



Canada: Air Transport Agreement with European Union

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Background¹

Canada recently signed a comprehensive air transport agreement with the European Union (EU) on December 9, 2008. As a result, cargo and passenger air traffic between Canada and the EU is expected to increase significantly, creating numerous opportunities in Canada for U.S. suppliers of aviation and airport products and services such as airport and ground support equipment, airport building materials, airport security equipment, aircraft maintenance, repair and overhaul, airport shopping and airport restaurant equipment, airport hotels products, and passenger and cargo aviation services that can now easily link the U.S., Canada and EU markets.

The Canada-EU Comprehensive Air Transport Agreement is significant because it liberalizes transatlantic air passenger and cargo traffic and greatly raises foreign ownership caps on airlines. This comprehensive Canada-EU air transport agreement will benefit travelers and shippers, giving them more services to select from in terms of destinations, flights and routes, and more direct services and potentially lower fares.

Canada is a heavily trade-oriented country with \$381 billion exports in 2007 and another \$345 billion in imports. Aviation facilitates this trade and provides businesses with access to key international markets. The EU is Canada's second largest bilateral aviation, trade and investment market after the United States. More than half of all tourists in Canada are from Europe, and traffic between Canada and Europe doubled between 2000 and 2005.

According to an EU study, Canada-EU passenger traffic will double in three years and increase from 8 million passengers in 2007 to 14 million by 2010. Other benefits expected from this agreement are a projected \$110 million in revenues from lower-priced fare sales, and 37,000 new jobs within the first year.

Canada – European Union Comprehensive Air Transportation Agreement

The Canada-EU Comprehensive Air Transport Agreement includes:

- Unrestricted direct air services between Canada and EU member states on an airline's own aircraft or that of another carrier without any limitations on the number of flights operated or the ticket prices.
- Cargo flexibility: airlines can operate to or from third countries on flights involving Canada or the EU.
- Increase in foreign ownership cap of domestic airlines to 49%.

The Canada-EU Comprehensive Air Transport Agreement is a multiphase pact; the first phase will be implemented in spring 2009. More details will be forthcoming when the Canadian government publicly discloses the agreement. Canada is the second country after the U.S. to have an air transport agreement with the EU.

Key facts about Canada's airport and aviation services industry:

- Canadian airports invested more than \$8 billion in infrastructure in the last 10 years.
- Canada's airports generate more than \$38.1 billion in economic activities in their communities.
- Canadian airports employ more than 200,000, a payroll valued at about \$6.8 billion annually.
- Canada's tourism industry generates \$59.8 billion; more than 7 million foreigners travel by air.
- In 2007, an estimated 104.2 million passengers enplaned and deplaned in Canada
- In 2007, Canada's international air cargo was worth \$81.7 billion, a 6% increase from 2006
- There are 1,708 airports in Canada; the largest one is located in Toronto.

¹ All amounts are in US dollars. Exchange rate used for 2007 figures is 0.847 CDN per US dollar.

Opportunities for U.S. Firms

As a result of increase in air passenger and cargo traffic, Canadian airports and surrounding businesses are taking measures to ensure a safe, easy transition to accommodate a greater flow of people and goods. In the last 10 years, Canadian airports invested over \$8 billion in expanding their infrastructures and modernizing their operations, and some projects are still on-going. In addition to building new terminals, runways and cargo facilities, they are also engaging their local communities in linking air travel with nearby rail, land and marine transport facilities. Therefore cities are getting involved in creating an efficient transportation system. U.S. airport building, transportation and infrastructure companies should take note of these developments and explore export opportunities.

This surge of customers is also likely to cause airport shops, restaurants and surrounding hotels to increase their demand for airport-related goods and services. U.S. companies that can supply goods and services to Canadian airports and related businesses mentioned should take note of this increase in demand and explore export opportunities.

Moreover, U.S. air cargo service providers should be aware that this agreement will liberalize Canada's air cargo industry. U.S. companies can consider re-assessing how this new agreement can positively impact their cargo routes and offer new services to their Canadian customers. For example, they can offer to pick up cargo in Canada and deliver it to Europe and vice versa by slightly re-routing pre-existing US-EU routes. Because Canada and the U.S. have an open skies agreement of their own, many more business opportunities may be possible and should be explored fully so as to take advantage of this new Canada-EU-USA air transport region that is being created, even if it is being done in a bilateral manner at the moment.

For More Information

For more information about the Canada-EU Comprehensive Air Traffic Agreement, Canada's aviation and aerospace markets, and for assistance in increasing your exports to Canada, please contact Ms. Gina Bento at the U.S. Commercial Service in Montreal Canada via e-mail at: Gina.Bento@mail.doc.gov; phone: 1-514-398-9695 ext. 2260; fax: 1-514-398-0711; or visit our website: www.buyusa.gov/Canada.

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Comments and Suggestions: We welcome your comments and suggestions regarding this market research. You can e-mail us your comments/suggestions to: Customer.Care@mail.doc.gov. Please include the name of the applicable market research in your e-mail. We greatly appreciate your feedback.

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