Table V: Factors Affecting Carrier Costs

Factors Affecting Carrier Costs
Traffic and Network
number of cities in service network
number of passengers served
number of passenger kilometres
frequency of service
number of passengers requiring connections (versus non-stop flights)
additional miles which must be flown because of circuity of connections
flight load factor (percent of seats sold)
Operating Factors
aircraft type, size, age
flight stage length
climate of operating area
Costs of Factors of Production
wage rates, employee tenure, work rules
fuel costs
capital costs (depreciation, interest, lease payments, etc.)
taxes
landing fees and other user charges
security costs
debt-equity ratio
exchange rates
catering costs
commissions paid to travel agents

it is in fact less competitive? The high wage cost carrier may be able to offset that disadvantage by operating more efficient aircraft, enjoying lower fuel prices, etc.

The best way to compare costs between carriers would be to conduct an incremental cost analysis for a particular route. Consider this example. Suppose that Canadian and U.S. carriers had identical costs, except that Canadian carriers have to pay