

Finally, because the debate surrounding the recent reforms has only just been conducted, much of the literature tends to be concerned with arguing the merits of one position or another. One objective of this paper is to try to bring some of this material together and also, as implied by our title, to offer some comments on the general applicability of the Canadian approach.

It should perhaps be emphasized that our primary concern is with the method of deregulation rather than with the merits of deregulation *per se*. The respective merits of free and regulated markets have been well turned over by economists and we have no intention of adding to the arguments. Instead it is the comparatively neglected subject of the process of deregulation which is the main focus of the paper and the implications of the process adopted for the eventual market structure which emerges.

In terms of content, the article looks initially at the rationale behind the system of regulation which existed prior to 1988, tracing out its evolution and implications for the aviation industry. It also sets it in the wider context of Canadian regulatory policy as a whole. It then considers the pressures which developed to change the system and move to a much less restrictive structure of controls which focus primarily on matters such as safety and the provision of services to distant communities. The legal changes which resulted are then considered against the background of the structure of the industry and the experiences which others have had in deregulating their aviation industries. Finally, some general comments are offered about the merits of the Canadian system and the relevance it may have for aviation policy in other countries.

2. The Development of the Regulatory Regime.

The Canadian economy is one in which the government has a tradition of heavy involvement, both in terms of regulation and of public ownership⁷. This is, in the main, due to the geography of the country and, in particular, to the spread of a very small population over a large land mass with east-west boundaries 3,500 miles apart. It really, in economic terms, consists of a set of separate markets which have been brought together under a federal umbrella. Nationhood, is therefore, achieved by a continual process of redistribution and control so that a acceptable

⁷ For an overview of the scale of regulation in the Canadian economy see, W.T. Stanbury, 'Direct regulation and its reform: a Canadian perspective', *English Young University Law Review* 2, pp.467-539, 1987. Figures cited in this study indicate that all tiers of government accounted for the expenditure of 47% of Gross National Product; that in 1989, government regulated industries accounted for 30% of the Canadian Gross Domestic Product; that in 1983 government owned or controlled enterprises account for 26% of fixed assets of all Canadian corporations; and that federal and provincial loans and credits accounted for 13.5% of Gross National Product in 1989.