

Determination of routes and schedules of domestic air carriers will be exempted from regulation, permitting airlines to offer routes and schedules to meet perceived public demand.

There will be no ongoing regulation of domestic tariffs, except a review procedure on fare increases, with the power to overturn or reduce excessive increases.

Services which are deemed necessary in the public interest, but not provided for under normal market conditions, will be considered eligible for direct public support.

Consistent with Canada's obligations under bilateral air agreements, there will be continued regulatory control of market entry to international scheduled services and of international tariffs. However, the Government will pursue reduction of regulations on international routes through bilateral negotiations, such as those ongoing with the United States.

#### Railways

The Railway Act will be amended to permit railways to enter into confidential contracts with shippers for domestic, overseas and transborder traffic. Shippers will benefit by entering into confidential contracts with the railways for services at mutually-agreeable rates, which may be below published tariffs.

Shippers will now be able to negotiate services and rates, based on such factors as volume, routes and scheduling. Railways will be permitted to provide rebates. This will provide Canadian shippers with more flexibility in meeting international competition. Canadian railways will be able to compete more effectively with U.S. railways which, since 1980, have enjoyed such freedom of rate negotiation, and as a consequence have been able to capture significant transborder business from Canadian railroads.

Many Canadian companies and individuals are located in communities served by only one railway. In order to protect these "captive" shippers and to promote competition, shippers captive to one rail line will be given access to a competing carrier at the nearest transfer point, and provided with new rate appeal provisions.

#### Extraprovincial Motor Carriers

The Government proposes to revise the Motor Vehicle Transport Act (MVTA) under which federal economic regulatory responsibilities have been delegated to the Provinces since 1954. The amendments will reflect the regulatory reforms agreed to by the federal and provincial Ministers of Transport on February 27, 1985. These reforms included reduced entry controls, elimination of rate approval, the designation of special