



FIGURE 4

Points Served by Scheduled Flights by Airline, 1964-1981

The airlines themselves responded to the depressed market situation by attempting to develop more services, i.e. rather than to reduce costs and concentrate on core operations they, in general tried to expand their revenue base. Given constraints over fare levels, there is a natural tendency to compete in terms of service and hence this becomes important when the expansion of revenue is a central objective. The number of points served, for example, rose during the early years of the 1980s (see Figure 4). The airlines also made use of what flexibility in fare setting they enjoyed. Air Canada, with a better timed service, tried to capture traffic from the charters by undercutting Wardair fares with seat sales (at up to 35% discount) on such routes as Vancouver-Toronto. In fact, according to some commentators³⁶, Air Canada had always enjoyed some advantages over the charter operators even prior to the change in its regulatory control in 1977. In particular, it enjoyed fewer administrative delays in gaining acceptance of fare changes or for the provision of part charters on scheduled services.

These moves, both by government and the airlines, did little to remedy the mounting problems of the industry or reduce the pressures for further reform. The depressed aviation industry was slow to recover from the recession of the early 1980s. As we saw above, the fall in revenue passenger kilometres did not bottom out until 1983 and this picture is reinforced by Figure 5 which offers some indication of the temporal pattern of aircraft movements in Canada. The scheduled Canadian airlines also still faced severe competition from an increasingly efficient U.S.

³⁶ See T.L. Spalding, 'Civil aviation policy in Canada and its effects on international and domestic charter services', in G.B. Reschenthaler and B. Roberts (eds), *Perspectives on Canadian Airline Regulation* (Institute for Research on Public Policy, Montreal) 1979.