

types of service. Secondly, there was the initiation of an experimental trans-border programme aimed at developing new services and testing the viability of new pricing systems. Access to Mirabel Airport by designated carriers operating from all but seven U.S. airports was to be unrestricted and any number of the designated carriers could offer these services. Fares were not controlled unless both countries objected. As a balance, the U.S. airport of San Jose was subsequently designated as an experimental U.S. airport with similar rules applying<sup>46</sup>.

Subsequent discussions between the U.S.A. and Canada to further liberalize trans-border services have failed to achieve any consensus. Indeed, while free trade in aviation services was one area included in the U.S./Canadian Free Trade Agreement reached at the Shamrock Summit Declaration in March 1985, inability to reach final agreement has meant its exclusion from the subsequent treaty. While both parties submitted proposals which would have considerably liberalize the market, they differed in philosophy. The Canadian 'Concept Paper' favoured a common market approach covering both countries while that of the U.S. was concerned simply with deregulation of trans-border traffic and adjusting the rights of Canadian airlines operating services to the U.S. to correct for their structural disadvantages. Clearly the passenger would have benefited from either scheme but the airlines on both sides of the border feared for their position - U.S. carriers for example arguing that other countries may demand cabotage rights if Canadian airlines were granted them as under the Canadian proposals.

The return of a Conservative administration to power in late 1984 ensured the continuation of the movement towards greater liberalization<sup>47</sup>. In the following year, *Freedom to Move* was published setting out the general philosophy behind the government's transport policy<sup>48</sup>. The policy was to be based on, "the principles of greater reliance on competition and market forces, a reduction of government interference and regulation, and the creation of a regulatory process that is open and accessible". While covering all modes of transport, the document had particular implications for domestic aviation<sup>49</sup>.

The proposals contained in the policy statement advocated almost complete deregulation of Canadian aviation with the U.S.A. Subsequent pressure from the airlines and other interested parties, led to a somewhat more restrictive piece of legislation subsequently being drawn up in

<sup>46</sup> For an account of the problems being met see, Dresner, Hadrovic and Tratheway, 1988, *op cit* and D.W. Gillen, T.H. Oum and M.W. Tratheway, 'Survival under free skies', *Air Transport Management* 1, pp.10-13, 1988.

<sup>47</sup> For example *Worair* began operating domestic schedule services in May 1986.

<sup>48</sup> Transport Canada, *Freedom to Move: A Movement for Transportation Reform* (Transport Canada; Ottawa) 1985.

<sup>49</sup> For a more general review see, T.D. Heaver, 'Transport regulation and privatization in Canada', paper presented to the *Canada-U.K. Colloquium on Privatization and Deregulation in Britain and Canada*, (Glasgow) 1987.