

independent task force was given the remit to examine the ways of adapting the U.S. regime of deregulation to meet the specifics of the Canadian market³⁹.

As one may anticipate, no consensus emerged from these deliberations. In general the major airlines favoured some relaxation of constraints but still advocated the retention of fare floors, controls over discounting and restraints on market entry. This stance was, in broad terms, not dissimilar to that of the Air Transport Committee. This position differed from that of most user organizations and went against the main body of available academic research.

The outcome was, to a large extent determined by the change of Prime Minister in early 1984 and the subsequent calling of an election. The Transport Minister, given the impossibility of legislative change, initiated a 'New Canadian Air Transport Policy' in May aimed at introducing a degree of flexibility into the existing legislation through *de facto* means⁴⁰. Moral suasion, for example, through government statements was exercised to loosen the Air Transport Committee's policies on entry and pricing. The legal position was such that conditions of "public convenience and necessity" still had to be met if a new licence was to be authorized, but the intention was to modify the Committee's interpretation of the condition. Ministerial powers of granting appeals against Air Transport Committee rulings were also exercised⁴¹.

The Air Transport Committee published its own findings favouring a policy aimed, in the long term at 'controlled competition'⁴². Regulations needed relaxing but only in a limited fashion. For example, it argued for mandatory restrictions on deep discounts and for the continuation of the Regional Air Carrier Policy.

The new policy was seen as part of a longer term process which would, over two years, give airlines freedom to reduce prices but limit rises to increases in an input price index. At the same time restrictions over discount fares would be removed. Entry to the charter markets in the south of Canada would be freed whilst at the same time exit would be easier for carriers unable to compete in the new environment. New entrants to the scheduled market were to be treated on equal terms with incumbents when it came to the allocation of airport slots. At the more local level, it was envisaged that the Regional Air Carrier Policy would be repealed although services in the north - the more remote parts of the country broadly corresponding to the area above a line

³⁹ For a contextual background set against Canadian transport policy at the time, see, A.P. Ellison, 'Regulatory reform in transport: a Canadian perspective', *Transportation Journal* 23, pp. 4-19, 1984.

⁴⁰ Minister of Transport, *New Canadian Air Policy* (Department of Transport; Ottawa) 1984.

⁴¹ Some pending appeals were granted almost at once, especially some running counter to the Regional Air Carrier policy, both as an illustration of intent and as liberalizing actions in themselves.

⁴² See Canadian Transport Commission, *Interim Report of the Air Transport Committee of the Canadian Transport Commission on Domestic Charter and Airfare Issues*, (Canadian Transport Commission, Air Transport Committee; Ottawa) 1984.