the new services and the new destinations that have resulted from the implementation of the blue sky policy in general, but not specific to each open skies agreement.

**Mr. Don Davies:** What about an aggregate? What I'm trying to get at, and I think what the committee members would like to know is, if we've brought in this policy—and it sounds like we've ramped up incredibly the number of open skies agreements, going from two to 44 countries in the space of eight or nine years—are there any metrics that we can point to or that you can show us to determine what the impact of those agreements are, or is it too early to tell?

**Mr. Marc Rioux:** No. There are numbers we could provide to the committee. We'd like to do that.

**Mr. Don Davies:** Could you please provide those? Whatever metrics you have would be helpful to us.

Mr. Christie, you mentioned cabotage, and I was going to ask; it's always a concern. I take it that neither the open skies agreements nor the expanded agreements relate to cabotage, the ability for domestic carriers to carry passengers within Canada. Is that right?

**Mr. Bruce Christie:** That's correct.

**Mr. Don Davies:** The following quote on the website says, "Only 3% of Canada's overall international passenger traffic is under agreements/arrangements that impose practical constraints on airlines' commercial plans."

I'm wondering what those "practical constraints on airlines' commercial plans" are.

**Mr. Marc Rioux:** To explain where this number comes from, the metric we use to estimate the size of a bilateral air travel market is the number of one-way trips. If you take a plane from Canada to another country, that's a one-way trip. If you return to your home, that's another one-way trip.

On average the size of the pie, if you will, in a year for Canada is about 40 million one-way trips.

We now have 112 or so partners. If you go through each of these arrangements or agreements, you will identify a small number where a carrier, either a foreign or a Canadian carrier, would like to do more than it is doing today but cannot because of the agreement. There is a very small number of those arrangements and agreements.

If you take them and put them together, look at the bilateral market we have with each of these partners and add it together, it amounts to about 2% or 3% of the 47-million one-way trips that I talked about earlier.

The point of the statistics is to show that our skies are open to competition. Foreign carriers come here. We have a lot of open agreements. But we also have a lot of agreements, even though they're not of the open-skies type, that do not prevent carriers from doing more than they are doing today.

**Mr. Don Davies:** Do I have time for one more quick one, Mr. Chairman?

**The Chair:** No. I'm sorry, Mr. Davies. You're out of time.

Mr. Gill.

**Mr. Parm Gill (Brampton—Springdale, CPC):** Thank you, Mr. Chair. I also want to take the time to thank our witnesses for being with us and helping us with this important study.

In your remarks, Mr. Christie, you mentioned that one should not confuse "air rights" with "air services". I'm wondering if you could elaborate on that.

**Mr. Bruce Christie:** We have air rights that we negotiate in an air transportation agreement.

For example, we could negotiate an allowance or right to give both our airlines the opportunity to fly into each other's market five times per week. But under that agreement, Air Canada, as an example of one carrier, may not be flying into that market, yet it still has the right to fly in five times a week, whereas the foreign carrier is flying into Canada five times a week. They have the rights, but they're not taking advantage of these air services because for commercial reasons one airline decides it's not the right time to launch these air services in the market. In those cases, if in this example Air Canada decided to launch flights three times a week to that market, we wouldn't have to renegotiate an agreement because the rights already exist, but they haven't been taking advantage of them.

• (1550)

**Mr. Parm Gill:** Does the airline have the authority to confer its rights onto another carrier?

**Mr. Bruce Christie:** No, not in our transport agreements. It depends on the agreements, but we normally would identify the national carriers in the specific air agreement that we negotiate.

Marc may want to add something.

**Mr. Marc Rioux:** Under the Canada Transportation Act the Minister of Transport has to designate a Canadian carrier to operate internationally under a specific agreement. The first step the carrier has to take is to come to us and request it be designated to operate, let's say, under the Canada-China air agreement. Once it has this, it can start to operate, to use the rights that are available under the agreement.

The agreements that we negotiate put in place a legal framework. That's as far as our work goes. After that, it's up to the carriers to decide what they want to do with those rights. That's why we say the decision on launching air services depends on commercial considerations on the part of the carriers. It's not the government that will tell a carrier to fly between point A and point B.

**Mr. Parm Gill:** You also mentioned in your remarks that for the first time this year, Canadian officials consulted key business organizations, namely the Canadian Council of Chief Executives, Canadian Manufacturers and Exporters, the Canadian Chamber of Commerce, and so on.

I'm just wondering; before this year, who were some of the stakeholders consulted?

**Mr. Bruce Christie:** Typically, on an annual basis, prior to setting a negotiating plan for the year, we would negotiate with our national carriers. We would negotiate with our airports. We would negotiate with our provinces and territories, and with our tourism commissions federally and provincially. We would negotiate with most of our key stakeholders in the air transportation sector.

Am I missing anyone, or...?

**Mr. Marc Rioux:** We don't negotiate; we consult.

**Mr. Bruce Christie:** Yes, consulting.... We'd be consulting with them for their input.

This year Minister Fast requested that we broaden our consultation stakeholder base to include the key business associations, which we have done this year. We will continue to do that in subsequent years when we're doing our annual consultations.

**Mr. Parm Gill:** You also mentioned that double taxation is a primary issue covered by ATAs. Can you speak to the process of eliminating this practice and how that's negotiated benefits to Canadian business by doing away with double taxation?

**Mr. Bruce Christie:** Basically it's a clause in an air transport agreement, the model that Canada uses, that stipulates that our airlines should not be paying tax in more than one municipality. It's a similar clause to what we would use in any of our trade agreements.

Therefore, for our domestic carrier, whichever airline is flying those routes, if they are paying tax in one jurisdiction, either Canada or the other, the article ensures that they will not be paying taxation in both jurisdictions. It avoids double taxation. With some of our partners, they would use an agreement like this as an opportunity to collect tax revenue when it is already being paid. It ensure that airlines pay in only one jurisdiction.

**Mr. Parm Gill:** Perfect.

You also mentioned that the implementation of the blue sky policy requires interdepartmental coordination between Transport Canada, the Canadian Transportation Agency, and Foreign Affairs, Trade and Development Canada. Can you explain the role and decision-making of each department in regard to the air transport agreements?

•(1555)

**Mr. Bruce Christie:** In my situation as the chief air negotiator, I report to the deputy minister of international trade in my department, but I also report directly to the deputy minister of Transport Canada. In that respect I have two bosses to whom I report simultaneously. Marc has his own management structure that he can speak to, but Transport Canada officials from the Transport Canada air policy secretariat and my branch work together on an ongoing basis to develop our plans and activities. We work independently, although Transport Canada has the overall lead on air policy for the Government of Canada.

**The Chair:** Thank you.

Go ahead, Ms. Freeland.

**Ms. Chrystia Freeland (Toronto Centre, Lib.):** I want to start off by thanking you both for your testimony. I'd also like to say that I'm pretty new to this file and have been meeting with a lot of stakeholders. They have been uniform in their praise of the skill of Canadian trade negotiators, so thank you very much for that. It's great to hear.

I want to start with a couple of really specific questions; I apologize in advance for my ignorance. On the blue sky policy website, I was able to find the figures for the increased outbound international traffic between 2006 and 2011. It has gone up by 50%. I couldn't find the figure for the inbound international traffic. Is it just the same, and that's why you didn't put it there, or am I missing something? Is there any meaningful difference?

**Mr. Marc Rioux:** Are you referring to the increase in terms of the partners we have?

**Ms. Chrystia Freeland:** I'm referring to the increase in the traffic.

**Mr. Marc Rioux:** In terms of the traffic that I mentioned, the 47-million one-way trips per year, that includes both inbound and outbound.

**Ms. Chrystia Freeland:** Are they equal?

**Mr. Marc Rioux:** More or less.

Usually somebody who goes on a trip somewhere will come back to their point of origin, but not always. There are students who come here for several years, people who move to another country, and so on, so roughly speaking you could divide it by two. But the number of 40-million one-way trips that we use includes both outbound and inbound traffic.

**Ms. Chrystia Freeland:** Thank you.

I am also wondering how much of a sense you have of the implications of the stepped-up level of agreements on traffic regionally. In particular, I'm the MP for Toronto Centre, and we have a regional airport that is the subject of quite a lot of controversy, as I'm sure you're aware. I'd be interested in any information you could share about that.

Where are people going, and has there been more of an increase in some airports and regions than others?

**Mr. Marc Rioux:** We've seen benefits from our agreements throughout the country. Most big airports have received new services since the policy has been in effect. The top eight airports in Canada represent about 97% of the international traffic. Beyond those top

eight airports, it's maybe not as much, but that's because with the market being what it is, carriers usually go to the bigger centres.

That doesn't mean, though, that there are no benefits for secondary cities or more remote communities because often the connectivity will increase. Somebody who lives in a secondary city going through one of our major hubs will have more choice in terms of destination, even though there may not be a direct flight between the foreign country and that particular community.

**Ms. Chrystia Freeland:** Thank you.

Mr. Davies raised the issue of cabotage. I would be interested in a sort of blue-sky thinking approach on what your views are, as people who have been working in this area for a long time.

What should we be thinking in the longer term in terms of cabotage that would be beneficial for Canadian consumers, Canadian airlines, people who work for Canadian airlines?

**Mr. Marc Rioux:** To define what you mean by "cabotage", it is the carriage of a passenger by a foreign airline between two points in Canada.

•(1600)

**Ms. Chrystia Freeland:** Or vice versa, right? There could be cabotage in the U.S. that would be open to Canadian airlines, for example.

**Mr. Marc Rioux:** Right, exactly.

Very few countries in the world allow for cabotage. The U.S. does not allow for cabotage. We have looked at possibly creating a common North American aviation area in the future like they have in Europe, but there's no interest south of the border to go down that road. It's not something that's very common around the world.

With regard to the blue sky policy, when you read it, there's a clear definition of what we mean by an open skies agreement. Various countries have various definitions, so we felt it was important to define what we mean in Canada by an open skies agreement. By the same token, the policy also explicitly states that cabotage will not be included in our agreements, and that's the policy stance of the government so far.

**Ms. Chrystia Freeland:** On a quick 10-second follow-up, when was it that you explored with the U.S. negotiator the possibility of this and they said, "no way"?

**Mr. Marc Rioux:** We didn't explore it with the Americans. We did an analysis internally at Transport Canada—

**Ms. Chrystia Freeland:** And you decided they wouldn't be interested.

**Mr. Marc Rioux:** —a few years ago, and we were confident that it was not something that had a promising future at this point in time.

**The Chair:** We're getting very good at this.

Mr. Cannan.

**Hon. Ron Cannan (Kelowna—Lake Country, CPC):** Thank you, Mr. Chair.

Welcome, Parliamentary Secretary Gill, and thanks to our witnesses.

This is a very exciting topic. Coming from and representing the Kelowna—Lake Country in the Okanagan, we have YLW as your link to the world—our call letters. We have an international airport, the 10th busiest in Canada and growing by leaps and bounds. Globalization of air traffic for commerce is very important for all of our ridings. It is a big economic engine for our Okanagan Valley, so we appreciate the discussion and the study.

If we could, I want to clarify some of the semantics, the definitions, that are thrown around. There's "open sky", "blue sky". Is there some synonymous perspective on that? Before it used to be called "open sky agreements" and then it changed to "blue sky". Does it mean the same thing? Could you maybe expand on and clarify that?

**Mr. Marc Rioux:** Blue sky is the name of the policy, so it's the blue sky policy. Some people have said that the agreements negotiated under the policy are blue sky agreements, but what we mean by an open skies agreement, again, is very clear. It is defined in the policy in terms of what those agreements have to have to be considered open skies agreements, but that's the distinction. There's a clear definition of "open skies". That's still the definition we use. Blue sky refers to the policy.

**Hon. Ron Cannan:** Okay. We adopted that in November of 2006. I got elected in that year and I've been on the trade committee since. You mentioned in your opening comments that our ATAs cover over 80 countries, but the Library of Parliament handout says that the Canadian Transportation Agency says Canada currently has ATAs with 100 countries.

**Mr. Marc Rioux:** The number 80 that we mentioned is the number of countries covered by the agreements that have been negotiated under the blue sky policy. But of course, before the blue sky policy was announced, we already had a lot of partners. So including the agreements that were negotiated before the blue sky policy was in effect, we now have 112 partners around the world. But we have negotiated agreements that cover over 80 countries under the blue sky policy.

**Hon. Ron Cannan:** I think that's important, and 44 of those are the open agreements.

Mentioning from British Columbia now, my colleagues Nina and Don are working with the Asia-Pacific gateway and had talks about the challenges of opening our country for foreign carriers to come in. We want the reciprocity. What does the department use as its analytical aspect when deciding whether to negotiate an open skies trade agreement with another country?

**Mr. Marc Rioux:** By default, it's going to be an open skies agreement, unless there are certain exceptions, if I can call them that, in the agreement. For instance, if we negotiated with a country where our carriers face very difficult "doing business" conditions, that's a reason why that country would not be a candidate for an open skies agreement under the blue sky policy. For instance, if it's very difficult to bring your profits back into Canada or to convert your earnings in that country into a currency that can be traded, and so on, that could be a reason why we wouldn't do an open skies agreement with that country.

● (1605)

**Hon. Ron Cannan:** Is the impact on domestic carriers taken into consideration?

**Mr. Marc Rioux:** We take a number of considerations into account. For instance, when we develop our negotiating plan for the year, we receive a lot of input: the commercial interests of carriers and airports, international trade considerations, tourism considerations, foreign policy, security, and so on. The interests of our carriers are a variable in the equation, if you will, but we take many other factors into account as well.

**Hon. Ron Cannan:** I understand the basic framework talks about the economic bilateral relationships between the two countries, but how often are these agreements revisited because there are more details, specifically? I think they probably go into MOUs, as my colleague, Mr. Gill, was referring to, for the taxation. Do you have a revisiting process? When the FTA is being revisited, are these revisited at the same time?

**Mr. Marc Rioux:** Not necessarily. It very much depends on the needs of the market at any particular point in time. Opportunities can arise out of the blue as well, which could be a reason why we would want to engage with a particular partner. But typically we want to make sure that we stay ahead of the curve, so to speak, ahead of demand, so that carriers do not face that constraint that would come from the agreement. There's not a predetermined time where we would revisit each agreement. It very much depends on what carriers are doing, the situation that carriers face in the market, and so on. Then if there is an issue, then we try to engage quickly with the other partner.

**Hon. Ron Cannan:** Okay, thanks.

In your comments you mentioned that of the 50 markets listed in the GMAP, there are only five with which we did not already have or are working on agreements. Which countries are we discussing or considering air trade agreements with?

**Mr. Bruce Christie:** Sorry, which ones of the 50 are we not...?

**Hon. Ron Cannan:** No. You said there were five that were not—I guess maybe you can list those five—because you said they're based on size. Which ones are we considering having ATAs with right now?

**Mr. Bruce Christie:** The five GMAP markets that we're not negotiating with are Brunei, Burma, Madagascar, Kazakhstan, and Zambia. Again, the reason is that they're small markets, essentially, and there doesn't seem to be an interest to exploit the opportunities in those markets.

In terms of the plan for this year, we are looking at approaching a series of countries, mostly to expand our existing agreements. In some cases, we will meet with them. As Marc mentioned previously, often what triggers this process is that an airline, either the foreign carrier or the domestic carrier, comes to us and says they have an interest in expanding their commercial business in that market, and therefore, they've reached the ceiling of the current agreement and would like us to negotiate new services.

The plan for this year is that we're going to—

**The Chair:** I'm going to have to stop you there unless it's very quick, Mr. Christie. He has exceeded his seven-minute time period.

**Mr. Bruce Christie:** Okay. I'm just going to list some of the countries: Antigua and Barbuda, Cambodia, Haiti, Cuba, Bolivia, Indonesia, Grenada, Japan, Australia, Mexico, and China. That gives you an indication of the countries that we hope to meet with this year.

**The Chair:** Thank you.

Mr. Morin.

[*Translation*]

**Mr. Marc-André Morin (Laurentides—Labelle, NDP):** Mr. Christie, you talked a lot about the development of large airports and connectivity. I'd like to draw attention to an important aspect. Connectivity is not necessarily limited by the absence of agreements with other partners. In fact, it is often limited by the classification of airports and the type of services that are offered there.

For example, take the Macaza—Mont-Tremblant International Airport, in my riding of Laurentides—Labelle. American carriers wanted to offer flights between the Newark airport and the Mont-Tremblant airport, or between LaGuardia and Mont-Tremblant. They were not able to do so because of the classification of the airport, as it does not have any permanent customs service, and because of other logistical problems. I don't know if we will one day have the opportunity of developing these secondary airports to ensure connectivity. By the way, it is the same thing in Sherbrooke.

• (1610)

**Mr. Marc Rioux:** Our agreements do not refer to regional or secondary airports or international hubs. In its other part, the Blue Sky policy indicates that it can be applied in a limited number of Canadian cities, but that it will do the choosing. If it is an “open skies” type of agreement, there is no limit. The foreign carrier may go wherever it wants to.

For an airport to offer international service, it must have certain basic services, such as customs and immigration.

This is a question for the Canada Border Services Agency, since it is responsible for that. I know that a strategy has been put in place to extend these services.

**Mr. Marc-André Morin:** The same problem exists in western Canada. Some of my colleagues have to go through the United States before retracing their steps. It would be simpler if the airport in their region had an intelligent classification. This is a management problem the government should solve. In addition to developing the international program, the government should ensure that airports have the capacity to receive other flights.

[*English*]

**The Chair:** Do you have other questions, Mr. Morin?

**Mr. Marc-André Morin:** No, that's about it.

**The Chair:** That's about it? You still have two minutes left in your questioning.

Does somebody from the NDP want to...?

**Mr. Don Davies:** Yes.

**The Chair:** You have a minute and a half.

**Mr. Don Davies:** In terms of the metrics, I guess the purpose of open skies agreements is to increase competition, as you've said, and also to lower the costs for consumers. Has that happened?

**Mr. Marc Rioux:** Again, when we negotiate these agreements, we put in place a framework within which carriers make their own decisions. We don't have control over which services will be launched or, obviously, how much the fares will be, but our hope is that carriers will make use of the rights we have negotiated so that choice for consumers will increase. If there is more choice, our hope is that competition will do its thing, and we will see a positive effect on airfares.

**Mr. Don Davies:** I understand the theory, and I understand the hope. What I'm asking for is data and results. Maybe you don't know, but if these agreements have been in place for a significant amount of time, is anybody in government measuring to determine whether this policy—because it's a government policy that has purported goals—is actually achieving those goals or not?

I know we hope the costs will come down, but my question is if you know whether or not they are.

**Mr. Marc Rioux:** The answer is yes. The policy has achieved these objectives, and we would be glad to share numbers with the committee.

**The Chair:** I'm afraid I'm going to have to move to Mr. Shory. The NDP's time is up.

**Mr. Devinder Shory (Calgary Northeast, CPC):** Thank you, Mr. Chair.

Thank you, witnesses, for taking the time to come and share your knowledge with the committee members today.

I'll start with a quick question, following on that of my colleague Mr. Gill, on air rights and air services.

If an airline does not use the air service right for, say, 10 or 15 years or whatever time, does it relinquish that right? Is there any provision like that in the standard ATA or the ATAs you negotiate?

• (1615)

**Mr. Bruce Christie:** No, the right continues to exist until we sit down with the other government to renegotiate the air transport agreement. I don't know if there are any examples of us lowering the number of frequencies, for example, in an existing air agreement. We normally build on them, but we have some air agreements that are quite old.

An example would be our agreement with India. Our airlines have substantial rights to fly in, but at present neither the foreign carriers nor any of the Canadian carriers are exercising those rights. Although as you may have heard, Air Canada made an announcement recently that they are relaunching their Toronto-Delhi flight. But the rights continue to exist until the agreement is amended.

**Mr. Devinder Shory:** It seems like you read my mind. That was my focus.

Another thing I noted is that DFATD differentiates between an open-skies type of agreement and an expanded agreement. What's the difference between these two?

**Mr. Bruce Christie:** As I mentioned earlier, an open skies agreement has very few restrictions at all in terms of the rights that foreign and domestic airlines can take advantage of in each other's market. For example, for our open-skies type of agreement with the United States, there's no limit. There are no restrictions on the number of frequencies that Canadian carriers can use to fly into the U.S. market. Those are based on their own commercial decisions, and likewise for the U.S. carriers coming to Canada.

An expanded agreement takes more of a piecemeal approach in which we start at the ground floor and test the market to determine what the market can bear in terms of passenger traffic. As we do our analysis and determine that the market can be expanded because there is interest in additional frequencies, then we would renegotiate the agreement to add frequencies and destinations.

So we add rights on a kind of augmented basis, but we use a gradual approach.

**Mr. Devinder Shory:** We know our government has a really aggressive trade agenda, and we strongly believe trade creates jobs and boosts our economy here for Canadians and, of course, for Canadian businesses.

ATAs are part of the GMAP, and we think it is to promote the interests of Canadian consumers as well as our trade and tourism. Has the increased competition in the Canadian market as a result of ATAs had any negative impact on employment, and on wages and benefits in the Canadian air transport sector?

**Mr. Bruce Christie:** We haven't done that type of analysis. I'm not aware of any.

**Mr. Devinder Shory:** In your presentation you mentioned the provisions and ideas for more convenient and diverse travel options for lawyers, engineers, and consultants who need to travel abroad to provide their services. What exactly does it mean; could you elaborate on how it works?

**Mr. Bruce Christie:** I was referring to the GMAP. As you know, the current global market action plan not only identifies 50 priority markets for Canadian businesses, but also identifies certain sectors and certain professions that we're trying to advance opportunities for. So for air transport in our department, we have different agreements that we use to leverage, and I guess we would see them as different pillars to advance our trade and investment objectives. We have free trade agreements, science and technology agreements, investment protection agreements, and air transport agreements.

So under the GMAP we're expanding opportunities, not just in certain markets but for certain Canadian sectors and professions. We're looking at having ATAs that support that expanded business that we're looking for. An example is the Canada-Korea Free Trade Agreement, which is now in force, and we just recently brought into force an open-skies type of agreement with Korea to ensure that those opportunities from the expanded trade and investment will have the air links to support those job opportunities.

**The Chair:** I'll have to cut you off there.

Ms. Liu.

**Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP):** Thanks for your testimony.

I'd like to follow up on a question that was asked earlier. You named a few countries with which we don't have ATAs—Brunei, Kazakhstan, I think, and a few others—whose markets were too small to be of significant interest to Canada. On the website, Foreign Affairs says that Canada tries to conclude open-sky ATAs, but only when it's in the general interest of Canada. So in what other situations would an ATA not be in the general interest of Canada besides the fact that the market would be too small?

• (1620)

**Mr. Bruce Christie:** I guess one example would be if we didn't feel there was sufficient interest on behalf of Canadian passengers to travel to that market. Another example would be if we felt that a foreign carrier was asking for an open-skies type of agreement with Canada with unlimited rights to fly into this market, but we didn't feel that the bilateral passenger traffic between that country and Canada warranted that type of agreement and it could lead to undue competition for Canadian carriers and some of the routes they have established, not just in Canada but in other countries as well.

**Ms. Laurin Liu:** We also know that the 2009 budget authorized foreign entities to acquire up to 49% of Canadian air transit companies. Do you have any information on what percentage of Canadian air transit companies have been acquired so far?

**Mr. Bruce Christie:** It's 25%.

**Ms. Laurin Liu:** That's 25% since 2009?

**Mr. Marc Rioux:** You're referring to the foreign ownership limit for Canadian carriers?

**Ms. Laurin Liu:** Yes, the foreign ownership limit. But what percentage of Canadian companies has been acquired since 2009? Have you been measuring that?

**Mr. Marc Rioux:** None of the major carriers has been purchased by foreign carriers or foreign companies or foreign investors. However, there are hundreds and hundreds of smaller operators, and I wouldn't know whether some have received additional investments from foreign entities. Certainly for the major carriers, there's been no takeover or anything like that.

**Ms. Laurin Liu:** I guess you're saying the effect has been too small to affect the decision of Canadian companies, or there has been very little effect.

**Mr. Marc Rioux:** At this point, the limit is still 25% because even though the act was amended, regulations have to be put in place, and those regulations have not yet been put in place. So we're still at a 25% ownership limit, however, many of our large carriers have adopted what is known as a variable voting scheme, which allows foreign investors to invest almost without limit into a Canadian carrier. But at the time of voting, those shares are brought to the limit of 25% of voting interests. This has helped some of our major carriers to access more capital, and has helped them to grow. Air Canada has adopted it. WestJet and many of the big carriers have variable voting schemes.

**Ms. Laurin Liu:** That's really interesting. I wasn't aware of that.

Do you know if there's a timeline on when the regulations will come into place to raise the cap to 49%?

**Mr. Marc Rioux:** I don't have an answer to that question.

**Ms. Laurin Liu:** I know that the blue sky policy states that air liberalization initiatives will continue to be guided by safety and security considerations. That's very important. Could you talk more precisely about the way in which ATAs take safety and security considerations into account?

**Mr. Marc Rioux:** Sure. Those considerations are paramount. If we take safety, for instance, every foreign carrier has to be certified by Transport Canada. We make sure in that process that they meet our safety requirements in order to be allowed to fly in Canadian airspace. If a foreign carrier wants to come to Canada for the first time, it will have to go through a process that Transport Canada is responsible for, which may include base inspections and various things like that, before it can get its air operator certificate. That's on the safety side.

On the security side, Transport Canada also ensures that the foreign carrier meets our security requirements. There is also a process in place to assess that, which may include base inspections. Transport Canada officials, security inspectors, would go into the other country to inspect the base to make sure they meet our requirements.

• (1625)

**The Chair:** Thank you.

I'll go to Ms. Grewal.

**Mrs. Nina Grewal (Fleetwood—Port Kells, CPC):** Thank you, Chair.

Thank you very much for coming to speak to us today, Mr. Christie and Mr. Rioux. Your testimony has helped our committee deepen our understanding of the effects of the global markets action plan in promoting economic development internally and abroad.

The GMAP also allows Canada to engage in economic diplomacy where Canadian companies and families can benefit from access to new emerging markets. While these markets continue to develop and strengthen through the partnership air transport agreements, ATAs, the blue sky policy helps to support this plan. It allows Canadian airlines and airports to grow and compete with the international community.

Our government has imposed sanctions on Russia and has removed Russia as a priority market in the GMAP. Has this affected

our air transport agreement with Russia in any way? Could you please elaborate on that?

**Mr. Marc Rioux:** We do have an ATA with Russia; however, no Canadian carrier is flying their own services direct to Russia at this point. Until recently there were only two Russian carriers flying on a scheduled basis to Canada. One of them pulled out of the market last fall, and the other flies only once a week. There are not a lot of flights between both territories under the ATA.

That's the situation right now with that country.

**Mrs. Nina Grewal:** Mr. Christie, do you have anything to add?

**Mr. Bruce Christie:** No, I have nothing to add to that.

**Mrs. Nina Grewal:** All right.

How does Canada establish air transport agreements with priority markets? Is Canada initiating these agreements and dictating the terms of the agreements?

**Mr. Bruce Christie:** We wouldn't be dictating the terms of an agreement. Basically, if it's our interest to consider expanding an air agreement with another country, we'll approach that country. By that time, we've already heard from our stakeholders, through our consultative process, that they're interested in expanding in that particular market. We'll then approach the other government, either directly through our contacts or through our embassy or mission abroad, to express Canada's interest and willingness to start a dialogue to discuss how we can expand our agreement to the mutual benefit of both parties. Sometimes that process works in reverse, of course.

**Mrs. Nina Grewal:** I see.

How do Canadian airlines and airports interact with their counterparts in nations that have signed bilateral airport agreements? Do Canada's aviation industries and airlines provide any assistance or any guidance to help their counterparts develop?

**Mr. Bruce Christie:** As I mentioned to you, the way the process works is that we receive advice from our airlines, for example, or airports in terms of their interests and to deal with any other expanded air agreement, then the legal framework is put in place, which we implement and bring into law as a treaty.

I should mention that during negotiations with another government, the airlines, and now airports, participate as observers. Their role is to provide me, as the chief negotiator, with technical support and advice in terms of their interests and to deal with any other technical questions that come up during the negotiation. After the agreement comes into force, our domestic airline initiates contact with their partner airline. They would have to apply for their licences and they would have to work out whatever alliances or joint ventures they want to do to work together as partners, either through co-chairing or through more sophisticated partnering. At that point it becomes two commercial entities negotiating with each other.

**Mrs. Nina Grewal:** It has been almost eight years now since the blue sky policy was implemented. Has this policy met expectations? Is there anything that needs to be revised?

• (1630)

**Mr. Marc Rioux:** The internal analysis done by Transport Canada showed that the policy remains relevant and its implementation has been efficient and effective. For instance, it is calculated that negotiating with another country costs the government around \$35,000 on average. That includes the preparation time, travel costs, and so on. When you compare that amount of money to the economic benefits that can flow to the economy from additional services, the analysis, I think, demonstrates that it is good value for money.

**Mrs. Nina Grewal:** Mr. Chair, do I have some more time left?

**The Chair:** You've used up your time.

I'll go to Mr. Allen.

**Mr. Mike Allen (Tobique—Mactaquac, CPC):** Thank you very much, Mr. Chair.

Thank you, witnesses, for being here.

Mr. Christie, I want to pick up on one of the comments you made earlier when you were talking about South Korea and the trade deal. One of the news releases from the Halifax international airport talked about several carriers exporting lobster. Korean Air Cargo was one of them, with each flight carrying between 40 and 50 tonnes of lobster, the largest shipment of which, on December 21, was going to be 100 tonnes. I just wanted to understand. You said the ATA underpins the trade deal. Do they ever collide? Does an ATA ever collide with the trade deal, and how do you deal with that, or are they strictly complementary?

**Mr. Bruce Christie:** I would say they're strictly complementary. I can't think of an example where an ATA collided, in terms of Canada's objectives, with a free trade agreement. Again, it's a supporting mechanism. When we look at the amount of cargo representing Canada's exports, for example, I think 30% of Canada's merchandise trade to non-NAFTA markets is through aircraft, so it plays an incredibly important role in terms of expanding our trade. But, no, they work in tandem. They're complementary.

**Mr. Mike Allen:** Okay. You took me to my second question when you talked about 30% of the merchandise exports to non-NAFTA markets, that being up from 27% in 2007 to 30% in 2012. Do we have any more recent numbers from 2012 to 2014? Is 27% to 30% a big number or should I expect to see that grow exponentially in the next number of years?

**Mr. Bruce Christie:** The answer to your first question is that I don't know if we have more updated information, but we'll certainly look into that for you.

In terms of the trajectory of that growth, it's difficult to predict how that would grow. As you know, with some of these trade agreements, the tariffs are actually phased out over a given period of time. But ultimately, I think with some of the larger agreements the government has recently negotiated with the European Union and Korea, for example, and looking ahead down the road at the Trans-Pacific Partnership, I think you would see that statistic grow at a higher pace once those agreements come into force.

**Mr. Mike Allen:** Okay, thank you.

I want to go back to the point where we talked about air rights and air services. I'd just like a clarification.

What have we seen? If the aircraft companies are not taking advantage of all the rights that might be available to them at this point in time, do we see that historically their use of these has grown, or do we see an ebb and flow of these agreements and sometimes they take advantage of them and then maybe the next year they don't? Do we see a trend? What are our historical numbers that indicate that these open rights eventually get gobbled up?

**Mr. Bruce Christie:** Since we negotiate the expanded agreements based on the advice and requests we receive from our carriers, we normally would see the demand there and see them grow. Having said that, there are certainly examples where one of our domestic carriers has asked for additional rights, which we've negotiated on their behalf, and then they've stopped taking advantage of those rights because the route becomes unprofitable to them or there are other changes in the market.

I don't know of any further analysis we've done to measure the ebb and flow. Perhaps Marc would have a comment.

• (1635)

**Mr. Marc Rioux:** The trend is clearly upward over time. Yes, as Mr. Christie said, sometimes a carrier will cancel a service for commercial reasons. But overall we're seeing a clear upward trend in terms of traffic being carried by carriers under the suite of agreements that we have.

**Mr. Mike Allen:** Good, thank you.

You note a couple of statistics in your remarks. You talked about how the open agreements we have concluded cover approximately 72% of Canada's international passenger traffic, and that Canada has also concluded or offered an open agreement to countries representing about 91% of Canada's overall international two-way merchandise trade.

It seems to me that on the merchandise side there is 9% open. Is any of that worthy of going after, or do we ever envision a 100% success? It's almost a yes or a no.

**Mr. Bruce Christie:** I guess the answer to the question is that the reason we're at 91% is that we proposed open skies agreements for those reasons you outlined, and the other countries have said they're not interested. They preferred a more piecemeal approach, or a gradual approach.

**The Chair:** Mr. Davies.

**Mr. Don Davies:** Thank you.

Mr. Christie, I just want to clarify that cabotage applies to the transport of cargo as well as people. Is that correct?

**Mr. Bruce Christie:** Yes, it does.

**Mr. Don Davies:** Okay, thanks.

I think a question has been asked of you a couple of times about why certain countries are not on our list to negotiate open skies agreements with. You mentioned Brunei and Kazakhstan. You've mentioned a couple of commercial considerations, such as the size of the market and whether consumers have a desire to go there.

I wonder if there are any political considerations that go into assessing the decision to negotiate with a particular country, or not.

**Mr. Bruce Christie:** Yes, there are, but I really wouldn't be able to get into the details of those at this time.

**Mr. Don Davies:** Okay. Is there a reason you couldn't?

**Mr. Bruce Christie:** They would touch on national security.

**Mr. Don Davies:** Okay, so there could be, generically, national security considerations.

The reason I ask is that Brunei, which I note is a country we're negotiating with as part of the Trans-Pacific Partnership, last spring adopted a form of sharia law that punishes homosexuality and adultery by death in that country, and criminalizes other things. You can have appendages removed for various acts.

I just wonder if considerations like that would be part of a decision as to whether or not we would want to expand the transport of people between the two countries.

**Mr. Bruce Christie:** I assume it would be. If we were to seek a negotiating mandate from our two ministers, the Minister of Transport and the Minister of International Trade, they would have to look at all factors in terms of the bilateral relationship between Canada and that country, and some of these issues at play. Our ministers would certainly take those issues into consideration in deciding whether or not to grant the negotiating mandate that we're seeking.

**Mr. Don Davies:** We have some great research from our analysts. They've provided us this information that I'm going to put to you. It says:

According to a December 2008 report prepared for the Government of British Columbia entitled Analysis of Canada's Bilateral Air Services Agreements: Policy Focus on Asia-Pacific Region, one striking difference between ATAs negotiated by Canada and the United States relate to the signature of confidential addenda. Whereas U.S. law proscribes—

I guess it prohibits

—the signature of confidential addenda to such treaties, many ATAs negotiated by Canada include confidential addenda on commercial matters, such as air fares, seat capacity and flight frequencies.

Is this analysis accurate and does it represent the current situation? If so, has Canada considered adopting an approach similar to the U.S. regarding transparency in ATAs?

**Mr. Marc Rioux:** As I mentioned earlier, we now have 112 partners around the world. There are very few instances where we have confidential annexes to the agreements. We don't promote such an approach; however, quite often when we negotiate with another country, the other country will request that some information be placed in a confidential annex. In those instances, if we think this can get a deal that is good for Canada, we will accept the request. Quite often, and in fact more often than not, these annexes contain language or clauses that have no economic relevance. They have more to do with customs or security matters.

● (1640)

**Mr. Don Davies:** I see.

In the same report, there's this quote:

Transport Canada officials in charge of bilateral [ATAs] are not ready to accept Open Skies if there is a "risk" for the Canadian "flag" carrier to lose traffic to foreign carriers, even where Open Skies are shown to benefit the Canadian economy as a whole.

Is that analysis accurate and does it represent the current situation?

**Mr. Marc Rioux:** As I said before, the interest of Canadian carriers is a consideration that we have to take into account. After all, they are the entities that offer the services. But it's not the only factor we take into account. We also take into account the interest of Canadian airports. In many instances we have negotiated agreements where carriers did not agree or did not want us to negotiate. We have also tried to negotiate agreements that would, over time, benefit all regions of the country.

**Mr. Don Davies:** Thank you.

**The Chair:** Mr. Gill, you have five minutes.

**Mr. Parm Gill:** Thank you, Chair.

I have a question. You mentioned the ATA that we have between Canada and the U.S. The U.S. and the Canadian carriers basically are able to fly in and out in I guess an unlimited fashion. How do most of these ATAs with most countries...? Is it in a similar fashion? Is the number unlimited or does it vary? What's the criteria that's used?

**Mr. Bruce Christie:** In an open-skies type of agreement, those types of rights are unlimited, but in the list of expanded agreements, they all take on a nature of their own. In some cases, we start by negotiating three frequencies per week to one destination in each market, and then we would gradually move that up to five, or to daily or twice-daily service. For an open-skies type of agreement, under the blue sky policy none of them have restrictions in terms of frequency or the number of destinations.

**Mr. Parm Gill:** Once you've signed an ATA with a particular country.... Obviously, I'm assuming that there's more than one airline interested in that particular one. How do you determine which airline actually takes that? What's the criteria used to determine that?

**Mr. Bruce Christie:** We would designate the airlines in the agreement, and it would be based, on our side, on the interest of the Canadian carriers that are interested in accessing that market.

**Mr. Parm Gill:** But if you have more than one interested, how do you determine who gets it?

**Mr. Bruce Christie:** We would negotiate an agreement to allow all of them access to the market, if we could.

**Mr. Parm Gill:** The other question I have is this. Can you share with us some of the major challenges—or hurdles, I guess—you face on a regular basis when you are negotiating these ATAs with other countries? What are some of the challenges that you are almost certain to face with every single one of these?

**Mr. Bruce Christie:** Perhaps I should defer the question to Marc. I've been in this job for four months and I've negotiated five agreements—

**Voices:** Oh, oh!

**Mr. Bruce Christie:** —and I didn't have too many challenges at the time.

It's like any negotiation; there's a give and a take. Normally you're negotiating on behalf of your stakeholders, your carriers and your airports, and the other party is trying to maximize the benefits to its side. Obviously, as in any negotiation, coming to a compromise is the tricky part.

I don't know if there are any particular issues you can share, Marc, based on your longer experience.

**Mr. Marc Rioux:** It's amazing. Even when you negotiate with a small country, you think it is going to be pretty smooth, and there's always something that comes up. Every country is very proud and usually wants to put its stamp on the agreement. The number of issues we have to deal with can vary quite a bit. It very much depends on the particular situation.

There are countries, as I said before, where the doing business environment is challenging for carriers. That is something that can cause us some headaches. Sometimes even with our largest partners we have issues to resolve. It depends very much on the case at hand.

• (1645)

**Mr. Parm Gill:** Thank you, Mr. Chair.

My colleague Mr. Cannan has one question. It's a clarification. It will be a quick one.

**The Chair:** You have about 30 seconds.

**Hon. Ron Cannan:** Thanks.

I was going to say, Mr. Christie, that obviously you negotiate good air transport agreements.

I have a quick question on a clarification, Mr. Rioux. You mentioned that we have partner agreements with 112 countries. We have 44 expanded agreements. Is that part of the 112? Are the 112 not open skies agreements per se?

**Mr. Marc Rioux:** We have 112 partners. An air agreement is a treaty, so we're talking about a treaty in almost all of the 112 cases. Sometimes we have more of an administrative arrangement. It could be an MOU, for instance.

The number 112 refers to the number of partnerships we have around the world with those countries. The number 44 refers to the number of countries that are covered by an open agreement, so yes, those 44 countries are included in the 112. For the rest—

**A voice:** [*Inaudible—Editor*]

**Mr. Marc Rioux:** Okay. In almost all cases we have agreements where there is unused capacity. As we explained before, it may not be an open skies agreement, but the rights are there. They're not being used.

**The Chair:** Thank you, Mr. Cannan.

Ms. Freeland, you have one or two quick questions, I understand.

**Ms. Chrystia Freeland:** Yes.

**The Chair:** Go ahead.

**Ms. Chrystia Freeland:** Our chair, I am now learning, keeps us strictly to our time, so I'll try to get two quick questions in.

The first is a kind of macro one about some changes in the macro environment—the price of oil. Do you see the falling price of oil changing air travel in ways that are going to affect your negotiations? Is there going to be a lot more travel and are we going to be looking at a lot more desire for flying?

**Mr. Bruce Christie:** I think the falling price of oil should lead to less expensive airline tickets, and that should lead to an increased demand in air travel. If there's an increased demand in air travel to particular markets, that could influence us to want to expand agreements with those markets.

**Ms. Chrystia Freeland:** Have you done any projections on that? Are you making any plans based on that possibility right now?

**Mr. Bruce Christie:** Not at this time, no.

**Ms. Chrystia Freeland:** Last question, Mr. Christie. You spoke a minute ago about your stakeholders being the carriers and the airports and trying to serve them in these negotiations. How do you fit in the interests of consumers and travellers and also of people who work for airlines? What's the balance you're trying to strike? I realize that it must be really hard. Multiplayer chess comes to mind. Can you give us a sense of your thinking when you're working with all of these different interest groups behind you?

**Mr. Bruce Christie:** Well, what we're thinking is that basically we're consulting with the main users of air travel, so we cover the airlines and their priority needs, and the airports and their needs, but through the tourism commissions we can get a better sense of what individuals and consumers want to do, of where they want to travel to.

When we consult with the tourism commissions federally and in all the provinces and territories, they've done their own homework in terms of where they are seeing the demand in terms of expanded tourism markets, so that's how we get connected or linked up to individuals.

**Ms. Chrystia Freeland:** How about labour?

**Mr. Marc Rioux:** For very large negotiations like the Canada-U.S. open skies negotiations or the negotiations for the comprehensive agreement with the European Union, for instance, we had in the delegation representatives of the labour movement.

**The Chair:** Thank you.

I'm going to take the chair's prerogative. I have one question. It's about how you negotiate these agreements and landing fees and service fees that are on the ground when you go into different countries. For example, for Air Canada, would they pay the exact same landing fees in London that any Britain-based carrier would pay after these types of agreements are in place? Is that fair to say?

**Mr. Marc Rioux:** Yes. When we negotiate agreements, we have clauses that ensure all carriers are not discriminated against. If an airport somewhere starts to give a rebate to a carrier, we want our carriers to get the same rebate. But typically we ensure there is no discrimination for Canadian carriers.

**The Chair:** Thank you very much.

Thank you, gentlemen. That rounds up this part of our meeting. I'm going to suspend for five minutes while we go in camera for committee business.

If you can quickly grab a coffee, colleagues, we'll come back and get on to committee business.

Again, thank you, gentlemen. I'll dismiss you.

*[Proceedings continue in camera]*

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