

industry over certain routes and the charter carriers had grown in importance, despite the institutional constraints confronting them, throughout the late 1970s.

There were other, less easily quantifiable problems. In particular, consumer groups expressed concern about the rather arbitrary form fare discounting was taking. Equally, the regulators were concerned with some of the practices being adopted to capture passengers. The Air Transport Committee, for instance, was concerned with the proclivity of carriers to advertise and book passengers at low fares immediately these were filed. This made rejection of the new fare politically more difficult.

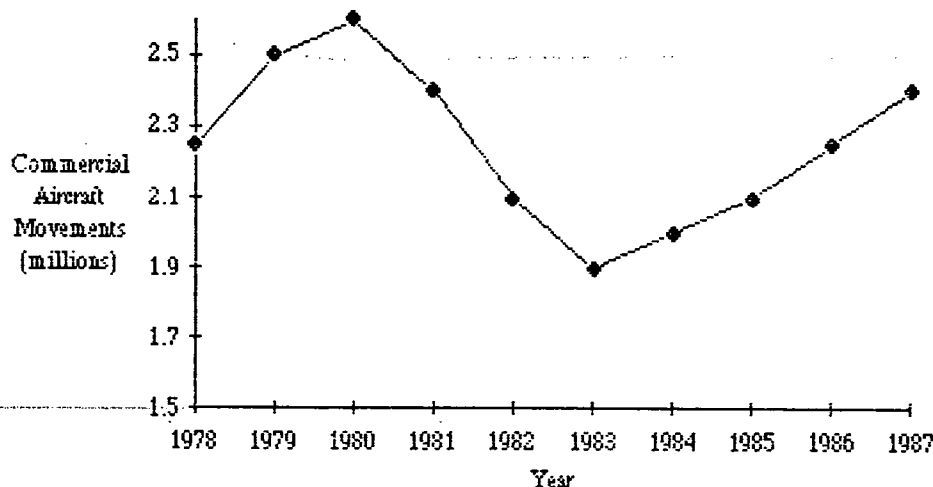


FIGURE 5

Commercial Aircraft Movements at Airports with Transport Canada Air Traffic Control Towers³⁷

The major shift in policy towards the current very liberal regime over most of the system can be traced to the appointment of Mr. Lloyd Axworthy as Minister of Transport in 1983. In order to distance the arm of government and its regulators from the airlines, and hence reduce the potential for regulatory capture³⁸, one of his first acts was to cause employees of Transport Canada and the Air Transport Committee to give up their passes entitling them to free air travel. He also quickly set in train two courses of action designed to gain more direct information on to the prospects for liberalizing Canada's domestic aviation industry. Firstly, the Air Transport Committee was asked to conduct public hearings on air fares policy (in the very widest sense, including questions of market entry/exit where relevant). Secondly, and concurrently, an

³⁷ Taken from, *Aircraft Movement Statistics: Annual Report 1987* (Aviation Statistics Centre, Statistics Canada, Ottawa) 1988. The data refers to itinerant movements by commercial carriers.

³⁸ For an account of the theory of regulatory capture see, G. Stigler, 'The theory of economic regulation', *Bell Journal of Economics*, 2, pp.3-21, 1971.