One controversial type of vertical integration is *control of feeder carriers*.[92] In an important sense, these firms supply passengers to trunk carriers. If a foreign airline (or group of airlines) obtains exclusive access to feed passengers in its home region, then it will have a larger traffic base than the Canadian carrier. The latter would be confined only to origin/destination passengers at the foreign point. If the foreign carrier is free to strike alliances with Canadian feeder carriers, then the Canadian carrier could be at a severe disadvantage. It would be locked out of feed at the foreign point, yet be required to share feed in its home market.

A variation of this "control" of feed traffic has been put forward as an argument as to why simply liberalizing cross border traffic between Canada and the U.S. would harm Canadian carriers. Because they control all domestic feed to U.S. hubs (either via feeder carriers or via their own flights), the U.S. carriers can confine Canadian airlines to only origin/destination traffic at the gateway U.S. cities. While Canadian carriers could do the same in their own home market, the impact is much smaller. This is because Canada is both smaller and more concentrated than the U.S.[93] The largest seven cities in Canada account for 42% of the nation's population, whereas the seven largest U.S. cities account for only 19%. A U.S. carrier would only need to serve a handful of

---

[92] Air Canada and CAIL have been successful in purchasing most of the feeder carriers in Canada. (City Express is aligned with U.S. carrier Continental, while Intair is unaligned. Both of the "free agent" Canadian carriers are in precarious financial positions.) By preventing their feeder subsidiaries from signing interlining agreements or putting in joint fares with other carriers, CAI and Air Canada could be excluding new Canadian entrants from the domestic trunk airline routes for important segments of trunkline markets. Just prior to Wardair's demise, it announced that it was going to pay feeder airline fares for its passengers, at great expense, in order to get access to this important segment of the scheduled airline market. See "Wardair to Pay Commuter Fares for some Connecting Passengers," Globe and Mail, 18 January 1989, p.B10.

[93] The share of total population accounted for by the largest metropolitan area is 14% for Canada versus 5% for the U.S. The proportions accounted for by the largest 2, 3 and 7 cities are:

	largest	largest 2	largest 3	largest 7
Canada	14%	25%	30%	42%
U.S.	5%	8%	12%	19%