Equally, the major airlines often have enjoyed 'grandfather' rights to particularly favourable terminal gates or even (as at Vancouver International Airport) to allocate gates. Again, entrants are confronted with the prospect of finding difficulty in gaining the use of adequate and suitable gates. Finally, the dominant airline at a terminal usually provides ground facilities (fueling, baggage handling, aircraft maintenance, etc.) and sells these services to other users and there is the potential for a high price to be extracted.

The airlines have also attempted to protect their individual markets by use of frequent flyer programmes designed to push up the cost of entry for new rivals and protect market share from encroachments by rival incumbents. These programmes, which were started by American Airlines in the U.S.A., offer bonus flights or up-gradings on flights after traveling with an airline for certain mileages. Frequent flyer programmes instil brand loyalty in customers but to attract them in the first place it is necessary to have a good network over which collectors can use their coupons and to have the resources to fund the administration of the scheme[66]. The Canadian programmes began in 1987 but now virtually all airlines operate one either in their own right or, on payment of a fee, as a member of one of the majors' schemes.

Linked with this has been the increase in designator code sharing which both helps to protect the flow of feed traffic to the majors and at the same time ties the smaller airlines to them[67]. As mentioned above this gives a major advantages on the demand side without the managerial difficulties of controlling a heavily diversified airline. It does mean, however, that potential entrants are confronted with incumbents which can offer a wide network of services. Building up threshold levels of traffic is difficult in these cases for potential entrants and the option is often to engage in designation code sharing with an incumbent. This will normal involve a payment of a subscription fee which must eventually be passed on in higher fares.

While these practices are adopted in many countries by airlines to protect their individual positions, in Canada Air Canada and Canadian Airlines International have, in addition, combined in a fashion which appears to offer mutual protection of their duopoly. They joined in 1987 to establish a single computer reservation system. The vast majority of air tickets (some 80%) are sold through travel agents in Canada and most of these agents make use of computerized reservation systems. The airlines actually own the system and the agents subscribe. The systems make reservations simpler and allow the airlines to fine tune capacities, availability of discounts

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66 A fuller discussion of their importance in aviation is contained in Levine, 1986, *op cit.*

67 For a thorough discussion of the implications for code sharing, albeit based on the U.S. situation, see C.V. Oster and D.H. Pickrell, 'Code sharing, joint fares, and competition in the regional airline industry', *Transportation Research* 22A, pp.405-417, 1988.