

he exact nature of the reforms have differed from country to country and within countries has varied across sectors. There are a variety of specific reasons for this which we do not intend to detail here. Suffice it to say that in part these variations must reflect the different starting points in each country - some have a much longer experience of extensive economic regulation and their systems are more entrenched. But also the fact that the actual nature of regulation differs quite significantly between states means that the pressures for change have themselves varied.

Our concern is in many ways a rather narrow one - namely to offer an economic analysis of the process by which recent changes in the regulation of the Canadian aviation industry have been brought about. This is certainly not the first aviation industry to be substantially 'deregulated' (in the sense that entry and fare controls have essentially been removed from a significant part of it) nor is it the largest<sup>4</sup>. Its interest lies in part in the fact that deregulation comes some decade after the *de jure*, and even longer after the *de facto* deregulation of the United States's passenger aviation industry and thus one is concerned with the degree to which legislators learn from the experiences of others. The approach adopted was also, possibly because of what was learned from the others' experiences, much more gradual and phased than that pursued in, for instance, the United States. It also comes at a time when there are moves afoot to liberalize European aviation with the creation of a "Single European Market" in 1992<sup>5</sup>. There may be lessons from Canada from which the European Community can benefit. Further, because of geography, and the nature of the now abandoned regulatory regime, the Canadian situation is one of singular interest in its own right.

Additionally, the literature on the U.S. experience of airline deregulation is now both extensive and widely available. The literature on Canada, while not insignificant in volume nor deficient in quality, is rather less accessible, especially outside of Canada<sup>6</sup>.

---

<sup>4</sup> In particular, the U.S. domestic civil aviation industry was theoretically deregulated over a five year period under the 1978 Airline Deregulation Act although, in fact, it was achieved much more rapidly. For details see, S.A. Morrison, 'U.S. domestic aviation' in K.J. Button and D. Swann (eds) *op cit*, pp.141-155; M.E. Levine, 'Airline competition in deregulated markets: theory, firm strategy, and public policy', *Yale Journal of Regulation*, 4, pp. 393-494, 1986; J.R. Meyer and C.V. Oster, *Deregulation and the New Airline Entrepreneurs*; (MIT Press; Cambridge) 1984; and E.E. Bailey, D.R. Graham and D.P. Kaplan, *Deregulating the Airlines*; (MIT Press; Cambridge) 1985. A more general overview of developments in the regulation of aviation across a range of countries is contained in, Organisation for Economic Co-operation and Development, *Deregulation and Airline Competition* (Organisation for Economic Co-operation and Development; Paris) 1988.

<sup>5</sup> For a discussion of the issues, see, J. Pelkeman, 'Deregulation of European air transport', in H.W. Jong and W.G. Shepherd (eds), *Mainstreams in Industrial Organization* (Martinus Nijhoff; Dordrecht), pp.347-385, 1985; G. Tucci, 'Regulation and "contestability" in formulating an air transport policy for the European Community', *Rivista di Politica Economica*, 19, pp.3-23, 1985; and K.J. Button and D. Swann, 'European Community airlines - deregulation and its problems', *Journal of Common Market Studies* (forthcoming).

<sup>6</sup> For a good bibliography see, W.T. Stanbury and M.W. Tretheway, 'Airline deregulation: a bibliography', *Logistics and Transportation Review*, 22, pp.449-489, 1986.