

many U.S. airlines encountered after 1978. The hub-and-spoke style of operations which have emerged as the most efficient form of providing aviation services necessitated a change from the wide-bodied jets being used on the linear routing structures which the Civil Aeronautics Board had imposed on the regulated U.S. industry. Many airlines (e.g. Braniff) misjudged this and met with difficulties in keeping their costs down. Others had serious problems acquiring sufficient narrow bodied jets to their operate hub-and-spoke style operations efficiently. The mergers and changes in Canada, in contrast have been exploited to free aircraft to meet the needs of a gradually liberalized market with purchases of additional equipment used to complement the process⁷⁵.

~~When airlines have encountered financial problems the distribution of that impact has differed between the deregulated U.S. carriers and those operating under Canada's gradualist approach. Essentially, the U.S. airlines have either declared bankruptcy and passed the incidence of the failure onto share holders or forced concessions from workers who consequently bear the burden. In Canada there has either been direct subsidization of ailing carriers (witness the Quebecair case) or they have been taken over to be stripped of their profitable services (e.g. Eastern Provincial in 1984). The tax-payer or air traveller, therefore, bears the cost⁷⁶. The desirability of the options is a normative judgement but certainly the impacts of the two policies differ.~~

It has been suggested that one of the main benefits of deregulation in the U.S.A. was the entry of new carriers into the market. These have provided innovated services (e.g. the low cost, no-frill services of Southwest, People Express, etc) and have stimulated response from the incumbent carriers. In Canada there has been no such entry⁷⁷. The incumbent carriers have modified their activities in response to the reforms but it is difficult to speculate what the outcome may have been with a significant new entrant to the market. Wardair in some ways represents a scheduled new carriers, albeit from a base of established charter operations, and, if its actions are indicative of the impact a new carrier would have exercised on the market, the implications are of a conservative kind. Rather than initiate new domestic types of operations, Wardair has begun to act like the two majors, and to purchase aircraft to operate similar types of services. It has, however, as mentioned above, been more innovative in its international operations.

⁷⁵ See the evidence cited from the Canadian Airlines International case cited in Gillen, Stanbury and Trathway, 1988, *op cit* p.25.

⁷⁶ For a more detailed argument along these lines see, Jordan, 1986, *op cit*.

⁷⁷ It has been argued that even with sudden regulatory reforms only a temporary window is opened for new entrants which is soon closed both by the response of incumbents and the services offered by the new-comers - see, J.L.S. Byrnes, *Diversification Strategies for Regulated and Deregulated Industries: Lessons from the Airlines* (Heath Lexington; Toronto), 1985. In effect this window was kept closed in Canada as incumbents had time to adjust to the evolving regulatory environment.