

merger of British Caledonian into British Airways, and the proposed acquisition of Air Inter and UTA by Air France. BA and Air France have joined what had been an exclusively American \$7 billion club.⁹⁷ The question now is whether this consolidation movement will cross international borders. Will truly global carrier systems emerge? If globalization does come, what form will it take? Will there be outright mergers, or will the consolidation take the form of strong or weak carrier alliances?

Section III.D discussed why consumers prefer to patronize large, rather than small, carriers. Carriers with large networks make it easier for the consumer to gather information on available flights and fares. Large network carriers are perceived by many consumers as providing a higher quality of service due to better timing of connecting flights, less opportunity for baggage to be lost, etc. In addition, artificial marketing incentives, such as frequent flyer programs induce the consumer to patronize large carriers. Section VI.C discussed the basic economics of the impact of feed traffic on air carrier profitability, and Section VI.D put this into the context of international air traffic. The net result of all of this is that carriers throughout the world are experiencing market forces inducing them to extend their reach to larger and larger portions of the globe. To some, this implies that the industry may eventually "globalize," just as a number of other industries such as energy, automobile production, etc., have switched from national to global orientation and operations. Here, the globalization concept is discussed further.

⁹⁷ In 1990 Canadian dollars, this would be roughly \$9.5 billion.