

Members Seek Alternatives to Airline Merger

October 4, 1999

On September 17, 1999, the Chamber invited its members to comment on the proposal by Onex Corporation to purchase both Air Canada and Canadian Airlines. All Chamber members had the opportunity to respond and we received 172 responses by the deadline of September 24, 1999.

In the poll, we highlighted several alternatives to Onex's proposed airline merger which had received profile in the media over the previous few weeks. While the poll and the results do not represent a comprehensive overview of the issues raised by the proposed merger, they strongly indicate the need for further debate and discussion.

Respondents indicate a strong preference for finding an alternative to the proposed merger. Fully 73% feel that the Onex proposal will have a negative or very negative impact generally and 66% believe it will have a negative or very negative impact on their business in particular.

These numbers indicate the need for a full and frank debate on the merits of the Onex proposal specifically, and changes to the competitive makeup of Canada's domestic airline industry generally. The business community needs to be reassured that the advantages of a truly competitive air marketplace can be achieved and maintained.

In looking at the alternatives put forward to date, the option with the greatest support among respondents was the idea of promoting improved access for smaller Canadian carriers in the domestic market-

place -- 88% of respondents indicated that they supported or strongly supported this alternative. It is clear that further discussion of the proposed merger needs to address the perception that more carriers are better, and to explore how expanded regional carriers fit in a merged domestic marketplace.

The other alternatives highlighted in the poll (ranked by level of support from respondents) included:

- having the competition bureau review the proposed merger (82% support or strongly support);
- press for a free trade network for air travel in North America (76% support or strongly support);
- allow Canadian Airlines to restructure to better fit the marketplace (70% support or strongly support); and,
- allowing increased foreign investment in the Canadian airline industry (65% support or strongly support).

The respondents to our poll are strongly opposed to providing government support to Canadian Airlines -- 81% were either opposed or strongly opposed to this alternative.

From the responses, it is clear that the key issue for respondents is the need to maintain a competitive marketplace for domestic air travel in Canada. The Chamber will be looking to the advocates and opponents of the airline merger to address this concern as we continue to explore this issue on behalf of our members over the coming weeks.