

How High is the Gate?
A study of the border effect at
five major Canadian airports

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Most economists believe:

- *The world is not flat*

But most economist also believe:

- *The world is smooth*

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But some economists know that
most economists are wrong about
this!

- *McCallum's famous "Border
Effect"*

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Trade in goods is x10 more likely within Canada than across the border, other things equal

Also true for capital flows

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So, what about people flows?

- Long-term, yes of course
- But is there a border effect for business travel?

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This study:

- *Look for border effects in passenger air travel*
- *At five major Canadian gateway airports*

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Data:

- Scheduled departures on March 21, 2007
- Seats proxy PAX
- (arrivals about the same....)

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	population	departures	seats	routes
Vancouver	2.11	308	29232	63
Calgary	1.08	200	20350	37
Toronto	5.11	478	51772	91
Montreal	3.64	229	21303	52
Halifax	0.37	61	5429	18
total	10.2	1276	128086	261

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Routes:	province	Canada	US	RoW
Vancouver	25	11	16	11
Calgary	4	17	14	2
Toronto	7	14	41	29
Montreal	12	14	18	8
Halifax	1	11	4	2
Total	49	67	93	52

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	Seats per flight	Flight distance	Seats per 000 population	Routes per million population
Vancouver	95	1489	13.9	28.9
Calgary	102	1257	18.8	34.3
Toronto	108	1608	10.1	17.8
Montreal	93	1131	5.9	14.3
Halifax	89	1021	14.7	48.6
total	100	1411	12.6	25.4

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Estimate an augmented gravity model to explain seats per route

- 212 non-resort destinations
- Use population, GDP, distance as 'attractors'
- Dummies for language, border

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Results:

- Large border effect (= 6+)
- Large language effect
- Quite small distance effect (not in Canada at all)

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Implications/Questions

So what does it all mean?

- *Is the gateway the problem?*
- *Is there any problem?*
- *Is it just because of the trade border effect....?*

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