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Baie-Comeau, Thursday October 7th, 1999

Mr David Collenette, Canada's Transportation Minister
Place de Ville, Tower C, 29th floor
330, Sparks street
Ottawa, Ontario
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Subject: Open letter concerning the reorganization of air
transportation in Canada.

Sir,

In 1995, the Chambers of Commerce from the regions in Québec with a regional airport, presented a report on interior air transportation in Canada to the permanent committee on transportation in Ottawa. The findings and the recommendations in that report are becoming more and more current. As a matter of fact, more than ever, the number of passengers "dependant" of the air services has continued to diminish while the rates reserved to those "dependant" passengers continued to increase.

At the beginning of the 90's, the putting in place of the American model of the interior star (Hub and spokes) associated to the rating policies discriminating toward canadian citizens travelling to an interior final destination had the effect of transforming regional carriers in "feeder" for national carriers federated by international alliances. One of those rating policies consists in overcharging the "dependant" passengers travelling to an interior destination and to undercharged the pleasure travellers. In Canada, a "dependant" passengers pays in average three times more than a pleasure traveller.

Whatever the business considerations which prompt the national carriers to give the priority to their role has "feeder" of pleasure passengers for the international airlines, it seems to us, that the first objective of the federal government should be, first and foremost, to provide air transportation services that are accessible, safe and affordable for the "dependant" passengers inside Canada.

We believe that a system allowing the "dependant" passengers to use carriers on inside airlines that are fully in competition between themselves without being linked to the international carriers, to their constraints and to their objectives (pleasure passengers) could provide a conciliation of the differing

interests between the international vocation, on one part, for the pleasure passengers of the great international carriers and on the other part, the interior national vocation which should be to allow the "dependant" passengers to travel by plane in a way that is safe, accessible and at the best cost possible.

Since the recent discussion concerning the reorganization of air transportation in the country, we are very surprised to see the little concern, in the actual debate, for this iniquity between the cost for "dependant" passengers and the pleasure passengers. The viability of carriers, the value of shares, the competitiveness on the international airlines, the reimbursement of investors, employment and union preoccupations, the East-West quarrel for the location of operation installations, the foreign ownership of the carriers, the right to ownership of shares, all those concerns seem to conceal the only important question for all Canadians. **Does Canada have an air transportation network that is adapted to its economical and geographical reality and can Canadian passengers use those carriers in a way that is safe, accessible and affordable?**

Even though very important, this question seems to be evacuated from the debate. Other questions also come from that one.

" Are the "dependant" users to an interior destination on the air transportation network in Canada well served and are, the national carriers, with their actual behavior, contributing to the economical and social development of all the communities in the country?"

" At least, do they provide a minimum preservation of the socioeconomic environment?"

"Will the proposed restructuring be able to correct the perverse effects of ten years of an imitation of competition on the interior market in Canada? Will it avoid the multiplication of expensive government interventions to ensure the survival of carriers less and less efficient on the interior market and that to the detriment of the citizens that are "dependant" users who, in the actual context, have to subsidize the vacationers and the lack of efficiency of the carriers?"

" Will the proposed restructuring allow the creation of a competitive environment where the carriers are submitted to the pressures of the market in a way to react to the consumers' preferences, to reduce their costs, to improve the efficiency and to pass the savings coming from it on the cost for users?"

For the users in the regions of the country, the acknowledgement of failure of the American model of the interior star (Hub and

spokes) has been made for five years. It is clear that the status quo is not acceptable and represent the worst possibility. We also consider that before talking about artificial maintain of jobs or of a Montreal, Toronto versus West war of influence, the answer to our questions should have precedence.

Unfortunately, the regional users don't have a say in the matter and that despite our repeated request, in 1995, to the transportation ministry of Canada, Mr Doug Young, to put in place a consultative committee of users of the interior air transportation in Canada. Moreover, during the representations that we did, Mr Young clearly indicated that is first concern was the viability of the two national carriers. But, how can a duopoly of air carriers be viable, if it presides itself to fare increases disproportionate to a dramatic drop of its clientele from the regions in the country and then ensuring its survival by pretexting to the government decision-makers the non-profitability of the interior links. Then, the federal government responds to its demands and the vicious circle of protectionism, of artificial competition and the consequential non-efficiency continues to the detriment of the actual and potential users. The only residual mean for the "dependant" passengers of the regions remains to express themselves by seizing the public opinion like we are doing today.

Some could object that it is possible to resort to the alternative of the road if the air fares are exorbitant. Thus, this alternative for peripheral regions of a country as vast as Canada is surely at high risks. Our road network is in a appalling shape consequence of many years of low investments in its maintenance. It is also often overloaded with heavy traffic for which the structure of the road is not designed. For example, people from Sept-Iles, if they want to go to Montreal and back, have to spend 20 hours of sustained concentration behind the wheel, on a road deteriorated by the increasing heavy traffic and the chronic low investments in its maintenance, in changing and often dangerous climatic conditions. The chances of survival to such an epic become smaller every year and yet it is the only alternative to paying \$850.00 for the plane.

This is how the "dependant" user of air transportation see the problematic. They can understand that the great majority of decision-makers from the big centers never had to go to the regional airports of the country with the consequence that they do not know very well the question of air transportation on the interior lines, their only interest in air transportation being often limited to the international destinations for winter vacations. Yet, one day there will be a need to let the regions for which air transportation is vital breathe. Canada is in fact a country of regions and the future of the country depends closely

of its capacity to maintain solid links between those regions. Transportation is the first important link to maintain and to develop in order to reoxygenate the regional economies and thus, to give back to the big centers the benefits of new found economic exchanges with the regions of the country.

As long as the only preoccupation of the federal government will be to ensure the viability of two national carriers at any cost, they will continue to neglect their national obligations (dependant passengers) to concentrate on their international obligations (pleasure passengers). Thus, the vital economic interests of the country will be neglected to the profit of international interests of which the benefits for canadian citizens are a lot less obvious (systematic exportation of the vacation budget of canadians). Should globalization have limits?

We sincerely hope, Mr the Minister, that those words will be taken into consideration in the current debate on reorganization of air transportation.

Sincerely yours.

Pierre Breton, president
Chambre de Commerce de Manicouagan
which includes the Chambers of Commerce of
Sept-Iles, Havre-St-Pierre, Fermont, Port-Cartier,
Les Escoumins, Forestville and Baie-Comeau.

N.B. Montreal-Baie-Comeau, round-trip \$807.00, "dependant"
passengers with an interior final destination.
Montreal-Baie-Comeau, round-trip \$240.00, pleasure
passengers with an international final destination