

1986 and being passed into law as the National Transportation Act the following year⁵⁰. Enactment was from January 1st 1988. In addition to this, in 1987 the former 'spheres of influence' division of international markets between Air Canada and CP Air was ended and route trading took place allowing, for instances Air Canada to operate Pacific routes. There was also a liberal agreement reached with the United Kingdom over trans-Atlantic services.

This retained some degree of economic regulation in the sparsely populated northern part of Canada where services were to be provided based on a "fit, willing and able" test but subject to the caveat that new services would not, "lead to a significant decrease or instability in the level of domestic service". In 1986 there were 25 airlines operating in the north although all but four routes were monopolized by a single carrier. The new regime is intended to introduce considerably more competition. The onus of proof has been switched from the airlines needing to justify a service to objectors having to demonstrate serious potential adverse consequences. The new National Transportation Agency still has the power to control the routes to be followed, the areas to be served, schedules, fares, insurance requirements, etc. and market exit must be preceded by a period of notice. Subsidies are provided for essential services although, in an effort to maximize efficiency these are allocated through a tendering system⁵¹.

Southern Canada was to enjoy a much more liberal regime although still subject to some controls. The "fit, willing and able" criteria still applies but any service can be provided on condition that the carrier has an operators licence, there is adequate insurance cover and there is proof of 75% Canadian ownership of the airline. In most senses, therefore, the Act introduced an environment in southern Canadian markets akin to that existing in the U.S.A. since 1978 - it abolished entry, exit and fare controls as did the Airline Deregulation Act and also the regulation of flight frequencies and aircraft types used which were never controlled in the U.S.A. There are, though, some differences. While fares are not controlled there is provision for the national Transportation Agency to disallow "unreasonable" fare increases on routes where "there is no other alternative effective, adequate and competitive transportation service". Interestingly, Alfred Kahn who, as chairman of the Civil Aeronautics Board, was responsible for carrying through the U.S. reforms, would seem to have some sympathy with such a policy, *viz* "I hope I do not shock anybody by observing that I probably would have been very reluctant to abandon price ceilings entirely had I the choice. All [U.S.] studies of airline pricing since deregulation confirm

⁵⁰ The Act is multi-modal and its Part II which applies to air transport.

⁵¹ Oum and Tretheway, 1984, *op cit* had earlier expressed some concern that without a clear plan of compensation, subsidies for remote services could be open to abuse. Airlines running services in both the north and south might try to cross-subsidize the latter by obtaining funding for the former. Tendering should offer at least a partial solution to this.