

The importance of controlling computer reservation systems is, therefore, not simply that they provide an important source of revenue to the vendor - it is anticipated, for example, that Gemini will generate about \$150 million per annum in revenue to its parent companies - but that there is the opportunity for protecting the vendor's operations from market entry or from the full rigours of competition of incumbent carriers. Even where, as in the Canadian case, measures are adopted to remove the most obvious forms of bias that can be incorporated in a system, there still remain the 'halo' effects which, it has been suggested, can be quite substantial. The computerized reservation system vendors themselves in the U.S.A. estimated that in 1986 some 15% of airline revenue from the American Airlines' Sabre system was due to the halo effect and 9.1% of Texas Air's System One, although subsequent calculations, based on a modified definition, by the Department of Transportation suggest the figures are respectively, 39.9% and 12.1%<sup>69</sup>.

## 6 After the National Transportation Act

Evaluation of the long term effects of the 1988 deregulation of the domestic Canadian market must be speculative at this early stage<sup>70</sup>. Some indication of the types of change which have taken place in the first six months of liberalization are to be seen in Tables 3 and 4. In the twelve months up to mid-May 1988, Canadian carriers increased their total number of departures by 24% while the number of seats offered rose by only 12.1% reflecting a continued shift towards smaller aircraft.

This is a similar pattern to that experienced in the U.S.A. where, after an initial adjustment period, operators focused on improving the frequency of services and on providing adequate feeder services - all of which required fleets of smaller aircraft. Part of the improved service quality in Canada has come about increased concentration on major markets. Indeed, the data shows Canadian Airlines International contracted the number of points formerly served (from 65 to 55 in the period), but added services to some key markets and the discontinued services have all been taken up by affiliates. A similar expansion has taken place in the services offered by affiliates of Air Canada<sup>71</sup>.

<sup>69</sup> See U.S. Department of Transportation, 1988 *op cit*

<sup>70</sup> The Northern and remote areas of the country retain higher levels of regulation but since they only account for about 2% of the total airline revenue, it is not unreasonable to describe the Canadian market as 'deregulated' in the U.S. sense.

<sup>71</sup> Air Canada also acquired a 90% share in Northwest Territorial Airways during this period to improve access to Arctic communities.