

industry, indirect jobs and taxation revenues are all reliant on a viable Canadian air transport industry.

Cost comparisons are limited to those that can be made with publicly available data. There is no single measure of the competitiveness of one carrier versus another, and therefore a number of measures are considered in this Report. By most measures, the Canadian carriers have higher average costs when compared with the average costs of major U.S. carriers. In general, Canadian carriers costs are lower than most European and some Asian carriers. Continuing attention to their cost structures will be of critical importance to the competitive positions of Canadian carriers.

While no one is able to predict the future with certainty, the forces being exerted on the industry do allow some general conclusions to be drawn as to the directions air transport will likely take in the coming decade.

First, the role of governments in international air transport will likely continue to diminish. Deregulation is spreading to many nations. There is already a trend toward privatization of air carriers, and pressures on governments to devote scarce government resources to other priorities means that the final vestiges of subsidization of air carriers will likely cease in the 1990s.

Second, consolidation of the airline industry is likely to continue in the 1990s, and it may cross international borders. Consumers have been clearly expressing a preference for same carrier service whenever possible. In order to provide the wide geographic market coverage that the consumer demands, carriers will increasingly forge alliances among themselves. The 1990s may witness the emergence of carrier groups or families. This would parallel the carrier families between mainline carriers and feeder carriers which have emerged in the U.S. and Canadian domestic markets. A global carrier family would likely consist of separate national airlines. However, they would be united under a common marketing program, and over time the consumer would likely start to perceive them as a single carrier rather than the collection of separate entities that they are. Whether the consolidation which crosses international boundaries does so in the form of mergers, weak carrier alliances or stronger alliances, it is too early to tell. However, it seems clear that some form of carrier alliances will play an increasingly important role in the 1990s.

Third, international air transport will be increasingly competitive in the 1990s. This competition will take several forms. There will be heightened *competition between carriers*, especially as deregulation and privatization proceeds elsewhere in the world. There will be *competition between carrier groups or families*. As global alliances spread,