

entrants in being able to launch new services. Because they have already been allocated a large number of take-off or landing slots, or have historically been able to acquire adequate airport ticketing and boarding gate facilities, they have an advantage in mounting competitive responses to developments by rivals.

The issue of infrastructure constraints is very important for international air transportation. For example, a new bilateral treaty with Japan might give Canada the right to designate an additional airline. However, if that airline is unable to obtain a slot at the Japanese airport (or ticketing and gate facilities), it can be effectively prevented from competing in the market. As Canada discusses the issue of a more open-skies arrangement with the United States, the ability of Canadian air carriers to obtain access to slots, gates and ticket space is very important in determining whether or not the Canadian carriers will be effective in their ability to compete for their fair share of the traffic. Airport congestion is also a factor when carriers choose which airport they will serve.

B. Entry Barriers

"Entry Barriers" is a term economists use to denote frictions which prevent new firms from commencing operations in a given market. This section discusses various types of entry barriers which might exist in the airline industry. Understanding them is important both for appreciating whether or not Canadian carriers will be able to compete with foreign carriers, and for understanding what types of service and access conditions it may be necessary to negotiate with foreign governments.

Economies of scale have often been considered a potential barrier to entry to small firms into an industry. Gillen, Oum and Tretheway (1986) measured economies in the