

- In order to ensure continuity of market coverage, the mainline carriers generally take equity positions in their feeder carriers.
- Traffic from foreign destinations feeding into domestic routes is also important to domestic carriers. In general, a domestic-only airline is not able to compete effectively with a combined domestic-international airline.
- To build their international market coverage and enhance feed traffic to domestic flights, carriers are forging alliances with carriers of other nations. In a few cases, the alliances are being made more permanent by taking minority equity positions in the foreign airline.
- Advances in aircraft technology may alter the traditional flow of traffic. For example, longer range aircraft such as the Boeing 747-400 allow non-stop flights which can overfly coastal gateways. Smaller capacity inter-continental aircraft such as the Boeing 767ER make direct international services to smaller communities possible. On the other hand, the development of large aircraft may consolidate traffic through major gateways. It is not possible to predict precisely how such changes will affect airline routings.

### **C. Airline Economics: Cost**

One of the primary determinants of an industry's economics is the cost of providing the service. Studies indicate that in the airline industry:

- Cost per seat declines with the size of the aircraft.