

COMPETITION TRIBUNAL/TRIBUNAL DE LA CONCURRENCE
Court File No.: CT-88/1

IN THE MATTER OF an application by the Director of Investigation and Research under subsection 64(1) of the Competition Act, R.S.C. 1970, c. C-23, as amended;

AND IN THE MATTER OF a limited partnership formed to combine the operations of the Reservac and Pegasus computer reservation systems;

AND IN THE MATTER OF the Gemini Group Automated Distribution Systems, Inc.;

AND IN THE MATTER OF an application by the Director of Investigation and Research under section 106 of the Competition Act, R.S. 1985, c. C-34 to vary the Consent Order of the Tribunal dated July 7, 1989.

BETWEEN:

The Director of Investigation and Research

Applicant

COMPETITION TRIBUNAL TRIBUNAL DE LA CONCURRENCE	
FILED	PRODUT
<i>dated and filed on</i> <i>93-01-18</i> JAN 21 1993 - <i>RB</i>	
REGISTRAR — REGISTRAIRE	
OTTAWA, ONT. <i>Ref # 722</i>	

- and -

Air Canada

PWA Corporation

Canadian Airlines International Ltd.

The Gemini Group Limited Partnership

The Gemini Group Automated Distribution Systems Inc.

Covia Canada Corp.

Covia Canada Partnership Corp.

COMPETITION TRIBUNAL
TRIBUNAL DE LA CONCURRENCE

Respondents

File No. CT-88/01
No. du dossier CT-88/01

-and-

Director v Air Canada Consumers' Association of Canada

Exhibit No. I-1 American Airlines, Inc.

No. de la pièce I-1 Attorney General of Manitoba

Filed on Feb 12, 1993; 11:37 Alliance of Canadian Travel Associations

Déposée le Feb 12, 1993; 11:37 Bios Computing Corporation

Registrar Bellehumeur
Greffier Bellehumeur

Steven A. Morrison
d. January 16, 1993

AFFIDAVIT OF STEVEN A. MORRISON

I, **STEVEN A. MORRISON**, of the City of Newton, in the State of Massachusetts, **MAKE OATH AND SAY AS FOLLOWS:**

1. I am a Professor in the Department of Economics at Northeastern University in Boston and have been retained as an expert witness by the Consumers' Association of Canada, an intervenor in this Application.
2. I make this affidavit pursuant to Rule 42(1) of the Competition Tribunal Rules.
3. I have been associated with Northeastern University since 1982; prior to that, for three years, I was an Assistant Professor of Transportation in the Faculty of Commerce of the University of British Columbia. In addition, while on leave from Northeastern University, I was an Academic Visitor at the London School of Economics and a Visiting Fellow at the Brookings Institution.
4. My area of expertise is transportation economics and my research has concentrated on aviation economics and commercial air transportation.
5. I have a Ph.d. in Economics from the University of California at Berkeley (1979) and a B.A. in Economics from the University of Florida (1973-Phi Beta Kappa).

6. I recently completed a study for Canada's Royal Commission on National Passenger Transportation entitled "Deregulation and Competition in the Canadian Airline Industry" which is included in the Commission's Final Report published in 1992.
7. In addition to the Government of Canada, I have consulted for the U.S. Department of Transportation, the U.S. Federal Aviation Administration and the Government of Nepal, on aviation deregulation.
8. I am co-author of the Economic Effects of Airline Deregulation, published by the Brookings Institution in 1986, arguably the most-cited book on airline deregulation.
9. My publications include the following, among others:
 - (a) "The Dynamics of Airline Pricing and Competition," American Economic Review, 1990;
 - (b) "Enhancing the Performance of the Deregulated Airline Transportation System", Brookings Papers on Economic Activity: Microeconomics, 1989;
 - (c) "Airline Deregulation and Public Policy," Science, 1989;
 - (d) "Airline Safety, Deregulation and Public Policy," Brookings Review, 1988;
 - (e) "Empirical Implications and Tests of Contestability Hypothesis," Journal of Law and Economics, 1987;

(f) "U.S. Domestic Aviation," in The Age of Regulatory Reform, Oxford University Press, 1989.

10. For the past four years I have been working on a book, entitled The Evolution of the Airline Industry, scheduled to be published by the Brookings Institution in late 1993.

11. My qualifications to give expert testimony are further set out in my curriculum vitae which is attached as Exhibit "A" to this my affidavit.

12. I have never consulted for a Canadian or U.S. airline or computer reservation system, nor has any family member ever been employed by any such company or system. I have no direct holdings in any such company or system and I am unaware of any such holdings in either my mutual fund portfolio or the mutual fund portion of my teaching pension plan.

13. I have read the pleadings in this Application, and in particular I have read and am in agreement with the thrust and conclusions of the Affidavit and Report of Michael W. Trethewey submitted in support of the Application by the Director of Investigation and Research.

14. I am in agreement with the Director that failure to allow Canadian Airlines to terminate its current hosting agreement with Gemini will lead to a virtual monopoly in the Canadian airline industry.

15. In my opinion, monopoly is contrary to the interest of Canadian consumers, represented in this Application by the Consumers' Association of Canada, because it would lead inevitably to higher fares and reduced service because of both the market power associated with monopoly and the decreased pressure to minimize costs.

16. The most important way to mitigate the effects of a monopoly on Canadian consumers is the injection of competition through "open skies", however, this is outside the purview of this Tribunal.

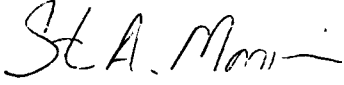
17. If a monopoly forced reregulation of the Canadian domestic airline industry, this also, in my opinion, would lead to higher fares than would occur in a deregulated two-airline system.

18. I have read that portion of the pleadings of Gemini, Covia and Air Canada which express concerns about the possibility of a monopoly in the Canadian CRS industry and it is my opinion that the far greater concern, for Canadian consumers, is the very real threat of a monopoly in the Canadian airline industry.

19. It also is my opinion that the proposed agreement between American Airlines and Canadian Airlines is compatible with the developments predicted by most experts for the airline industry globally, because it will lead to increased north-south traffic, greater frequency of flights, increased access to U.S. hub cities and may hasten "open skies."

20. I also am of the opinion that, from the consumer standpoint, the alignment of two Canadian carriers with U.S. carriers is preferable to a merged Canadian domestic carrier which will eventually be forced to seek U.S. and other alliances.

SWORN BEFORE ME at the)
City of *Newton* in the State)
of Massachusetts on the *18th*)
day of January 1993.)



Steven A. Morrison

STUART E. HILL
NOTARY PUBLIC, MASSACHUSETTS
MY COMMISSION EXPIRES DECEMBER 16, 1999

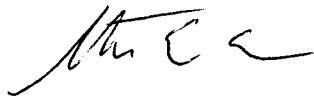


EXHIBIT "A": CURRICULUM VITAE

Steven A. Morrison
Department of Economics
Northeastern University
Boston, Massachusetts 02115

This is Exhibit "A" to the Affidavit
of Steven A. Morrison, sworn to on the
18th day of January 1993 in the City of
Newton in the State of Massachusetts.

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Age: 41

Marital Status: Married

Citizenship: United States

Education

Ph.D. (Economics) 1979 University of California, Berkeley
B.A. (High Honors, Economics) 1973 University of Florida

STUART E. HILL
NOTARY PUBLIC, MASSACHUSETTS
MY COMMISSION EXPIRES DECEMBER 16, 1999

Appointments

since July 1982 Department of Economics, Northeastern University, Boston, Massachusetts; Professor, since July 1990; Executive Officer, since September 1992; Associate Professor, July 1985-June 1990 (on leave September 1988-August 1990); Assistant Professor, July 1982-June 1985.

July 1979 to June 1982 Faculty of Commerce and Business Administration, University of British Columbia, Vancouver, British Columbia, Canada; Assistant Professor.

Visiting Appointments

March 1989 to August 1990 Economic Studies Program, The Brookings Institution, Washington, D.C.; Visiting Fellow.

September 1988 to February 1989 Department of Economics, London School of Economics, London, England; Academic Visitor.

Publications

Books: *The Economic Effects of Airline Deregulation*, (with C. Winston), Washington, D.C.: The Brookings Institution, 1986.

Journal Articles: "The Value of Amtrak," *Journal of Law and Economics*, **33**, October 1990, pp. 361-382.

"The Dynamics of Airline Pricing and Competition," (with C. Winston), *American Economic Review*, **80**, May 1990, pp. 389-393. [Translated into Japanese and reprinted in *Kosokudoro to Jidosha*, **34**, 1991, pp. 48-52.]

"Enhancing the Performance of the Deregulated Air Transportation System," (with C. Winston), *Brookings Papers on Economic Activity: Microeconomics, 1989*, pp. 61-112. [Translated in Japanese and reprinted in Toshihiko Hayashi, ed., *Koekijigyo to Kiseikamwa*, Tokyo: Toyokeizai Shimposha, 1990.]

"Airline Deregulation and Public Policy," (with C. Winston), *Science*, **245**, 18 August 1989, pp. 707-711. [Reprinted in Subcommittee on Aviation, Committee on Public Works and Transportation, U.S. House of Representatives, *The Adequacy of Competition in the Airline Industry*, 101st Congress, First Session.]

"The Effects of Reforming the Regulation of U.S. Domestic Civil Aviation," (with K.J. Button), *Royal Bank of Scotland Review*, **158**, June 1988, pp. 33-53.

"Air Safety, Deregulation, and Public Policy," (with C. Winston), *Brookings Review*, **6**, Winter 1988, pp. 10-15.

"The Theory of Optimal Highway Pricing and Investment: Comment," *Southern Economic Journal*, **53**, January 1987, pp. 779-782.

"The Equity and Efficiency of Runway Pricing," *Journal of Public Economics*, **34**, October 1987, pp. 45-60.

"Empirical Implications and Tests of the Contestability Hypothesis," (with C. Winston), *Journal of Law and Economics*, **30**, April 1987, pp. 53-66.

- "Airline Deregulation in the United States," (with C. Winston), *Bell Atlantic Quarterly*, **4**, Spring-Summer 1987, pp. 21-31.
- "A Survey of Road Pricing," *Transportation Research*, **20A**, March 1986, pp. 87-97.
- "Voting and the Efficiency of Airport Runway Investment," *Transportation Research*, **19A**, February 1985, pp. 59-64.
- "Intercity Transportation Route Structures Under Deregulation: Some Assessments Motivated by the Airline Experience," (with C. Winston), *American Economic Review*, **75**, May 1985, pp. 57-61.
- "An Econometric Analysis of the Demand for Intercity Passenger Transportation," (with C. Winston), *Research in Transportation Economics*, **2**, 1985, pp. 213-237.
- "An Economic Analysis of Aircraft Design," *Journal of Transport Economics and Policy*, **18**, May 1984, pp. 123-143.
- "Profitability and Fleet Age Profiles in the U.S. Airline Industry," *International Journal of Transport Economics*, **10**, December 1983, pp. 613-620.
- "Hours of Operation Restrictions and Competition Among Retail Firms," (with R.J. Newman), *Economic Inquiry*, **21**, January 1983, pp. 107-114.
- "Estimation of Long-Run Prices and Investment Levels for Airport Runways," *Research in Transportation Economics*, **1**, 1983, pp. 103-130.
- "The Demand for Intercity Passenger Transportation: The Impact on the Bus Industry in a Changing Environment," (with C. Winston), in *Transportation Research Forum, Proceedings: Twenty-fourth Annual Meeting*, **24**, 1983, pp. 526-534.
- "The Structure of Landing Fees at Uncongested Airports: An Application of Ramsey Pricing," *Journal of Transport Economics and Policy*, **16**, May 1982, pp. 151-159.
- Chapters in Books: "Cleared for Takeoff: The Evolution of the Deregulated Airline Industry," (with C. Winston), in *The Annual Review of Travel*, New York: American Express, 1992.
- "U.S. Domestic Aviation," in K.J. Button and D. Swann, eds., *The Age of Regulatory Reform*, Oxford: Oxford University Press, 1989.
- Book Reviews: Review of: Alan C. McKinnon, *Physical Distribution Systems*, in *Journal of Economic Literature*, **29**, June 1991, pp. 603-604.
- Review of: Leon N. Moses and Ian Savage, eds., *Transportation Safety in an Age of Deregulation*, in *Journal of Economic Literature*, **29**, March 1991, pp. 122-123.
- Review of: John R. Meyer and Clinton V. Oster, Jr., *Deregulation and the Future of Intercity Passenger Travel*, in *Journal of Economic Literature*, **26**, September 1988, pp. 1217-1218.
- Review of: Rigas Doganis, *Flying Off Course: The Economics of International Airlines*, in *Logistics and Transportation Review*, **23**, December 1987, pp. 427-428.
- "Opinion" Pieces: "High-Speed Rail a Mistake," *Boston Globe*, December 1, 1992; "Let's Just Raise the Price of Highway, Air Transportation to Equal its Real Cost," *Roll Call*, June 29, 1992; "Stormy Weather for the Airlines," (with C. Winston), *Boston Globe*, August 4, 1991; "Pricing the Crowds Off the Roads," *Boston Globe*, May 14, 1991; "Airline Deregulation," *TransLaw*, Fall 1990; "Yes: Slot System Yields Benefits," *The Public's Capital*, Fall 1990; "Californians Getting a Fair Deal on Air Travel," (with C. Winston), *Los Angeles Times*, June 17, 1990; "With Deregulation, Everybody Gains," (with C. Winston), *New York Times*, April 8, 1990; "Helping Airports Take Off," *New York Times*, March 16, 1990; "Airline Reregulation Won't Fly on Economic Basis," (with C. Winston), *Atlanta Journal and Constitution*, April 15, 1989; "Less Congestion Requires Higher Fees," (with C. Winston), *New York Times*, January 15, 1989.

Work in Progress: *The Evolution of the Airline Industry*, (with C. Winston), Washington, D.C.: The Brookings Institution.

"Airline Services: The Evolution of Competition Since Deregulation," in Larry L. Duetsch, ed., *Industry Studies*, Englewood Cliffs: Prentice-Hall.

Presentations

Congressional Testimony: Subcommittee on Water Resources, Transportation, and Infrastructure, Committee on Environment and Public Works, U.S. Senate, 1991; Subcommittee on Aviation, Committee on Public Works and Transportation, U.S. House of Representatives, Washington, D.C., 1991; Subcommittee on Aviation, Committee on Public Works and Transportation, U.S. House of Representatives, Washington, D.C., 1989.

Presentations at Meetings of Scholarly Societies: Eastern Economic Association, New York, 1992; Transportation and Public Utilities Group of the American Economic Association, New Orleans, 1992; Transportation Research Forum, New Orleans, 1991; American Economic Association, Atlanta, 1989; Transportation Research Forum, Williamsburg, 1989; World Conference on Transport Research, Yokohama, 1989; Association of American Geographers, Baltimore, 1989; American Economic Association, New York, 1988; Transportation and Public Utilities Group of the American Economic Association, Chicago, 1987; Canadian Transportation Research Forum, Toronto, 1985; American Economic Association, Dallas, 1984; Canadian Economics Association, Guelph, 1984; Canadian Transportation Research Forum, Jasper, 1984; Transportation Research Forum, Washington, D.C., 1983; American Economic Association, New York, 1982; Western Economic Association, Los Angeles, 1982; Canadian Economics Association, Ottawa, 1982; Canadian Transportation Research Forum, Montreal, 1982; Canadian Economics Association, Halifax, 1981.

Presentations at Universities: MIT, 1992; Emory University, 1992; Harvard University, 1992; Harvard University, 1991; Queen's University (Canada), 1990; University of Wisconsin, Eau Claire, 1989; Virginia Polytechnic Institute, 1989; University of St. Andrews, 1989; University of Aberdeen, 1989; London School of Economics, 1989; University of Exeter, 1988; University of Liverpool, 1988; Loughborough University, 1988; University of California, Irvine, 1988; Université de Montréal, 1988; Harvard University, 1986; University of Maryland, 1986.

Other Presentations: Transportation Research Board, Washington, D.C., 1993; Alliance for Democracy and Human Rights in Nepal, New York, 1992; U.S. Agency for International Development Mission, Kathmandu, Nepal, 1992; Royal Commission on National Passenger Transportation, Ottawa, 1991; U.S. General Accounting Office, Washington, D.C., 1990; Air Transport Association, Washington, D.C., 1990; Citizens for a Sound Economy, Washington, D.C., 1990; Price Waterhouse/McDermott, Will and Emery, Washington, D.C., 1990; Brookings Institution, Washington, D.C., 1990; Resources for the Future, Washington, D.C., 1990; Transportation Research Board, Washington, D.C., 1990; U.S. Department of Transportation, Washington, D.C., 1989; Washington Journalism Center, Washington, D.C., 1989; U.S. General Accounting Office, Washington, D.C., 1989; National Conference of State Legislatures, Senior Fiscal Analysts' Seminar, Fort Lauderdale, 1989; General Aviation Manufacturers Association, Washington, D.C., 1989; Transportation Research Board, Washington, D.C., 1989; IASI-CNR, Rome, 1989; Brookings Institution, 1988; U.S. Department of Transportation, Transportation Systems Center, Cambridge, 1988; Institute for International Research, Washington, D.C., 1988; Citizens for a Sound Economy, Washington, D.C., 1988; U.S. Department of Transportation, Transportation Systems Center, Cambridge, 1988; Cato Institute, Washington, D.C., 1986.

Teaching

Courses taught at Northeastern University (NU) and the University of British Columbia (UBC):

Principles of Economics (UBC, NU)
Microeconomic Theory (NU, undergraduate and graduate)
Introduction to Probability and Statistics (UBC)
Transportation Economics (UBC, NU, undergraduate and graduate)
Public Policy in Transportation and Public Utilities (UBC)
Air Transportation (UBC)
Urban Economics (NU, undergraduate and graduate)

Fellowships, Honors, and Awards

Honorable Mention, American Express Annual Review of Travel International Essay Competition, 1992, paper entitled "Cleared for Takeoff: The Evolution of the Deregulated Airline Industry," (coauthored with C. Winston)
Nominated for the Social Science Excellence in Teaching Award, Northeastern University, 1988
Nominated for the Faculty of Commerce Teaching Excellence Award, University of British Columbia, 1982
Recipient of the Transportation Research Forum Prize for the best paper on intercity bus transportation, sponsored by the American Bus Association, 1983, paper entitled "The Demand for Intercity Passenger Transportation: The Impact on the Bus Industry in a Changing Environment," (coauthored with C. Winston)
Phi Beta Kappa

Memberships and Other Information

American Economic Association
Transportation and Public Utilities Group of AEA
Transportation Research Forum