

LIBERALISING THE CANADIAN SCHEDULED AVIATION MARKET: THE GRADUALIST APPROACH TO DEREGULATION¹

Kenneth Button

1. Introduction.

The past decade has witnessed a considerable relaxation of traditional, economic regulation of markets². In particular there has been a movement away from direct controls over market entry and exit, output, rates of return, and price setting and towards regimes of quality and social regulation which aim to regulate the standards adopted by those active in the market. This shift in emphasis of policy has been both broad in its international coverage and extensive in the sectors involved³. Accompanying the changes in economic regulation has often been a reduction of public sector involvement more generally. There have been, for example, extensive programmes of privatization in some countries and even in many communists there has been an active encouragement for greater private sector participation in the economy.

The 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.

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² For a wide ranging discussion of the nature of these changes see, D. Swann, *The Extent of the State - Deregulation and Privatization in the U.K. and U.S.A.*, (Harvester-Wheatsheaf, London) 1988. On a definitional point, 'economic regulation' is American terminology and is akin to the U.K.'s 'quantity controls' in that it relates to limits on market entry and/or on rates charged. There is also 'social regulation' in American parlance, or 'quality controls' to adopt the U.K. jargon which covers such matters as safety, consumer protection, conditions of work, etc. Additionally, U.S. 'anti-trust policy' has its parallel in the U.K.'s 'monopolies and mergers policy'. Interestingly, the Canadian literature seems to have adopted both sets of terminology and, at times, uses them interchangeably. For consistency, American terms tend to be used throughout in this paper. Similarly all financial data is given in U.S. dollars.

³ Some indication of the scale and breath of the reforms can be seen from the collection of international and sectorial studies contained in, K.J. Button and D. Swann (eds) *The Age of Regulatory Reform*, (Oxford University Press, Oxford), 1988.