4. Summary

In summary, although feed traffic represents a small proportion of a trunk air carrier's total operation, it has a highly levered impact and has thus become of vital importance to the modern trunk airline. Feeder traffic contributes directly to revenues and little, if at all, to trunk airline costs. It thus represents incremental profit to the trunk airline. Further, feed traffic has a greater tendency to be full-fare. Today, every major trunk air carrier in North America has a family of feeder carriers extending its reach into the smaller communities.

D. International Carrier Alliances: Another Form of Feed Traffic

Just as feed traffic from small local airlines is important to a trunk carrier's mainline profitability, traffic obtained from international flights is also important to the profitability of the domestic system. International flights arriving in Toronto, for example, will have a certain number of passengers who will connect to domestic flights segments. The number of such connections is usually not sufficient to justify additional domestic flights. Thus, any incremental revenues from the international feed traffic will accrue to the domestic trunk carrier as incremental profit. Because of this, and because consumers prefer to do business with a single airline, carriers have been increasingly attempting to forge alliances with international airlines in order to feed their domestic networks.

In general, carriers will strike alliances with international carriers who complement their services. For example, Air Canada, which does not fly to Hong Kong, has a marketing agreement with Cathay Pacific. This agreement benefits both carriers. Cathay