

that reluctance: market concentration does matter, and their general trend over time has been towards the conclusion that it matters a great deal"<sup>52</sup>

The rules on mergers were also modified to require due notice of change of ownership and, if there are objections, the National Transportation Agency is left to determine whether the merger or acquisition is in the public interest. The new general Competition Act 1986 is less strict than this but because of the earlier decision of the Supreme Court of Canada in *B.C. Law Society v. Jabor* in 1982 there is some ambiguity as to the applicability of the Act to aviation<sup>53</sup>. The Act has, however, been invoked in the context of computer reservation systems

A final strand in the deregulation process has been the privatization of Air Canada. The objective of such a move is effectively to remove any real or supposed advantage a Crown Corporation may have in the market place over its privately owned rivals<sup>54</sup>. In addition, it is worth noting that privatization is also taking place at a time when Air Canada wishes to replace its aging fleet of Boeing 727s and DC9s and private finance may, from a macroeconomic perspective, be an attractive way of financing some of the cost. The programme of privatization, with a 10% limit on individual share holdings (but with the State retaining, at least in the short term, a majority, 55% holding) is aimed at ensuring a spread of equity with no dominant, controlling interest. Counter to this, of course, is the power exercised by the so-called 'technostructure'<sup>55</sup> in companies with such diversified ownership. Whether the airline has sufficient market power to survive operating at less than maximum efficiency for any length of time will depend upon the degree to which it can shelter itself from the full forces of competition.

## 5. Pre-1988 Changes in the Canadian Aviation Industry

Since airlines were given considerable warning of the impending legal deregulation of Canadian aviation markets, and indeed a phased *de facto* liberalization preceded it, there was time for them to adjust to what they thought the new conditions would require from them. The airlines

<sup>52</sup> A.E. Kahn, 'Surprises of airline deregulation', *American Economic Review, Papers and Proceedings*, 79, pp.315-322, 1989.

<sup>53</sup> See W.T. Stanbury and M. W. Tretheway, 'Analysis of the Changes in Airline regulation proposed in Bill C-18', *Minutes of Proceedings and Evidence of the Standing Committee on Transport*, Issue 17, 1987.

<sup>54</sup> It has been suggested, for example, that government ownership may mean a lower cost of capital and that this in turn may make the costs of predatory behaviour lower, see D.W. Gillan, T.H. Oum and M.W. Tretheway, 'Entry barriers and anti-competitive behaviour in a deregulated airline market: the case of Canada', *International Journal of Transport Economics*, 15, pp.29-41, 1988.

<sup>55</sup> The term applies to the management and advisers in a company who are freed from the rigours of the market place and hence able to pursue their own, not necessarily commercially optimal, objectives because of the lack of effective control which accompanies dispersion of ownership. See K.J. Galbraith, *The New Industrial State* (Houghton Mifflin; Boston) 1967