

Major Areas of Private Sector Regulation in Canada (2)

Airlines

- Until 1999, Air Canada and Canadian Airlines formed a dominant duopoly
- Price, entry, route regulation
- Demand shift and natural monopoly ends
- Cross subsidization of northern with southern routes

Deregulation

- Critical voices in the 60s and 70s: high prices, poor services
- Deregulation in the US
- Partial deregulation in Canada in 1984:
 - Freedom to reduce fares in southern routes
 - Freedom to exit a route if there is another carrier
 - Freedom to enter into charter services
- Privatization of Air Canada in 1989
- Canadian allowed to combine with AA and US airlines access to Canadian market
- Merger between Air Canada and Canadian in 1999

Marketing Boards

- Control in supply, price and entry
- Examples: milk, eggs, poultry and tobacco
- Agriculture industries very competitive
- But... huge government intervention:
 - Ample and secure food supplies
 - Farm incomes stabilization
- Market failure?