

That has an impact on the business community. It has an impact on governments in terms of additional costs to them because governments do have to fly people from city to city in order to do their work.

On the discount fare in the south, it has not gone up as much but it has still gone up slightly above the CPI. It looks like it is about 130 per cent of what it was in 1986, again comparing to a 27 per cent increase in the CPI. So it has gone up marginally more than the Consumer Price Index.

To say that we have all gained because of deregulation is not accurate. We may have not seen the increases as drastic, I would grant you that, but we are still paying more today for the discount fares than we were in 1986 and we are paying more than we would if the Consumer Price Index had been the measure. Keep in mind that under regulation, any of these fare increases would have to be subject to the test of public convenience and necessity. While there was some inflexibility under the old CTC when it came to rate setting, I think that could have been fixed in such a way to provide greater opportunities for the carriers to provide discount fares while at the same time not affecting their bottom line.

• (1040)

Let me turn now to the bottom line because that is really the nub of the issue. When you take the decisions about safety, the cities that you service, the rates you charge, out of the hands of the regulator, i.e., out of the hands of the state and give it to the bankers, the driving force is: "Can I make a buck? Where do I have to reduce my input costs in order to maximize my profit?" I think what we saw throughout the last six years, if not more than that in Canada, and certainly in the last 15 years in the United States, is that as a result of the cut-throat competition with prices being driven down in order to attract traffic to a particular airline, they have put themselves in financial jeopardy.

That is why Wardair went under. In a sense, it had no choice but to sell to Pacific Western. That is why City Express could not make a go of it, even though I can remember the owner of City Express telling the trans-

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port committee as we were studying deregulation: "Just watch me. I can compete with the big boys and win". He could not. He lost. Quite frankly, we all lost because that was a good service, an entrepreneurial service that filled a niche in the market.

The other element of the bottom line regulation is that you begin to look at ways to cut costs that you would not have looked at before. There is nothing necessarily wrong with working smarter, but we saw what was happening in the States and we gave a warning, my colleague from Regina—Lumsden and I. I have handled this matter since 1984 and my colleague for decades before that. At one time an airline would replace its component parts well before the legal limit of that part or the specifications said to. For example, a widget that had 1,000 air hours of use might be replaced at 800 hours to give that additional margin of safety. At the same time, minor maintenance problems on a plane would be fixed immediately.

What has happened because of cost cutting is that part that has to be replaced in 1,000 hours is not replaced until 1,000 hours. Those minor problems with the plane are stacked up and, therefore, they end up as part of a major repair job.

Certainly, Justice Moshansky in his report outlined that on the Air Ontario flight, the fatal flight that crashed in Dryden killing 24 people, there were a number of maintenance deficiencies that had been noted a number of times and while by themselves they did not cause the accident, they certainly helped to create the atmosphere in which the accident was caused.

We see from an economic point of view that when the banker rules the roost, too many things go by the way. We would prefer a return to regulation so that carriers, those that still exist, can in effect be guaranteed a reasonable return on their investment. After all, they are there to make a profit. They are not there as public servants, although we wish Air Canada was back in that mode as a publicly-owned company, publicly owned by the taxpayers as opposed to the individual shareholders. But that is a matter for another debate.