



FIGURE 1

Passenger Emplanements at Burlington Vermont²⁶

There were also major fears of shifts of international traffic away from Canadian airports, and hence Canadian carriers, to those in the U.S.A. The Canadian airlines countered this by lowering fares on international routes to keep them in line with U.S. competitors. This meant that on many routes Canadian services were priced in line with deregulated U.S. services - a point subsequently used by those favouring retention of entry controls in Canada.

The liberalization of the U.S. market also offered some guide-lines as to the underlying structure of a free market aviation industry. The early years of U.S. liberalization were clouded by the transitional institutions which still exercised some residual powers, by the nature of transition itself, and by the depressed state of the U.S. economy for several of the years immediately after the enactment of the 1978 Act²⁷. However, despite the difficulties of defining an appropriate counterfactual for comparative purposes, the early evidence from the U.S.A. was encouraging for those supporting liberalization.

Studies were appearing suggesting that fares were lower than they would have been under the old regime (one set of calculations indicating fares in 1980 were on average 76.6% of those suggested by the formula used in the old regime compared with an average of 96.8% in 1975²⁸). The range of fare/service combinations on offer expanded considerably to meet the demands of

²⁶ Derived from, Oum and Tretheway, 1984, *op cit* Table 4.

²⁷ A useful account of the short term effects of the 1978 U.S. Airline Deregulation Act is to be found in J.R. Meyer and C. W. Oster (eds), *Airline Deregulation: The Early Experiences*, (Auburn House: Boston) 1984.

²⁸ E.E. Bailey and J.C. Panzar, 'The contestability of airline markets during the transition to deregulation', *Law and Contemporary Problems*, 44, pp.125-145, 1981.