U.S. carriers in the transborder market.[84] On a route such as Toronto-Chicago, Air Canada is largely confined to Chicago originating/destining traffic. In contrast, its competitors, United and American, can access traffic from other cities connected to the Chicago hub and carry them through Chicago to Toronto.

An important potential barrier to entry is *control of the marketing distribution channel*. If incumbent firms have complete control over the marketing channel, then new entrants could be excluded from the channel and thus, not be able to effectively sell their services. In some countries, there may be a single travel agent network, controlled by the national airline, and this control and market power could significantly hinder the ability of Canadian carriers to make sales.

Travel agent commission overrides, when used by dominant carriers, may be a barrier to entry. A recent study by the U.S. Department of Transportation found that agencies will tend to look favourably on a small override commission from a dominant airline, which accounts for say one-third of its total bookings, than on a high override commission paid by a small, entrant carrier.[85]

In Canada, there are a large number (4,300) of travel agents who act as intermediaries in selling airline services to retail customers.[86] On the surface, this might suggest that the two dominant air carriers would not be able to control the marketing

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[84] "Air Canada Submission to House of Commons Special Committee on Canada-United States Air Transport Services," Montreal, 6 December 1990. See especially pp. 9-14.

[85] U.S. D.O.T. (1990), p. 28.

[86] In Canada, 70% of airline tickets are sold by travel agents. Source: "Statement of Grounds and Material Facts for the Application by the Director of Investigation and Research under Section 64 of the Competition Act," 3 March 1987, application between Director and Gemini Group Automated Distribution Systems Inc., et al.