

New entrants have also been instrumental in undercutting the foundations of many existing high cost practices in the U.S.A.⁷⁸. Labour agreements, in particular, were circumvented by new carriers after 1978 and have acted to restrict the power of unions in the post deregulation phase. There has, therefore, been less subsequent disruption to seriously affect customers.⁷⁹ Many of the new U.S. airlines, for example, were not unionized. In many cases the incumbents have responded by negotiating pay cuts, taking on part time labour or, following American Airlines example from 1982, have entered into two tier pay agreements (i.e. the adoption of lower pay scales for new employees) all in order to reduce costs to compete. In some cases, such as Pan Am, the unions have negotiated board membership as a *quid-pro-quo*. The situation in Canada during the move to deregulation has been less clear-cut. The Canadian aviation industry is heavily unionized and in the period 1979-1985 while the number of strikes per annum fell compared to the period 1975-1978, they were of considerably longer duration (i.e. 64.9 days compared with 19.5)⁸⁰. Whether air travellers have benefitted is, therefore, really a question of judgement.

What does all this tell us about the success of the Canadian approach to deregulation of domestic aviation?

Certainly it would appear that some of the innovative energies which burst forth after the U.S. reforms of 1978 are missing but this may not be a serious criticism. The U.S. aviation industry had no one to mimic when it was deregulated and was, in effect, forced to experiment. Equally, there was really little point in a more gradualist approach than that it adopted - it would only have led to a longer period of uncertain adjustment in U.S. aviation markets. In a sense, therefore, Canadian domestic aviation benefited from the U.S. industry bearing the 'Research and Development' costs of operating in a deregulation environment. In consequence, it has been able to move up the learning curve quite rapidly and without much less of the friction that was experienced in the U.S.A.

Its remaining problems are, however, interestingly, similar to those in the U.S.A. namely the efforts of airlines to extract economic rent through mergers, the use of computerized reservation systems, and the deployment of frequent flier programmes. They are also problems which are confronting those concerned with European aviation policy.

⁷⁸ E.g. Bailey and Williams, 1988, *op cit*.

⁷⁹ Jordan 1987, *op cit*. provides data that leads him to conclude, "The U.S. experience implies that strikes/lockouts play a lesser role in a deregulated industry than under regulation"

⁸⁰ Although as Jordan, 1987, *op cit* points out the ability of airlines to continue functioning during a strike improved considerably during the later period, mainly due to generally high levels of unemployment, and this may have stiffened the resolve of management in the industrial conflicts.