

hubs.³⁰ Most travellers feel that the cost of increased time spent in flight is more than offset by the benefit of more frequent service.

An airport facilitates the flow of goods and people into and out of a region. It is an intermodal facility, transferring passengers or freight from one mode of transport, air, to another, usually motor transport. A particular airport competes with other routing systems. For example, air freight can fly to Seattle and then be trucked to Vancouver as an alternative to flying into Vancouver and using a local truck for delivery. Depending on frequency and reliability of service, relative customs clearance times, etc., one system may give the customer superior performance.

Gateway competition is becoming increasingly important. The Regina-Naples passenger can choose between routings via London, Frankfurt, Rome, Amsterdam, Brussels, Paris, etc. The consequence of gateway competition is that it is no longer possible for a nation to insulate its carriers from the forces of competition. If carriers routing via the U.K. have lower cost operations and/or offer higher quality of service, then Belgium will not be able to protect its carrier with high fares, capacity controls, etc. The consumer will simply shift his/her patronage to the more attractive gateway. For Canada, the ability of consumers to shift to U.S. gateways is very powerful. At the same

³⁰ Gordon (1991) provides evidence that since deregulation *more* non-stop service is available. He criticizes Dempsey (1990) and Good, Nadiri and Sickles (1989) for perpetuating the "myth" that deregulation has required passengers to travel extra miles due to the circuitry of hubbing. Gordon points out that hubbing has resulted in more non-stops to hubs, and since markets to and from hubs dominate passenger volumes, this has led to an overall improvement. He substantiates this with evidence from the top 300 markets in the U.S. showing a roughly 10% increase in markets with non-stop services. He further points out that many prederegulation non-stop markets had single or few daily flights, whereas after deregulation flight frequency has increased. (See pp. 38-41.) R.J. Gordon, *Output Measurement in the Services Sector*, University of Chicago Free Press for the National Bureau of Economic Research, forthcoming 1991. D.H. Good, M.I. Nadiri and R.C. Sickles, "The Structure of Production, Technical Change and Efficiency in a Multiproduct Industry: An Application to U.S. Airlines," research report 89-14, C.V. Starr Centre for Applied Economics, New York University, June 1989.