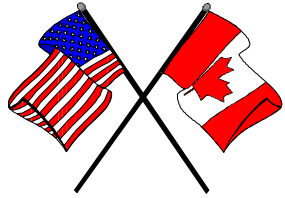

The Impact of the New US-Canada Aviation Agreement At Its Second Anniversary



U.S. Department of Transportation
Office of Aviation and International Affairs

April 1997



U.S.-CANADA AVIATION AGREEMENT

Second Anniversary

HIGHLIGHTS

The U.S.- Canada market is the world's largest bilateral passenger market. Since the "open trans-border" agreement was signed in February 1995, it has produced MORE SERVICE and LOWER FARES:

- ▶ Passenger traffic in 1996 totaled 15.5 million, up 28 percent over 12.1 million passengers in 1994, the year preceding the Agreement. Since 1994, 17 of the top 50 transborder markets gained nonstop scheduled service. The 17 new markets, and the dates service began, include:

Montreal	Atlanta (May 1995) Ft. Lauderdale (June 1995) Washington D.C. (June 1995)	Ottawa	Chicago (May 1995)
		Calgary	Minneapolis (May 1995) Las Vegas (Nov. 1995)
Toronto	Atlanta (Mar. 1995) St. Louis (Apr. 1995) Ft. Lauderdale (June 1995) Orlando (June 1995) Washington D.C. (June 1995) Las Vegas (Nov. 1995)	Vancouver	Dallas (May 1995) Minneapolis (May 1995) Phoenix (May 1995) Reno (May 1995) Las Vegas (Nov. 1995)

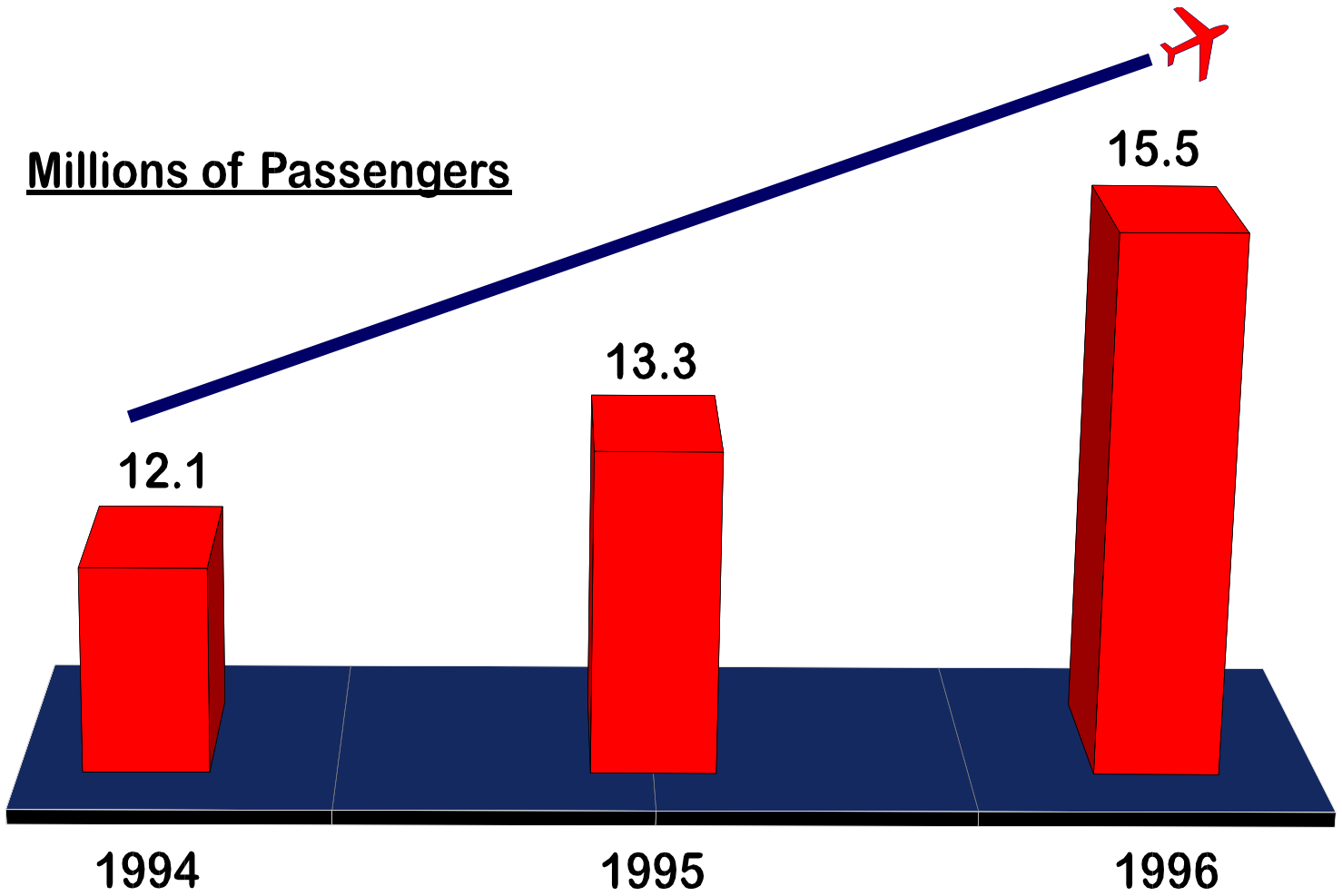
- ▶ Among the top 50 nonstop markets, passenger fares (adjusted for distance traveled) have declined by an average of 22 percent. For the 17 new nonstop markets, the average decline is a robust 32 percent.
- ▶ In 1994 there were 54 nonstop markets with traffic of more than 50,000 passengers. In 1996 the number was 73 -- an increase of 35 percent. Over the same period the number of markets with 100,000 to 250,000 passengers rose from 19 to 31 -- a 63-percent increase. In all, between 1994 and 1996, 13 transborder markets witnessed traffic increases of more than 100,000 passengers. Those markets are:

		<u>Increase</u>			<u>Increase</u>
Toronto	Atlanta	294,784	Vancouver	Los Angeles	139,660
Toronto	New York	226,713	Ottawa	Chicago	120,656
Toronto	Washington D.C.	215,491	Vancouver	Phoenix	114,279
Vancouver	Dallas	192,062	Vancouver	Reno	115,847
Vancouver	San Francisco	178,057	Calgary	Minneapolis	109,872
Vancouver	Minneapolis	165,130	Montreal	Washington D.C.	100,976
Montreal	Atlanta	155,595			

Since The New Agreement, U.S.-Canada Passenger Traffic Has Grown 28 Percent

As of the second anniversary of the U.S.-Canada Aviation Agreement, traffic growth exceeded 3.4 million passengers, a remarkable 28-percent increase for the 2-year span. For calendar year 1994, the year before the new Agreement, bilateral passenger traffic totaled 12.1 million; after the Agreement was signed in February 1995, traffic grew to 13.3 million for 1995 and to 15.5 million for 1996.

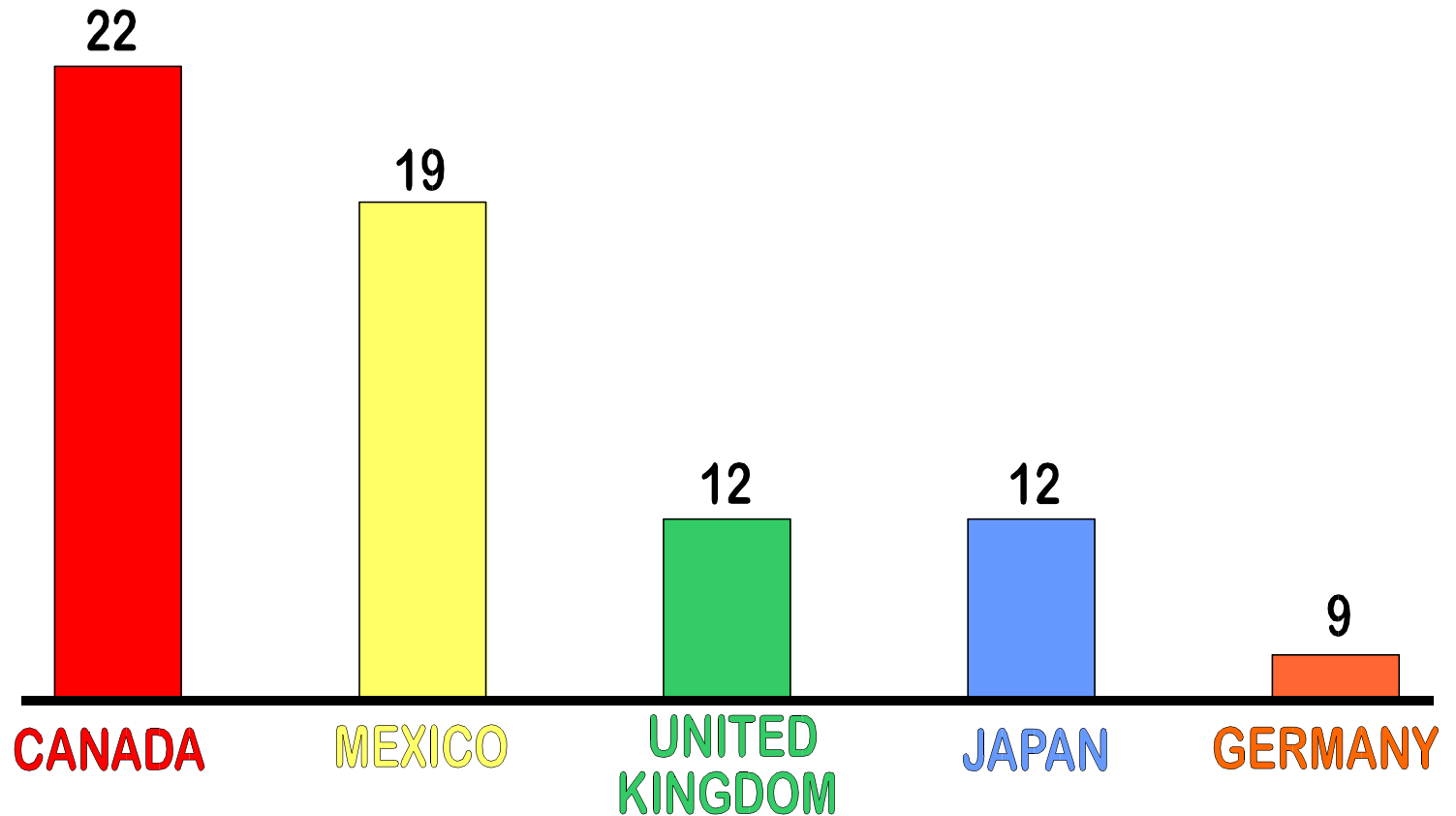
Within the total 28-percent traffic increase, Canadian-flag traffic rose 35 percent and U.S.-flag traffic grew 23 percent. On an annual basis, the 3.4-million passenger increase alone is larger than all but six U.S.-country markets (Canada, Japan, United Kingdom, Mexico, Germany and France).



U.S.-Canada Has More Competitive Scheduled Nonstop Markets Than Other Leading U.S. Country Markets

Number of Competitive Nonstop Markets (December 1996)

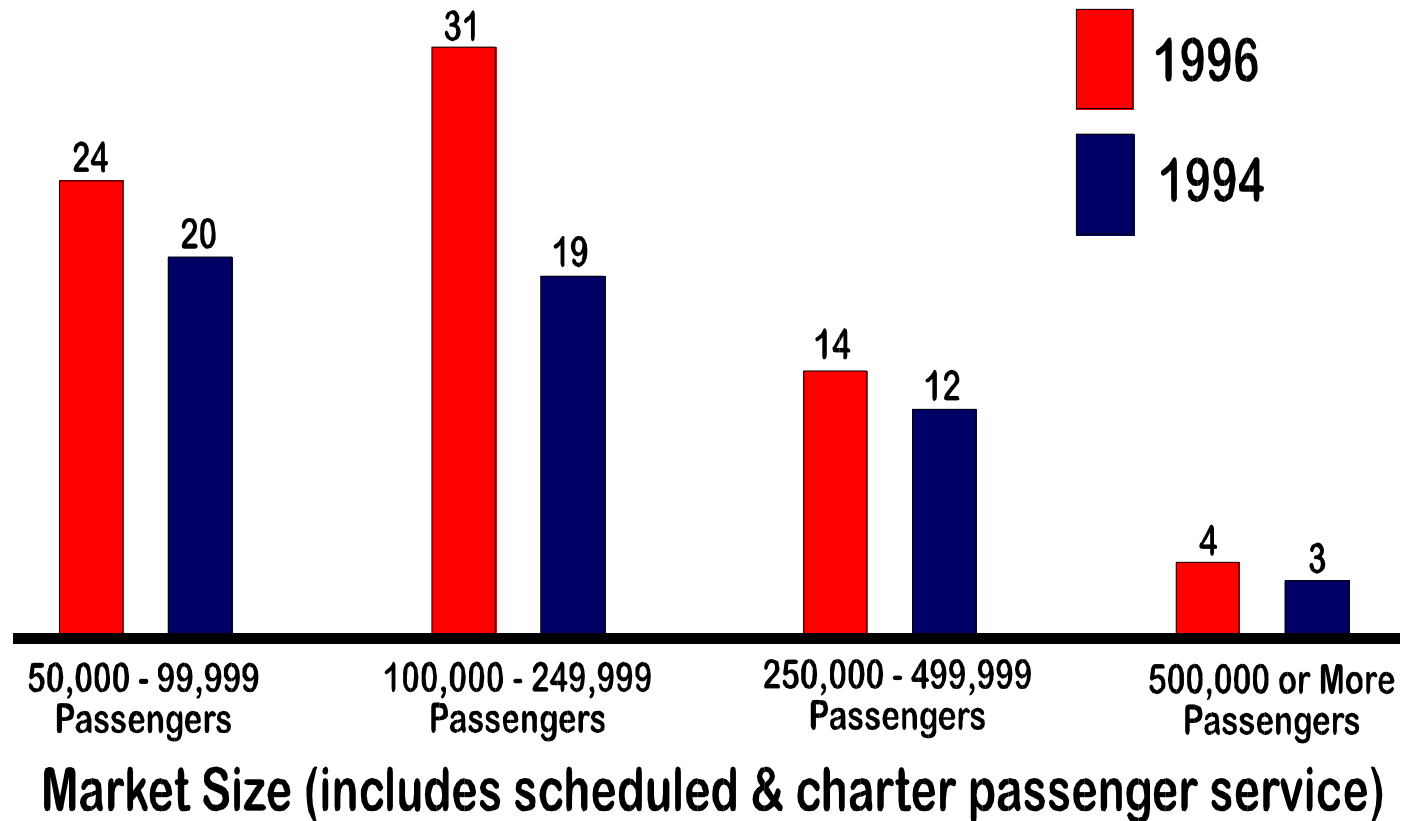
The Agreement has also spurred competition. According to the December 1996 Official Airline Guide, the U.S.-Canada market has 22 scheduled nonstop markets with bilateral competition (at least one flag carrier of each nation). By comparison, U.S.-Mexico has 19 markets with competitive nonstop service; U.S.-U.K. and U.S.-Japan both have 12; and U.S.-Germany has 9.



Both The Number And Relative Size Of U.S.-Canada Nonstop Markets Have Increased

Number of Nonstop Markets, by Size:

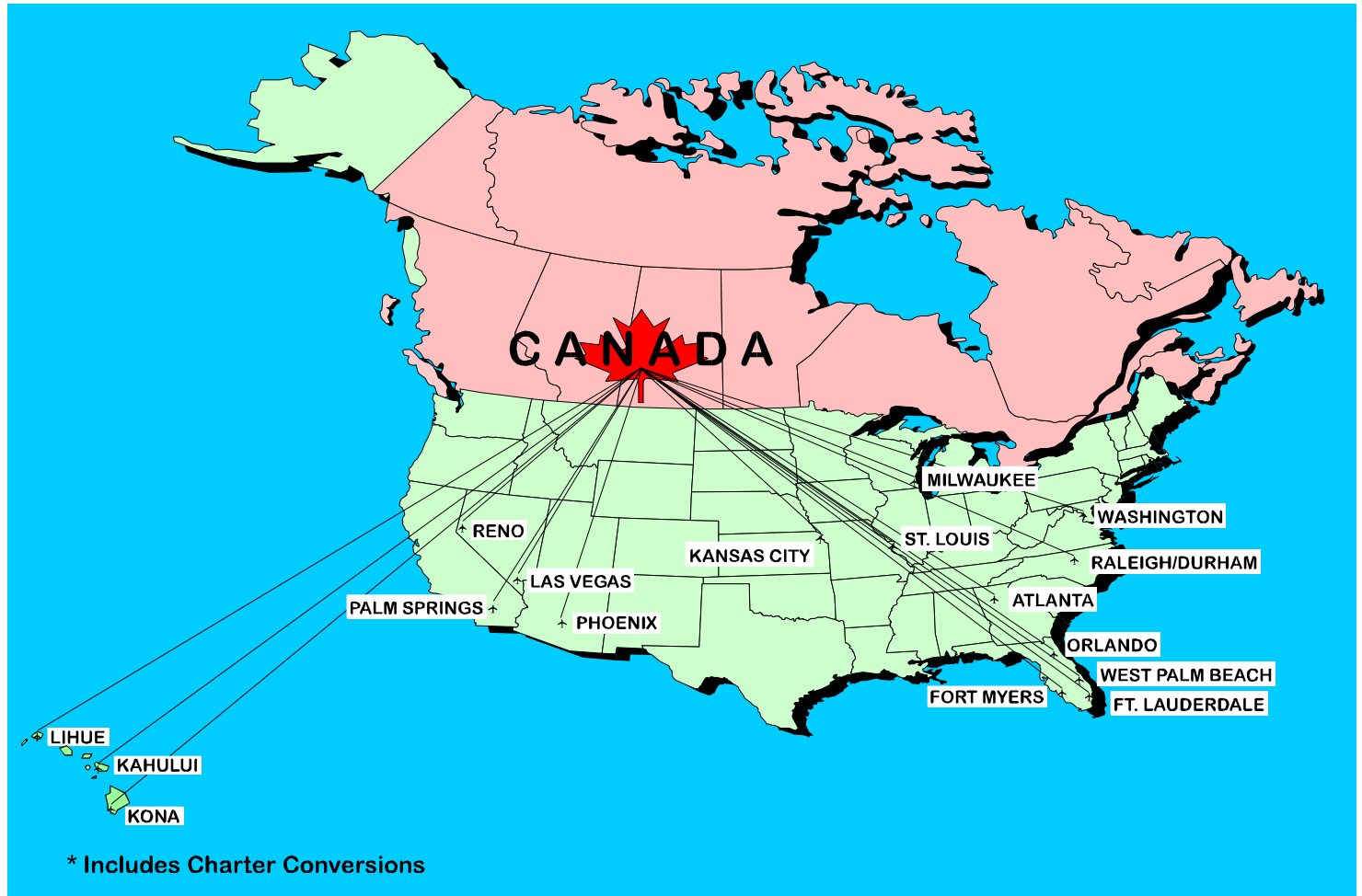
In 1994 there were 54 nonstop markets with over 50,000 passengers (scheduled and charter service). For 1996 the comparable number jumped to 73 -- an increase of 19 markets, or 35 percent. During the same period the number of markets with 100,000 to 249,999 passengers rose from 19 to 31 -- an increase of 12 markets, or 63 percent.



Since 1994, 17 Additional U.S. Cities Gained Scheduled Service* ...

As of December 1996, non-stop passenger service to Canada (scheduled or charter) was provided to 17 U.S. cities which had no scheduled service 2 years earlier. The cities gaining service are:

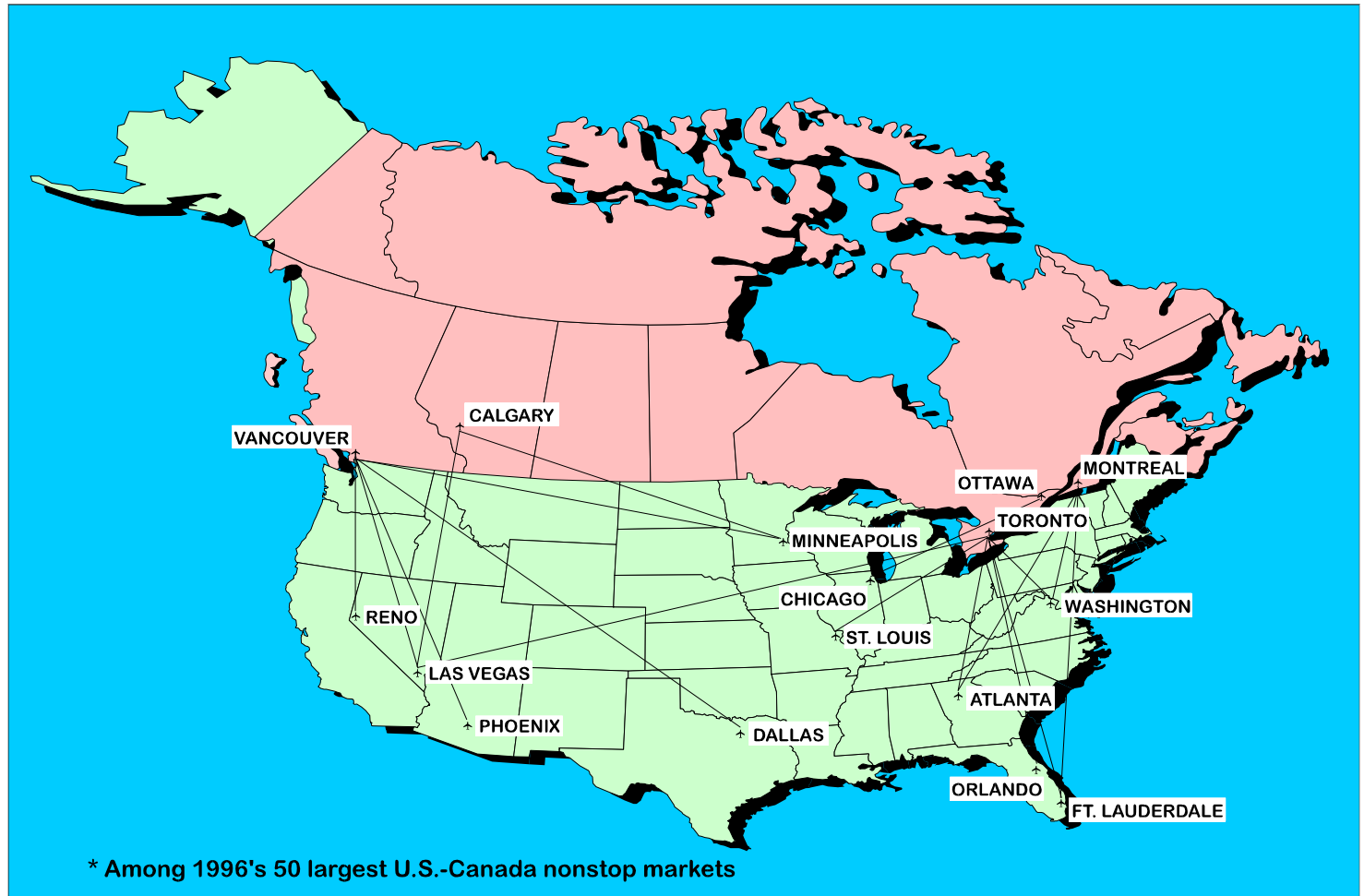
- Lihue
- Kahului
- Kona
- Palm Springs
- Reno
- Las Vegas
- Phoenix
- Kansas City
- St. Louis
- Milwaukee
- Washington D.C.
- Raleigh/Durham
- Atlanta
- Orlando
- West Palm Beach
- Fort Myers
- Ft. Lauderdale



... So Did 17 Top Nonstop Markets* That Had No Scheduled Service in 1994

Likewise, 17 of the largest 50 nonstop markets with scheduled service in 1996 had no scheduled service in 1994. The 17 new markets are:

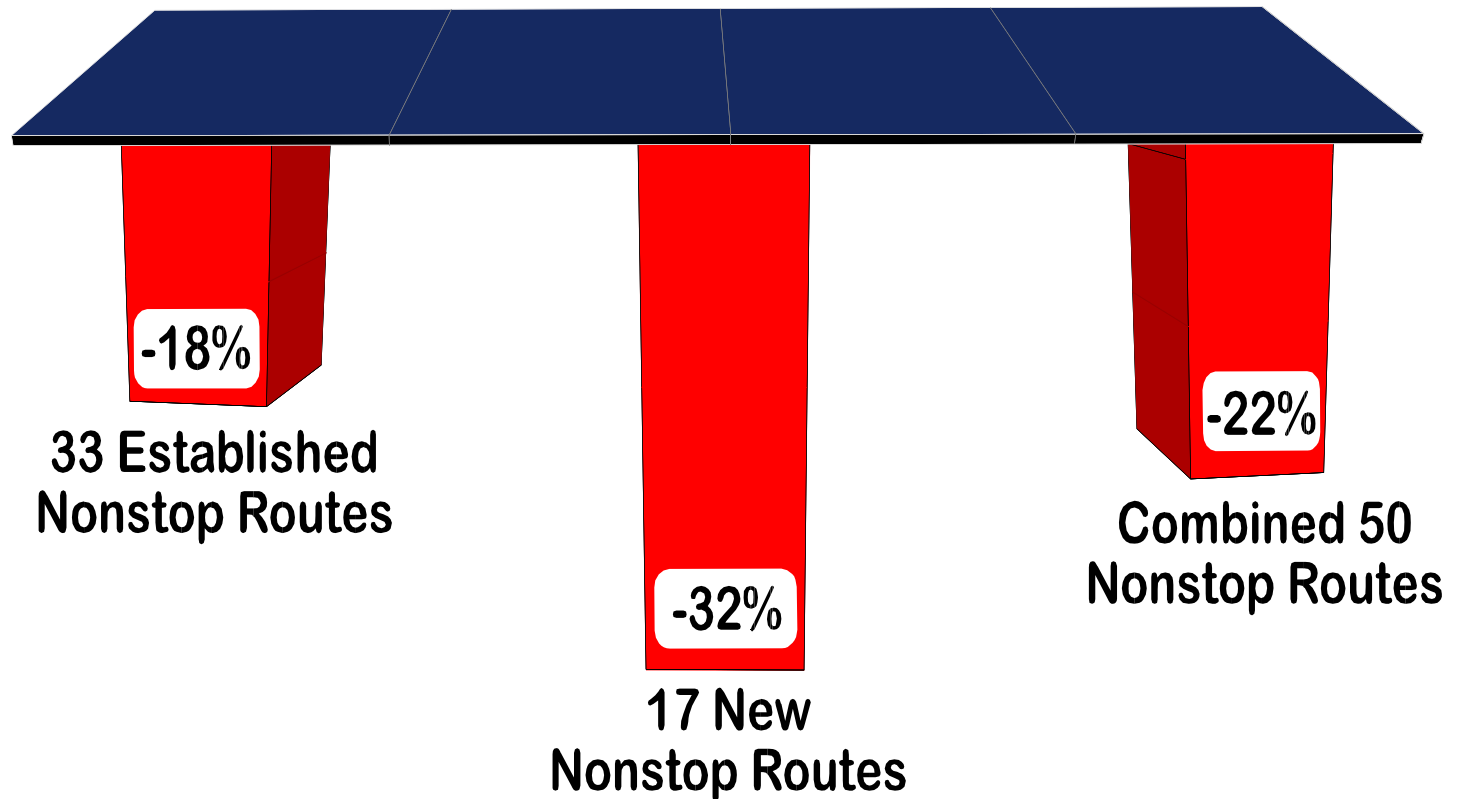
- Vancouver
- Reno
- Las Vegas
- Phoenix
- Dallas
- Minneapolis
- Calgary
- Las Vegas
- Minneapolis
- Toronto
- Las Vegas
- St. Louis
- Atlanta
- Orlando
- Ft. Lauderdale
- Washington D.C.
- Ottawa
- Chicago
- Montreal
- Atlanta
- Ft. Lauderdale
- Washington D.C.



Among The 50 Leading U.S.-Canada Nonstop Markets, Average Fares* Have Dropped On Both Established And New Routes With Scheduled Service

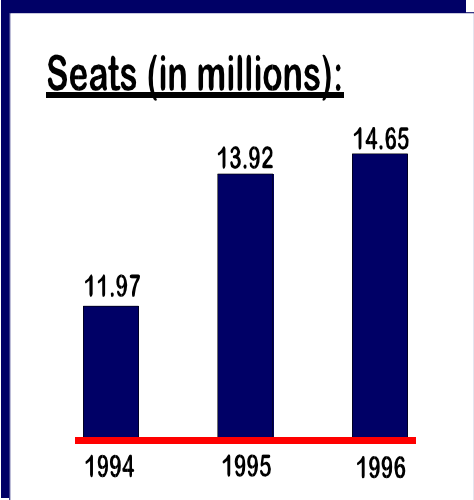
Percent Change in Fares - 3rd Quarter 1996 vs. 3rd Quarter 1994

Along with more service, the Agreement has produced lower fares. Based primarily on U.S. carrier data, passenger fares in the 50 largest U.S.-Canada markets with scheduled nonstop service declined by an average of 22 percent between the 3rd quarter of 1994 and the 3rd quarter of 1996. For 33 major established markets, the average decline was a healthy 18 percent. And for the 17 new nonstop markets, the average drop was an impressive 32 percent.



*Adjusted for average length of passenger trips

**Despite A 22% Increase In Seats From 1994 To 1996,
U.S. Carriers' Load Factors Remained High
In The U.S.-Canada Market**



Even though U.S. carriers offered nearly 2.7 million more seats in 1996 than in 1994, their load factors -- the percentage of seats occupied -- remained high, exceeding 58 percent in 1996.

