




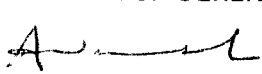
To: Richmond City Council
From: Lee A. Malleau, EcD.
 Manager, Economic Development
Re: **Open Skies**

Date: November 14 2006
File:

Staff Recommendation

That Council support the expansion of international air transportation agreements known as Open Skies, and send a letter to the Canadian Government expressing their strong support as soon as possible.


 Lee A. Malleau, EcD.
 Manager, Economic Development
 (4216)

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CONCURRENCE OF GENERAL MANAGER		
		
REVIEWED BY TAG	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
REVIEWED BY CAO <i>DC/IN/1</i>	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>

Staff Report

Origin

In a letter to Mayor and Council from Vancouver International Airport President and CEO Larry Berg, it is requested that the City of Richmond provide support for the new international air transportation policy that will lead to more Open Skies agreements.

Findings Of Fact

In October 2006 the federal government released a consultation document stating it planned to proactively pursue opportunities to negotiate more liberalized international air agreements such as the Open Skies agreement signed with the US in 2005.

The consultation document recognized that air transportation is an essential tool to connect Canadians with one another and the world, and directly contributes to a dynamic economy moving people and goods, supports tourism and economic development, produces significant social value by connecting all parts of Canada, while creating and maintaining specialized, highly paid employment. As importantly, air transportation is a key element in support of Canada's trade agenda.

Canada's approach to international air transportation has been the gradual and incremental expansion of bilateral agreements to increase the number of cities that can be served by airlines including the frequency of these services, and expand rights for services to additional countries.

In 2005 Canada was successful in developing air agreements that govern a number of its largest international markets. Expanded agreements were concluded with China in April and India in June to accommodate the growing demand for air travel and facilitate trade objectives. In November last year Canada signed a full Open Skies agreement with the US, then signed a similar agreement with the United Kingdom.

The Open Skies agreements, strongly supported by stakeholders, provide substantial flexibility for airlines to operate air services between and beyond their territories and actually go further than Canada's long-standing approach to air transport negotiations.

Canadian travellers, shippers, airlines, airports as well as the tourism and trade sectors have all benefited from expanded agreements and Open Skies. Though there have been some adjustments for domestic airlines as the marketplace opens up to additional international carriers, the benefits of expansion into foreign markets have been much greater.

Finally, air transportation industries are changing rapidly around the world. Increased globalization and trade, and the fundamental changes that have taken place in the air transportation sectors continue to challenge the traditional approach to the regulation of international air services, demanding change towards Open Skies.

Given this, many Canadian stakeholders continue to press the Government of Canada to adopt more progressive approaches to air transportation agreements. This includes the Government of British Columbia who has been actively supporting and lobbying for Open Skies, and in

Richmond important stakeholders like the Chamber of Commerce who strongly supports the Canadian Government's current efforts towards Open Skies, as indicated in their letter to the Director of International Air Policy dated November 7, 2006.

Analysis

The continued expansion of international trade and air transportation agreements will have considerable benefit to the City of Richmond and its partners at YVR.

The establishment of agreements between Canada and the US almost immediately supported the expansion of markets for YVR. Before the agreements YVR only had service to five US cities, and only one of those was west of the Rocky Mountains. Today YVR has service from 24 US points and is expanding into other destinations such as the UK with that recent agreement.

The current proposal and consultation process by the Canadian Government to further expand international air transportation agreements will have additional significant impact for YVR and Richmond. In addition to increased air passenger travel, the expansion of cargo shipping would provide a substantive boost to Richmond's largest and most important sector, creating increased levels of investment and employment.

The proposed transshipment privileges, which YVR currently does not have but would under the expanded agreements, would allow foreign air carriers to exchange cargo in Richmond that is destined for the US and other countries. This is particularly relevant to the enormous and growing potential for Asia Pacific trade opportunities.

Financial Impact

There is no financial impact.

Conclusion

In anticipation of Open Skies and expanded air transportation trade, the Canadian airline industry has been preparing and adjusting for these changes for over a decade. The recent successes with both the US and the UK have demonstrated the significant benefits of these expanded agreements which will generate increased traffic and trade, and even competition from which the consumer always wins.

Whereas Richmond stands to become the biggest winner from this proposed policy, it is recommended that the City of Richmond support the expansion of international air transportation agreements, and send a letter to the Canadian government expressing their strong support as soon as possible.



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