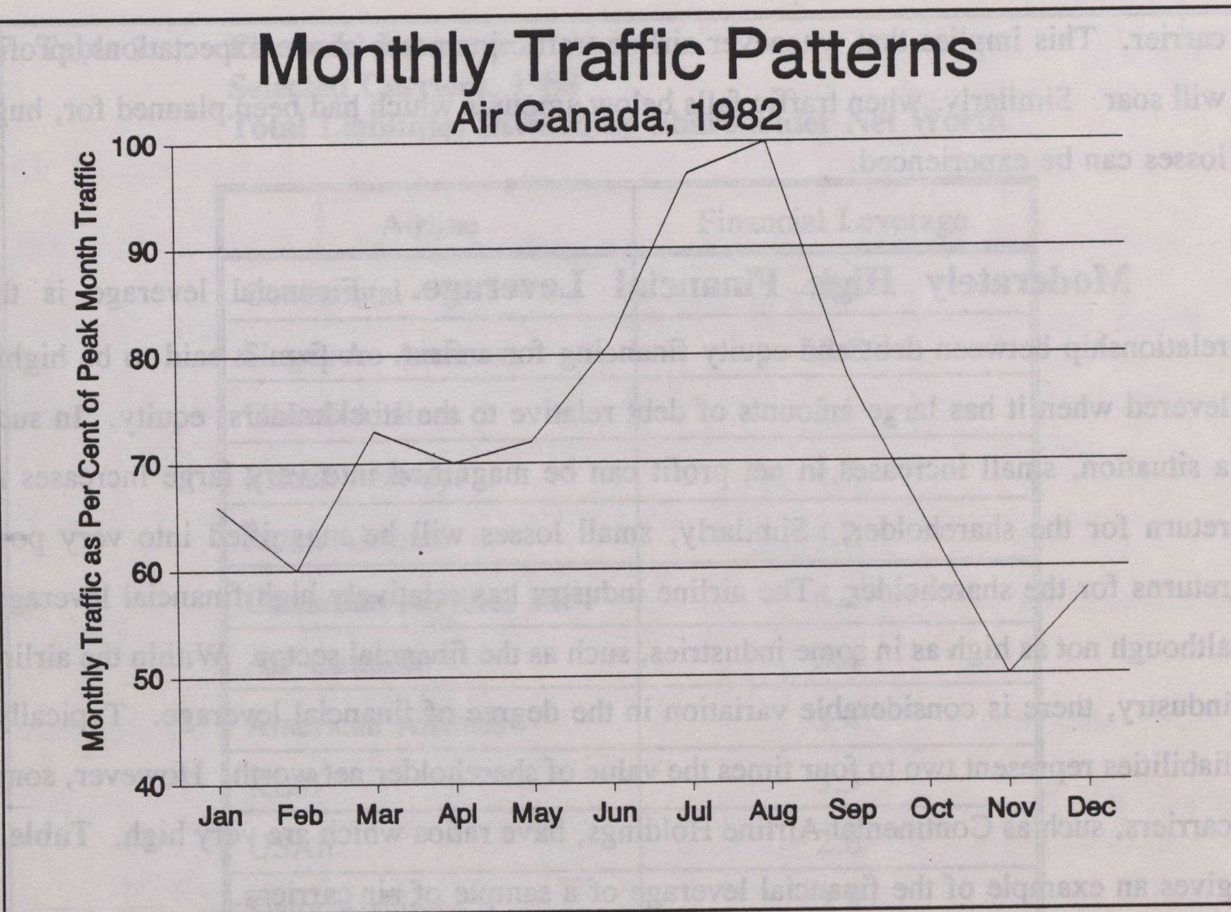

Figure 35: Monthly Traffic Patterns Air Canada, 1982 Monthly Traffic as Percent of Peak Month Traffic

High Operating Leverage. Operating leverage is a measure of how earnings increase as output increases. In some industries, such as manufacturing, each additional unit of production is accompanied by a corresponding increase in costs of manufacturing. While profits rise with additional production, they do so proportionately. In the airline industry, the costs of providing services are somewhat fixed, in the sense that the carrier commits itself to operating a particular schedule of flights. Thus, if additional passengers choose to travel, the airlines might not have a corresponding increase in the cost of providing flights. They have already committed to providing a certain number of flights and thus, the additional revenues from these new passengers are reflected as profit to the