

3. Ownership

It was in the U.S., where deregulation occurred before Canada, that the first formal alliances between feeder and trunk carriers were developed. Typically, a trunk carrier contracts with only one feeder airline in each region it serves. The trunk carrier can be viewed as having a family of feeder carriers, one for each region. In the early days of deregulation, the trunk carriers used various marketing agreements to formalize the links with the independent feeder carriers. However, several trunks experienced their feeder carriers changing loyalty to a rival trunk carrier. This left them with no feed traffic in a particular region, and given the limited number of feeder carriers which any given market can support, the trunk carrier would have little prospect of finding a new source of feed traffic. Subsequently, the trunk carriers began to forge more stable links with the feeder carriers by taking equity positions in their affiliates. At first, minority rather than majority positions were considered to be ideal. With a minority position, airline unions would not be able to petition for common employer status and thus gain access to the more generous collective bargaining agreements of the trunk carriers. In addition, it was felt that a local entrepreneur, with a majority ownership of the feeder carrier, would be more vigilant in keeping costs under control, staying abreast of changing market conditions, etc. Over time, however a few carriers started to develop majority and eventually complete ownership positions in their feeder carriers.⁶⁹ In Canada, Canadian Airlines International Limited (CAI) found that one of its minority-owned feeder carriers, InterCanadian (formerly Quebecair and Nordair Metro) could defect, in spite of a minority ownership stake, and set itself up as an independent, rival carrier. Following the InterCanadian defection, both Air Canada and CAI have moved to take majority equity positions in many of their feeder carriers.

⁶⁹ For example, the American Eagle carriers are almost wholly owned by American Airlines.