

was terminated, as Wardair found it too expensive to operate. Following this, they made repeated statements to the financial community that they were going to produce a new frequent flyer program. The program which they eventually introduced in October 1988, offered awards at roughly twice the frequency of Air Canada and CAI, and rewards were of greater value.⁸⁹ As an example of the latter, with the Wardair program popular flights and travel times were not blocked out from frequent flyer award usage. Gillen, Stanbury and Tretheway (1988) point out that frequent flyer programs are not quantity discounts but rather loyalty inducing incentives. They thus conclude that these programs are anti-competitive and should be terminated if competition is to be encouraged.

Another potential barrier to entry is sometimes referred to as *vertical integration*. In the case of air transport, this would involve acquiring supplies (and distributors) of services needed by a carrier and its rivals. By controlling up and downstream markets, a carrier could exclude a rival from a market, raise its costs,⁹⁰ or indirectly control its actions.⁹¹ There are many up/downstream firms which a carrier (or its shareholder government, in some cases) could seek to control for anticompetitive purposes. These include travel agents and computer reservation systems on the distribution side; and fuelling firms, caterers, ground handling services, etc, on the supplier side.

⁸⁹ One problem Wardair faced was that there were no partners left to join their program. With the exception of City Express, all Canadian airlines of any importance had already been affiliated with either CAI or Air Canada.

⁹⁰ By setting up high prices for wholly owned suppliers, a carrier can raise costs of a rival who must use that supplier. The offending carrier is simply transferring money from one wholly owned entity (the airline) to another (the supplier).

⁹¹ For example, a carrier which owns a monopoly ground handling services firm can cause a rival to reschedule a flight by instructing the handler to say it is not able to provide the service at the desired time.