

THE IMPACT OF CHARTER CARRIERS
ON SCHEDULED OPERATIONS

by

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ABSTRACT

The charter market of the airline industry has progressively grown from an insignificant segment in international traffic to a relatively significant one during the last decade. What affect has the growth of the international charter market had on scheduled operations? The scheduled operators state that charters divert a substantial amount of passenger traffic away from them thereby jeopardizing their cross-subsidization system. On the other hand, charter operators claim that not only do they serve an entirely different market segment of demand for air travel thereby causing no diversion but that they in fact generate additional business for the airline industry as a whole. The purpose of this paper then, is to attempt to determine the impact, if any, that charter carriers may have on scheduled operations.

A number of hypotheses were developed which, when investigated, would indicate whether or not charter flights divert passengers away from scheduled flights. Data to test these hypotheses were obtained from questionnaires distributed, during the summer of 1970, to trans-Atlantic passengers on charter and scheduled flights. The sample size consisted of 182 charter passengers and 100 scheduled passengers.

The general conclusion was that charter and scheduled passengers have different demographic characteristics. This

implies that charter carriers may serve a different market segment of demand for international air travel. However, when the charter passengers, notwithstanding their demographic characteristics, were asked if they would still take this trip to Europe, either now or in the near future, if they had to fly on a scheduled airliner and pay the regular fare, almost fifty percent responded in the affirmative. Therefore, it appears that, over the trans-Atlantic route, charter carriers divert a substantial amount of passenger traffic away from scheduled carriers.

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CHAPTER ONE

INTRODUCTION

In the early 1960's international charter operations¹ involving Canadian carriers were quite sporadic. During this period the majority of international charter operations were conducted primarily by Air Canada and CP Air. The other Canadian carriers operating international charter flights, notably Pacific Western Airlines, Nordair, Wardair, and Worldwide, were unable at that time to develop this segment of demand for air travel. They were unable to do so because of the outdated craft they had in operation in comparison to Canada's mainline scheduled operators and foreign scheduled and non-scheduled operators.² However, by the mid sixties, the charter operators, by offering jet service, began to make significant inroads into the international market segment of the airline industry.

With the influx of charter operators into the airline industry,

...the composition of international air transport services changed rapidly during the seven year period between 1961 and 1968, due to the phenomenal

¹ Author's Note: Whenever international airline services are referred to, exclude flights to the continental United States.

² M. Rozumiah, "Canada's International Charter Market" (unpublished Bachelor's thesis, Faculty of Commerce, University of British Columbia, 1970), p. 9.

expansion of the charter market. The number of Pro Rata and Entity passengers represented by trans-Atlantic charter flights approved rose from 42,453 in 1961 to 353,553 in 1968, an increase of 732.8 percent. Over the same period, the number of unit toll revenue passengers leaving and entering Canada carried by international scheduled carriers grew from 2,005,640 in 1961 to an estimated 4,805,000 in 1968, a growth of 139.6 percent. These increases are equivalent to a compounded average annual rate of growth of 35.4 percent for charter services and 13.3 percent for scheduled services. As a result, the charter market has progressively grown from an insignificant segment in international traffic to a relatively significant one in less than a decade.³

To demonstrate the impact that the growth of the trans-Atlantic charter market has had on Canada's mainline scheduled carriers, an Air Canada Annual Report (1969) states, "While the total Canada-Europe market grew by an estimated 27 percent, scheduled traffic increased by only 8 percent. The disparity in growth rates was due to the severe inroads made by non-scheduled operators."⁴ At this point in time, Air Canada is probably more concerned with the growth of the international charter market than is CPAir. Appendix I on page 54 illustrates that the majority of international charter traffic flies over the North Atlantic and South Pacific and to the Caribbean. Appendix II on page 55 points out that charter flights to these destinations compete with 100 percent of Air Canada's and 70 percent of CPAir's international scheduled flights. However, in

³D.A.D. Saarty, Future of the International Air Charter Market, A Report to the Fifth Annual Meeting of the Canadian Transportation Research Forum, Toronto, May 5-7, 1969, pp. 3,4.

⁴Air Canada, Annual Report, 1969, p. 5.

the future, as charter flights become more popular and as new destinations are sought, some of CPAir's other international routes may face stronger competition from the charter operators.

Canada's mainline carriers are concerned with the growth of the international charter market because it jeopardizes their cross-subsidization system. This cross-subsidization dilemma can be outlined as follows:

The scheduled carriers operate a year-round route system on a regular basis, parts of which are profitable and parts of which are not. Some routes are never profitable, and some are only profitable during the peak season. To carry such a system, the scheduled airlines require a complex system of cross-subsidy. If unprofitable routes are to be operated then excess profits must be earned on other routes, otherwise the carrier would be in a deficit.

The charter carriers do not operate any unprofitable routes and, as a result, they have no requirements for excess profits with which to cross-subsidize. Therefore they can, and do, offer significantly lower fares on what have been traditionally the heavy profit routes of the scheduled airlines. By doing this, they are skimming the cream off the traffic and eventually the scheduled carriers will lose their excess profits and with them the ability to cross-subsidize to the unprofitable routes.⁵

As stated above, because the charter carriers do not operate unprofitable routes, they can offer significantly lower

⁵Letter from P.D. Watson, Market Analyst, Air Canada (Montreal), March 3, 1970.

Author's Note: This argument will be more fully discussed and appraised in Chapter Six.

fares than scheduled carriers. The fares the charter carriers set are those which would guarantee full capacity while providing for a modest profit.

The Canadian scheduled operators cannot offer competitive fares on their scheduled flights because they have, as individual companies, little control over the setting of international fares. The setting of international fares is one of the functions of the International Air Transport Association (IATA), a cartel of 104 airlines from 84 countries. Rates and fares are discussed at annual IATA traffic conferences comprised of representatives of all member carriers interested in the operation of routes concerned. Therefore, any resolution regarding fares would be, in all likelihood, in the form of a compromise and not necessarily in the interests of any one airline.

The ability of the charter operators to offer lower fares thereby diverting passenger traffic away from scheduled operators is the crux of the argument presented by the scheduled operators. On the other hand, the charter operators claim that they serve a different market for international air travel. This market demands inexpensive group travel. The charter operators believe that, "there is a public requirement for this type of travel and that the governing regulations should be drafted to ensure this requirement is met."⁶ Laidman remarks that, "As

⁶In a letter from G.D. Curley, Executive to the President, Wardair (Edmonton), February 12, 1970.

high as sixty percent of our passengers are taking their first flight and they would not have come aboard except for the cheaper fare."⁷ In the past, the scheduled operators have ignored this market. To quote Donald Jamieson, Minister of Transport, "In the early days there was a tendency for the scheduled carriers to start looking down their noses at this business, to feel that it really wasn't for them and that in some way or other that they were giving extra benefits of one kind or another that would keep the traffic going with them."⁸

The charter operators, in presenting their argument, proceed to suggest that charter flights are a market broadening device in that they aid scheduled operators by introducing more people to air travel. Laidman comments that, "Eighty percent of the Canadian population have never flown. But there is comfort for those making their first overseas trip in the companionship of people they know. After they find out how easy it is to fly, they are prone to then take trips on their own."⁹

To summarize, there are two points of view as to the effect of the growth of the international charter market. Scheduled operators claim that charter operators compete directly with their scheduled flights while charter operators state that they serve a different market segment.

⁷R.H. Laidman, quoted in "Charter--Only Way to Fly," The Sun, (Vancouver, Canada, March 29, 1969), p. 25.

⁸D. Jamieson, quoted in "The Charter Revolution," The Financial Post (November 28, 1970), p. 15.

⁹Laidman, loc. cit.

Purpose of the Study

The purpose of this paper is to investigate the impact of the growth of the international charter market on the scheduled airline carriers. Specifically, to ascertain whether or not charter carriers divert passenger traffic away from scheduled carriers on trans-Atlantic routes.

Definitions of Terms

Air Carrier: Any person or company which is licensed to operate a commercial air service.

Scheduled Carrier: Transports passengers, mail or cargo for remuneration in such a manner that each flight is open to use by the public and is operated so as to serve traffic between the same two or more points either (a) according to a published timetable or (b) with flights so regular or frequent that they constitute a recognizable systematic series.

Charter or Non-Scheduled Carrier: Restricted to carrying passengers or freight on a charter basis only. The term "charter" covers several different types; single entity, affinity or pro-rata, and inclusive tour charters.

Single Entity Charter: A charter in which the cost of transportation of passengers or cargo is paid by one person, company or organization.

Affinity or Pro Rata Charter: A charter in which the passengers transported share in part or in full the cost of transportation. That is, the cost is pro-rated to each member using the transportation. Space on a charter is not available, per se, to the public.

Affinity Charter Group: A group consisting solely of persons who will have been for a period of at least six months prior to the date of the commencement of the proposed charter flight, bona fide members in good standing of an organization¹⁰ whose aims, purposes, objectives, and actual activities are established to the satisfaction of the Air Transport Committee to be other than travel, are pursued in practice and are not merely theoretical or fanciful. Also the organization cannot publicly advertise the flight.

Inclusive Tour Charter: A charter in which the charter price includes as a minimum the cost of transportation and accommodation for the period the participants are away from the starting point of the trip and may include other services and facilities.

Charter Organizer: One who is the intermediary between the chartering organization and the airline company offering the charter. He can be either an official of the

¹⁰ Author's Note: The organization itself must be one that was formed at least one year prior to the commencement of the proposed flight.

chartering organization, a representative of the airline company, or an independent travel agent.

Charter Timetable: The length of time between the departure from and return to the point from which the charter originated.

Unit Toll Passenger: One who pays an individual regular fare.

Scope of the Study

As mentioned above, there are three types of charters. However, only the impact of the affinity charter on scheduled operators is analyzed as it is the one which most directly competes with scheduled services. The entity charter is excluded from the investigation as only one person or organization pays for the charter and therefore, cannot be considered to compete with scheduled services where each passenger or passenger group is responsible for his/its own fare. Although the inclusive tour charter is discussed in the following chapter, it is also omitted from the analysis as the primary concern of this paper is the air travel portion of a vacation and not any subsequent tours or accommodations.

The trans-Atlantic route is the focal point of this study which was conducted during the summer of 1970. The trans-Atlantic route was chosen because the process of gathering data could be expedited. It could be expedited in the sense that

during the summer period, not only do scheduled operators increase the number of scheduled flights over the trans-Atlantic but also there are more charter flights to trans-Atlantic destinations than to any other international destination.

Organization of the Study

Chapter Two discusses the literature that was useful in developing the research hypotheses of this study. Chapter Three presents these hypotheses and the reasons they must be investigated in order to ascertain whether or not charter operators divert passenger traffic away from scheduled operators on trans-Atlantic routes.

Chapter Four relates and justifies the methodology used in collecting data to analyze the hypotheses. The limitations of this methodology are also noted.

Chapter Five tabulates the findings of the questionnaires used in this study. Chapter Six draws conclusions and suggests areas for further research.

CHAPTER TWO

RELEVANT LITERATURE

The literature presented in this chapter was considered in formulating the research hypotheses of this study and in developing meaningful questions asked of charter and scheduled passengers on trans-Atlantic flights. As recent studies have concerned themselves with inclusive tour charters and not affinity charters, the results of inclusive tour charter studies will be discussed.

A study conducted by the International Civil Aviation Organization¹¹ made a distinction between inclusive tour passengers on charter services and those on scheduled services. Inclusive tour charter passengers tended to have average or below average income, were either unmarried and between the ages of eighteen to thirty or married and over forty-five years of age, and were usually craftsmen, officials, clerks, civil servants and the like. On the other hand, inclusive tour scheduled passengers tended to have average or above average income, were married and generally between the ages of thirty and sixty-five, and were usually business and professional people, including high ranking government officials.

¹¹International Civil Aviation Organization, Inclusive Tour Services in International Air Transport: A secretariat Study, (Montreal), Document 8244-AT/717, p. 12.

A Civil Aeronautics Board research study¹² revealed that inclusive tour charter passengers visiting Hawaii, when compared to all visitors to Hawaii were, on the average, older, more likely to be females, less affluent, and were taking their first trip to the Islands. Appendix III on page 56 compares the characteristics of charter and scheduled passengers on both flights over the trans-Atlantic and to Hawaii. This study suggests that since the characteristics of the inclusive tour charter passenger differ in many respects from those of the passenger using scheduled services, it is an indication that the inclusive tour charter passenger represents new business to the airlines. This study concludes by claiming that newly generated air passengers tend to stay in the market and continue to use air transportation for recurring trips. In more specific terms Jack Dalby, Regional Sales Manager for Air Canada, was quoted as stating, "Once people start flying, they will continue to travel that way. The more people that can be induced to fly, whether by charter or scheduled airlines, the better for us."¹³

There are two major deterrents to air travel: fear of flying and the cost of air travel.¹⁴ It has been statistically

¹²Civil Aeronautics Board, Economic Impact of Inclusive Tour Charters on Scheduled North Atlantic Services, A Report Prepared by the Bureau of Economics (Washington, D.C.: Civil Aeronautics Board, January 1969), pp. 13-15.

¹³J. Dalby, quoted in "Group Travel Aids Major Airlines," The Sun, (Vancouver, Canada, January 30, 1970), p. 21.

¹⁴Behavior Science Corporation, New Markets for Air Travel, A Study Prepared for Air Canada, (Van Nuys, California), Summary Volume I, p. 16.

shown that "fear of flying drops to less than one-fourth its normal intensity if the person has experienced only one to three round trips by air. With increased exposure to air travel, these fears continue to decline to relatively unimportant levels."¹⁵

Saarty¹⁶ discusses the cost of air travel. He makes the observation that there is a strong positive relationship between family income levels and the choice of service in non-business travel and that the charter industry satisfies the needs of the relatively more price elastic demand at the lower half of the income curve. He states that as discretionary income rises and the price of air travel, relative to that of other goods and services, decreases in real terms, a shift in consumer preference toward travel can be expected. As Hunter explains it, "The majority of passengers on charter flights are people of limited means who simply would not travel if they had to pay two or three times as much for a regular scheduled ticket."¹⁷

Saarty¹⁸ and Williams¹⁹ both claim that the total market scope for international air travel would widen considerably

¹⁵Ibid., p. 17.

¹⁶Saarty, op. cit., p. 14.

¹⁷G. Hunter, quoted in "Charter Flights Add Business," The Financial Post, (February 7, 1970), p. 7.

¹⁸Saarty, op. cit., p. 15.

¹⁹J.E.D. Williams, "Holiday Travel By Air," Institute of Transport Journal, (May, 1968), p. 371.

if one could bring the inclusive cost of a foreign holiday down to no more than the cost of a holiday at home, or close to the average personal disposable income per family-head for his/her vacation period.

The above literature is incorporated into some of the hypotheses found in the following chapter. These hypotheses will be analyzed in order to determine the validity of this literature.

CHAPTER THREE

RESEARCH HYPOTHESES

This chapter presents a number of hypotheses which must be investigated in order to ascertain whether or not charter carriers divert passenger traffic away from scheduled carriers on trans-Atlantic flights.

The first five hypotheses discuss probable income, occupation, age, marital status, and sex characteristics of charter and scheduled passengers. These hypotheses are investigated in order to determine whether or not charter passengers are significantly different than scheduled passengers. If they are different, then it can be said that charter operators serve a different market segment of demand for international air travel. If they are similar, then it can be assumed that charter operators divert passenger traffic away from scheduled operators. Table I on page 15 demonstrates the interdependence of these five variables. However, to facilitate the analysis, each variable will be analyzed independently.

The next two hypotheses are aimed at determining the number of charter passengers whose only consideration was to fly charter. One deals with the fear of flying and the other the cost of flying. Notwithstanding their demographic characteristics,

TABLE I²⁰

INTERDEPENDENCE OF INCOME, OCCUPATION,
MARITAL STATUS, AND SEX VARIABLES

	<u>Income</u>	<u>Occupation</u>	<u>Age</u>	<u>Marital Status</u>	<u>Sex</u>
Income	-	X	X	X	X
Occupation	X	-			X
Age	X		-	X	
Marital Status	X		X	-	X
Sex	X	X		X	-

those charter passengers, who would only fly to Europe on a charter, cannot be considered to constitute a diversion from scheduled carriers.

Charter operators claim that they create additional business for the airline industry as a whole. The last hypothesis attempts to verify this claim.

Hypothesis One: Income

The majority of charter passengers earn less than \$7,500 per year while the majority of scheduled passengers earn more than \$10,000 per year.

²⁰ Author's Note: Chi squared analysis which is discussed in Chapter Five, was used to determine the interdependence of these variables. Those variables which are interdependent are designated with an "X".

Cost has often been referred to as the single major deterrent to air travel. As the plane fare to an overseas destination decreases, or as the cost of a vacation abroad approaches that of a vacation at home, the greater the likelihood that those who previously have been unable to afford to fly abroad may then be so inclined. Generally speaking, since charter carriers offer lower fares than scheduled carriers, one would expect to find proportionately more passengers earning less than \$7,500 per year on charter flights.

The median annual income for charter and scheduled passengers is \$8,500. In completing the questionnaires, scheduled passengers were asked to state their income while charter passengers were asked to check (✓) their appropriate income range. In order to compare the data of these two groups, the income range of \$7,500 - \$10,000 was deemed to be equivalent to the median income of \$8,500 and was thus used for the purpose of this hypothesis.

Hypothesis Two: Occupation

The majority of charter passengers tend to be either unemployed or employed in occupations which permit extended vacations whereas the majority of scheduled passengers are employed in occupations which do not permit extended vacations.

For the purposes of this hypothesis, trans-Atlantic passengers can be divided into two groups. One group (Group I)

would comprise those who are unemployed or employed in occupations which can be generally considered not to restrict their ability to enjoy extended vacations.²¹ Those who are classified as unemployed include housewives, students, and those who are retired. Occupations which are thought to permit extended vacations include teachers, professors, and others who would be free from business commitments for a number of consecutive weeks (more than three) during the year. Since the duration of most charter flights is three to eight weeks, one would expect that the majority of charter passengers could be classified under this group.

The other group (Group II) would comprise those whose occupations are generally considered to restrict their ability to enjoy extended vacations. Craftsmen, professionals, those involved in technical and clerical duties, and those who are self-employed could be placed in this group. As the majority of those who are classified under this group are unable to enjoy extended vacations, they require a more flexible schedule in order to depart and return on specific dates. Thus, if they wish to fly to Europe, they must do so on a scheduled airliner.

²¹ Author's Note: An extended vacation is considered to be a minimum of three weeks in length. As most charters are for a three to eight week duration, the major barrier preventing a person from flying charter would be eliminated. Other barriers include being able to arrange the vacation to coincide with a carrier timetable and being a member of the chartering organization six months prior to the departure date of the charter.

Hypothesis Three: Age

The majority of charter passengers are younger than twenty-six or older than fifty-five while most scheduled passengers are between these ages.

Those under twenty-six and over fifty-five are more able to arrange their vacation to meet the charter timetable. The majority of those under twenty-six are either students with long summer vacations or people between jobs. An article by Schein states that, "Almost every large company admits to losing within five years more than half of the new college graduates who have been hired."²² This statistic may also be applied to high school graduates who, having less education, have greater job mobility in the sense that they have inferior but more jobs available to them. The proposition to be made here is that those under twenty-six, being more mobile than those who are older, may be inclined, when between jobs, to travel. The age of twenty-six was derived by adding the "five years" referred to in the above quote to the probable average age of high school and university graduates.

Those over fifty-five years of age have minimum family commitments and are either retired or have been employed with the same firm long enough to be permitted an extended vacation.

²²E.H. Schein, "The First Job Dilemma," Psychology Today, (March, 1968), p. 28.

A telephone survey²³ conducted by the Author revealed that after twenty years service the majority of people are permitted a three to five-week paid vacation per year.²⁴ Therefore, the age of fifty-five was thought to be a testable upper age limit, for the purpose of this hypothesis.

On the other hand, those between these ages are less able to arrange their vacation to meet the charter timetable. Generally speaking, they are more tied to the home because they either have not worked for the same firm long enough to enjoy an extended vacation or have family commitments. These people, if they wish to travel to Europe, must fly scheduled.

Hypothesis Four: Marital Status

Proportionately more unmarried travellers fly charter than scheduled.

Since unmarried travellers have fewer family responsibilities, they would be more able than their counterparts to take an extended vacation, other variables being equal.

²³Author's Note: On November 6, 1970 the author spoke with the representatives of the International Woodworkers Association, Canadian Union of Public Employees, Construction Labour Relations Association, International Longshoremen's and Warehousemen's Union, Royal Trust Company and The Toronto-Dominion Bank.

²⁴Author's Note: The author is aware that some employees of various organizations are in a responsible position such that while they are permitted four weeks paid vacation per year, are asked to take no more than two weeks at one time. However, the percentage of these employees is relatively insignificant when compared to the total working population.

Hypothesis Five: Sex

Proportionately more female travellers fly charter than scheduled.

In all likelihood, female travellers are more able to fly charter than male travellers. They are either (a) housewives whose husbands have allowed them to travel abroad for an extended vacation or (b) secretaries and clerks who, because of the nature of their work, are more mobile than most men. They are more mobile because, as in the case of the high school graduate previously mentioned, they have inferior but more jobs available. Therefore, these secretaries and clerks could be more inclined to quit their present job to travel knowing that upon their return they could more easily find a new job.

Hypothesis Six: Group Travel

Charter passengers associate a greater degree of fear with air travel than do scheduled passengers.

"Fear" is reputed to be the second major deterrent to air travel. Laidman²⁵ implies that for the person who has never flown, travelling with friends may lessen his anxiety with regard to air travel. Since a charter flight is, by definition, chartered by a club or organization, a person would have the opportunity of travelling with friends or acquaintances. Therefore, one can assume that a person, whose fear has prevented him from flying, may be induced to fly charter, whereas flying scheduled would not be considered.

²⁵See Laidman's first comment on page 5.

Hypothesis Seven: To Europe: Only by Charter

The majority of charter passengers would not fly to Europe if they could not fly charter.

Charter passengers, notwithstanding the demographic characteristics mentioned previously, would not consider paying more than the charter fare in order to fly to Europe. If this is the case, then charter operators would have little diversion effect on scheduled operators.

Hypothesis Eight: New Business

Charter carriers create new business for scheduled carriers, both domestic and foreign.

The purpose of this hypothesis is to investigate the possibility that, while a number of potential travellers are afraid of air travel and would not normally fly, some may be induced to fly charter because of the saving in air fare. These passengers, if they enjoy the air travel portion of their trip, may be more inclined to fly in the future instead of using other competitive forms of transportation. Two factors lead to the formulation of this hypothesis. First, 60 percent of the charter passengers are taking their first flight and would not have flown except for the reduced fare.²⁶ Second, exposure to air travel causes a decline in the fear of flying.²⁷ If these statements are true, then charter operators could be credited for

²⁶ See Laidman's comment on pages 4-5.

²⁷ See findings of Behavior Science Corporation on page 12.

stimulating more business for the airline industry as a whole.

Also, it is possible that some of the charter passengers who would not travel to Europe, except by charter, may use scheduled carriers between some of the major European cities. It follows that if charter flights were not offered, these passengers would not vacation in Europe and obviously could not avail themselves of the services of the European scheduled operators. Therefore, Canadian charter carriers could be credited for creating, to an extent, additional traffic for the European scheduled operators.

Appendix IV and V on pages 57 and 62 respectively outline the questions found in the charter and scheduled questionnaires from which data are obtained to investigate these hypotheses.

CHAPTER FOUR

RESEARCH METHODOLOGY

Although the conflict between the charter and scheduled operators is not a new one, little information has been published as to whether or not charter operators divert passenger traffic away from scheduled operators on international flights. Many queries were written to airline companies and organizations. The typical reply was that they have not conducted such studies or that they have but considered the results confidential. Therefore, primary research had to be undertaken. Interviews were held with airline and travel agency officials but at best could only offer background information. Thus, in order to obtain a substantial amount of meaningful information, the author decided to approach the trans-Atlantic charter and scheduled passengers.

There were two basic methods of extracting information from these passengers: the personal interview and the questionnaire. The airlines were reluctant to make their manifests available²⁸ and thus the respondents had to be contacted either at the airport or at the charter pre-flight meetings. Since

²⁸ Author's Note: The airlines wished to safeguard their goodwill by protecting the privacy of their clientele.

the amount of time for personal contact at the airport and pre-flight meetings was limited, the questionnaire was the more acceptable method.

Different procedures were used in distributing the questionnaire to charter and scheduled passengers. The charter respondent could be asked to complete the questionnaire at four possible times: (a) on board the plane, (b) at the charter group's pre-flight meeting which is held approximately two weeks prior to the departure date, (c) while waiting to board the plane or (d) when disembarking from the plane upon return to Vancouver. The latter two possibilities were rejected as the respondents would not have sufficient time to complete the questionnaire. They would be too engrossed with salutations which are an integral part of any flight. Nevertheless, on one occasion, questionnaires were distributed to members of the British Columbia Teachers' Federation at the baggage check-in counter of the Vancouver International Airport. They were asked to complete the questionnaires before boarding the plane. As expected, the response was poor. Only fifteen people (approximately twenty-five percent) responded.

At first, the author was unable to secure permission from the airline companies to have the questionnaires distributed on board the plane. The reason given was that the handling of the questionnaires by their personnel may impede customer service. Also, many group organizers refused permission to have

the respondents complete the questionnaire at charter pre-flight meetings. These organizers claimed that because organizing charters was a very competitive business, they would not allow anything to jeopardize their success.

However, the organizer for the Pacific International Sea and Ski Association allowed the author to have the passengers, on two of his charters, complete the questionnaires while on board the plane. One charter left Vancouver on June 30, 1970, for London, England on Pacific Western Airlines. Seventy-seven people (approximately eighty percent) responded. The other charter left Vancouver on July 2, 1970 for Frankfurt, Germany on Transavia Airlines (Holland). Forty-nine people (approximately forty-four percent) responded.

Also, the organizer for the English Speaking Union and the Vancouver Supper Club granted permission to distribute the questionnaires during their concurrent pre-flight meetings. However, permission was granted on the understanding that the number of questions concerning the fear of flying would be reduced. The pre-flight meeting was held on August 18, 1970, at the Holiday Inn (Vancouver). Altogether, forty-two people (approximately eighty-four percent) responded.

As there are no pre-flight meetings for scheduled passengers paying the regular individual fare,²⁹ the scheduled

²⁹ Author's Note: A distinction is made between scheduled passengers paying the regular or excursion fare and those paying the group fare. Those paying the group fare were ignored

respondents could only complete the questionnaires while on board the plane or at the airport terminal. As previously mentioned, the first alternative was not permissible.

The author intended to distribute the questionnaires at the baggage check-in counter at the Vancouver International Airport. However, it was suggested that the questionnaires be distributed to the scheduled passengers as they entered their departure lounge.³⁰ The advantages of distributing the questionnaires at the departure lounge rather than at the baggage check-in counter are: (a) less time is involved as travellers arrive at the baggage check-in counter up to two and one half hours prior to the flight while they enter the departure lounge only one hour prior to the flight, (b) passengers are still involved in last minute conversation around the baggage check-in area while at the departure lounge they are separated from those saying farewell and (c) there can be up to four baggage check-in counters in use but only one departure gate.

The questionnaires were distributed to regular paying passengers on CPAir's Amsterdam flights during the period June 15 to July 6, 1970. The questionnaires were not distributed to Air Canada's trans-Atlantic passengers as Air Canada was conducting its own survey during the same period data were being collected for this paper.

in distributing the questionnaires as their characteristics approached those of a charter passenger. Where scheduled passengers are mentioned, regular or excursion paying passengers are referred to.

³⁰Interview with G.V. Barlow, Customer Service Manager, CPAir, June 15, 1970.

The scheduled passengers were able to complete the questionnaires in the departure lounge as it consisted of only two pages and the respondent had approximately forty-five minutes before boarding the plane. On the other hand, charter passengers would have been unable to complete the questionnaire as it consisted of three pages and the respondent only had approximately fifteen minutes before boarding the plane.³¹

The questionnaires were distributed only to charter and scheduled passengers who actually paid for the plane fare(s), that is, to the person who, in all likelihood, made or at least shared in the decision to fly either charter or scheduled. If a family group was travelling, the senior member was asked to complete the questionnaire. If a person was travelling alone, he was asked to complete the questionnaire. To insure that the desired respondents completed the questionnaires, the author personally distributed them as the passengers entered the departure lounge, the plane, and the pre-flight meeting.

The questionnaires which were completed by the charter passengers on board the plane were collected by the stewardesses before the plane reached its destination. The questionnaires were then put on the first plane returning to Vancouver. The

³¹ Author's Note: Scheduled passengers were asked to report to the departure lounge one hour before departure in order to have their seats assigned. However, charter passengers have their seats previously assigned and are asked to congregate at the departure gate only fifteen minutes prior to departure of the flight.

charter respondents answering the questionnaires at the pre-flight meeting and the scheduled respondents answering the questionnaires in the departure lounge returned them to the author immediately upon completion.

This study analyzes the responses of 182 charter and 100 scheduled passengers on trans-Atlantic flights.

Limitations of the Methodology

This study is not wholly representative of the charter population because of the lack of an adequate amount of co-operation on the part of charter organizers and airline companies. Appendix VI on page 66 categorizes all Canadian originating charterers for the period May to July 1969. Compared to the total number of Canadian originating charterers during this period, the religious and ethnic, athletic and recreation, social, and educational groups investigated represented twenty-three, sixteen, eight and five percent respectively. Therefore, it can be estimated that only fifty-two percent of all Canadian originating charterers were sampled. Also, except for the athletic group, only a token sample size was obtained from these groups. However, this paper is intended only to be a preliminary study looking at some of the variables which may be important in determining whether or not charter and scheduled passengers have different characteristics. Thus, the results obtained from this sample should prove sufficient for this paper to indicate the probable diversion effect, if any, the charter carriers have on scheduled operations.

CHAPTER FIVE

RESEARCH FINDINGS

This chapter will interpret the data produced by the questionnaires distributed to 182 charter and 100 scheduled passengers on trans-Atlantic flights. The findings will be analyzed in terms of the various hypotheses outlined in Chapter Three.

In order to facilitate the questionnaire analysis a University of British Columbia packaged computer program called the "Multivariate Contingency Tabulations" was used. "Considering one question (variable) at a time (univariate case) it will count the number of people (subjects) who gave each response to the question, and output the univariate frequency table and univariate total percentage table so derived. Considering two questions at a time (bivariate case) the program will construct a bivariate frequency table of each pair of responses...and upon request, tables of horizontal and/or vertical and/or total percentages."³²

An important feature of this program, in the bivariate case, is the computer's ability to undertake chi-square analysis.

³²J. Bjerring et al, "Multivariate Contingency Tabulations," (The University of British Columbia Computing Centre, mimeograph, May 1970), pp. 3,4.

The chi-squared statistic is used to decide whether observed differences among two or more sample percentages are significant or whether they can be attributed to chance (whether or not two variables are independent). If the chi-square probability (CHIPROB) value is less than 0.05 the user rejects the null hypothesis that the two variables are independent and concludes that they are significantly related.

Hypothesis One: Income

Surprisingly, "cost" does not appear to be a major reason people have not previously travelled by air. Table II on page 31 illustrates that the majority of people have not flown before either because they found it unnecessary or because they lacked the opportunity. The cost of air travel ranked third.

Nevertheless, charter passengers tend to earn less income than scheduled passengers. Table III on page 31 demonstrates that 63 percent of those travelling charter earned under \$7,500 per year while 37 percent earned over \$10,000. In contrast, 38 percent of those travelling scheduled earned under \$7,500 per year while 62 percent earned over \$10,000.

Hypothesis Two: Occupation

As stated in the Research Hypothesis chapter, passengers who were classified under Group I were thought to be unemployed or employed in occupations which permit extended

TABLE II

REASONS FOR NOT PREVIOUSLY TRAVELLING BY
AIR CHARTER AND SCHEDULED PASSENGERS
(In Percent)

<u>Reason</u>	<u>Passenger</u>	<u>Agree</u>	<u>Neutral</u>	<u>Disagree</u>
Never found it necessary	Charter	69.23	7.69	23.08
	Scheduled	50.00	50.00	-
Cost was too high	Charter	60.00	-	40.00
	Scheduled	42.86	28.57	28.57
Had no traveling companion	Charter	11.11	33.33	55.56
	Scheduled	-	50.00	50.00
Never had the opportunity	Charter	60.00	10.00	30.00
	Scheduled	62.50	37.50	-
Was afraid of flying	Charter	27.27	18.18	54.55
	Scheduled	60.00	20.00	20.00
Preferred other modes of travel	Charter	27.27	36.36	36.36
	Scheduled	20.00	40.00	40.00

TABLE III

INCOME COMPARISON: CHARTER AND
SCHEDULED PASSENGERS
(In Percent)

	<u>Under \$7,500</u>	<u>Over \$10,000</u>
Charter Passenger	62.86	37.14
Scheduled Passenger	38.46	61.54

CHIPROB: 0.00201 - Charter passengers have a lower level of income than scheduled passengers.

vacations. Those who were classified under Group II were thought to be employed in occupations which restrict extended vacations. Accordingly, it was hypothesized that the majority of charter passengers could be classified under Group I whereas the majority of scheduled passengers could be classified under Group II.

Table IV on this page shows that although the above hypothesis is supported, its CHIPROB relates that the occupations of charter and scheduled passengers are not significantly different.

TABLE IV

OCCUPATION COMPARISON: CHARTER AND
SCHEDULED PASSENGERS

(In Percent)

	<u>Group I</u>	<u>Group II</u>
Charter Passengers	58.78	41.18
Scheduled Passengers	46.66	53.34

CHIPROB: .05238 - The occupations of charter and scheduled passengers are not significantly different.

The author would like to speculate as to the probable reasons which would account for the fact that a significant number of passengers classified under Group I fly scheduled and a significant number of passengers classified under Group II fly charter. Although the occupations (or lack of an occupation) classified under each group were considered homogeneous to the extent that they either permit or restrict extended vacations, within any one specific classification a certain degree of heterogeneity may exist. This heterogeneity could be attributed to different demographic characteristics or other special circumstances which may exist between those of the same occupation. For example, while some teachers or housewives may have pre-arranged their vacation to coincide with a charter flight, others may have (a) preferred to pay for the luxury of a flexible timetable and thus flew scheduled, (b) neglected to plan their trip far enough in advance (six months) and therefore were ineligible to take a charter, (c) been unsuccessful in finding a suitable charter or (d) not been aware of the workings of a charter and thus did not consider one at all. Similarly, while a number of professionals, craftsmen or clerks are unable to enjoy extended vacations; some professionals may conduct their own business and thus be able to choose their own time and length for a vacation; some craftsmen may be hired for a specific project after the completion of which their time is their own; some clerks may have been employed by the same firm long enough to be permitted an extended vacation; and any of the above may

have been granted a leave of absence. To summarize, it is impossible to conclusively differentiate between charter and scheduled passengers based on occupation per se. Other intervening variables must be considered.

Hypothesis Three: Age

Table V below shows that the major difference between the ages of charter and scheduled passengers is that there is a substantially higher percentage of charter passengers under the age of twenty-six and a substantially higher percentage of scheduled passengers between the ages of twenty-six and fifty-five. The percentage of charter and scheduled passengers over fifty-five is almost identical.

TABLE V

AGE COMPARISON: CHARTER AND
SCHEDULED PASSENGERS
(In Percent)

	<u>Under 26</u>	<u>27-54</u>	<u>Over 55</u>
Charter passenger	41.00	43.80	15.20
Scheduled passenger	22.10	60.00	17.90

CHIPROB: 0.00753 - The ages of charter and scheduled passengers are significantly different.

The average ages of the charter and scheduled passengers are 35.9 and 39.6 respectively. The figure for the charter passengers might not be entirely representative of the charter population as 125 of the 180 charter passengers investigated were members of an athletic organization. It would not be erroneous to assume that such an organization would be comprised, to a large extent, of relatively young members.

Hypothesis Four: Marital Status

Table VI on page 36 illustrates that although an equal percentage of charter passengers are either single or married, proportionately more single travellers fly charter while proportionately more married travellers fly scheduled. Again, the figure for the charter passengers might not be representative of the charter population for the reason stated previously. Assuming that a large number of members of an athletic group fall into a younger age bracket, in all likelihood, a greater percentage of them would not be married.

Hypothesis Five: Sex

As hypothesized, Table VII on page 36 shows that there is proportionately more female travellers on charter flights.

As the questionnaires were only distributed to the senior member of each family group, the table must be adjusted for the wives who accompanied 50 percent of the 31 percent male

charter passengers and those who accompanied 30 percent of the 61 percent male scheduled passengers.

TABLE VI

MARITAL STATUS COMPARISON:

CHARTER AND SCHEDULED PASSENGERS

(In Percent)

	<u>Single</u>	<u>Married</u>
Charter passenger	50.45	49.45
Scheduled passenger	35.80	64.20
CHIPROB: 0.04900 - The marital status of charter and scheduled passengers is significantly different.		

TABLE VII

SEX COMPARISON: CHARTER

AND SCHEDULED PASSENGERS

(In Percent)

	<u>Male</u>	<u>Female</u>
Charter passenger	30.77	66.48
Scheduled passenger	61.00	39.00
CHIPROB: 0.00001 - Proportionately more female travellers fly charter than scheduled.		

Hypothesis Six: Group Travel

Table II on page 31 demonstrated that fear of flying did not rank as one of the major reasons one has not previously flown. It also appears that the security of group travel is not a major consideration in taking a charter. Referring to Table II again, only 11 percent of those who have not previously flown did not because they had no travelling companion. Also, while 95 percent of the charter passengers responded that they were flying charter due to cost, only 23 percent were flying charter to travel with a group. To make this figure appear insignificant, of these 23 percent, 74 percent would still fly to Europe if they could not travel with a group.

Nevertheless, assume that a large number of those who have not previously flown because of their fear of air travel, do fly charter with the expectation that group travel would reduce this fear. Then, one would expect these passengers, when ranking various methods of transportation according to safety, would place the plane further down the list than would passengers on scheduled carriers who have never flown before. Also, notwithstanding this, one would expect all those who have never flown before, whether they fly charter or scheduled, would rank the plane as being less safe than would experienced or inexperienced persons.

Tables VIII and IX on page 38 indicate that the respondents, whether charter or scheduled passengers, whether

TABLE VIII

RANKING OF MODES OF TRANSPORTATION:
 ACCORDING TO SAFETY, CHARTER PASSENGERS
 (By Rank Order)

	<u>Car</u>	<u>Bus</u>	<u>Plane</u>	<u>Train</u>	<u>Ship</u>
Experienced Passenger - more than 6 flights in last 2 years	5th	4th	2nd	3rd	1st
Inexperienced Passenger - nil to 6 flights in last two years	5th	4th	2nd	3rd	1st
Passenger experiencing his first flight	5th	4th	3rd	2nd	1st

TABLE IX

RANKING OF MODES OF TRANSPORTATION:
 ACCORDING TO SAFETY, SCHEDULED PASSENGERS
 (By Rank Order)

	<u>Car</u>	<u>Bus</u>	<u>Plane</u>	<u>Train</u>	<u>Ship</u>
Experienced Passenger - more than 6 flights in last two years	5th	4th	2nd	3rd	1st
Inexperienced Passenger - nil to 6 flights in last two years	5th	4th	2nd	3rd	1st
Passenger experiencing his first flight	5th	4th	1st	2nd	3rd

experienced or inexperienced flyers or those taking their first flight, almost gave the identical rank to the various modes. However, a marked difference was noted in the ranking of the plane by charter and scheduled passengers experiencing their first flight. This might possibly support the proposition that those who have never flown before due to fear of air travel, might prefer to fly with a group (charter) of which they are a member, with the expectation that it would lessen their anxiety with regard to air travel.

Due to the time and methodology constraints under which this study was conducted, the measurement of the charter and scheduled passengers' fear of air travel was handled as well as possible. However, the reader should be cautioned as to the reliability of the findings found under the hypothesis concerning group travel. Not only might a number of the respondents be reluctant to acknowledge their fear of air travel but, in many cases, in order to reinforce their decision to fly, might biasly respond that they do not fear air travel.

Hypothesis Seven: To Europe: Only by Charter

A number of findings produced by the charter and scheduled questionnaires seem to indicate that charter operators divert a substantial amount of passenger traffic away from scheduled operators on trans-Atlantic flights. Forty-seven percent of the charter passengers stated that they would still

travel to Europe if they had to pay the regular fare and 74 percent would still travel to Europe if they could not travel with their club or organization. Twenty-two percent would have flown scheduled if they could not have arranged their vacation to coincide with either the charter timetable or departure and arrival dates. Forty-five percent of the charter passengers have previously paid for an overseas flight on a scheduled airliner. Also, as Table X below illustrates, approximately 23 percent of the charter passengers indirectly expressed a willingness to pay the scheduled fare.³³

TABLE X

CHARTER PASSENGERS' WILLINGNESS TO PAY

THE SCHEDULED FARE

(In Percent)

How much more would you be willing to pay to make this flight on a scheduled airliner?

NIL	\$1-\$50	\$51-\$99	Over\$100
21.93	27.77	27.77	22.73

It also should be pointed out that 9 percent of the charter passengers, before taking their flight, considered

³³ Author's Note: Air Canada's cheapest Vancouver to London summer fare is \$471 return (29-45 day excursion). As the average charter fare during the same period is about \$320, those charter passengers who express a willingness to pay more than \$100 to fly to Europe, could constitute a diversion from scheduled carriers.

flying to a continent other than Europe and another 9 percent considered flying to other parts of Canada and/or the continental United States. It could be implied from this that if these passengers were unable to fly charter to Europe, they might have gone to one of these other destinations. Since mainly scheduled carriers operate between other continents and since only scheduled carriers operate inside Canada and the continental United States, this 18 percent could constitute an indirect diversion of traffic from scheduled carriers on other routes.

Thirty-one percent of the scheduled passengers responded that they first attempted to fly charter. As more clubs and organizations offer more charter flights, the number of different charter timetables and departure and arrival dates will increase and with it the opportunity of similar scheduled passengers, who are able to take an extended vacation, to arrange their vacation to meet a charter timetable.

Hypothesis Eight: New Business

Thirteen percent of the charter passengers were taking their first flight. Sixty-seven percent of them stated that, although they were somewhat afraid of flying, they could not pass up this opportunity to fly to Europe at a reduced fare. Of these 67 percent, 57 percent (five percent of the population) responded that if they enjoyed the plane trip they would fly more often. Therefore, it appears that charter

carriers may create some additional business for the airline industry as a whole. Also it should be pointed out that 10 percent of the scheduled passengers took their first flight on a charter carrier. It would be of relevance to obtain similar information from scheduled passengers on domestic routes.

Twenty percent of the charter passengers, who would not go to Europe if they could not travel charter, planned to use scheduled airlines in Europe. These passengers represent 12 percent of the charter population and constitute additional business for foreign scheduled operators on their domestic routes. Therefore, given the above, we can assume that foreign charter operators would also create additional business for North American scheduled operators on domestic routes.

CHAPTER SIX

SUMMARY AND CONCLUSIONS

Summary

The charter airline market has progressively grown from an insignificant segment in international traffic to a relatively significant one in less than a decade. The scheduled operators, concerned with the inroads the charter operators have made in the international market, claim that these charter operators divert a substantial amount of passenger traffic away from them to jeopardize their cross-subsidy system. On the other hand, the charter operators not only state that they cause no diversion because they serve a different market segment of demand for international air travel but that they in fact create new business for the scheduled operators. In order to clear up this issue, the purpose of this paper was to investigate whether or not, on trans-Atlantic flights, charter operators divert passenger traffic from scheduled operators.

Conclusions

The findings indicate that of the demographic variables tested, charter and scheduled passengers appear to have different characteristics. Generally speaking, the majority of charter passengers had an annual income of less than \$7,500, were

unemployed or had an occupation which allowed them an extended vacation, tended to fall into a young age bracket, were single, and were female travellers. On the other hand, the majority of scheduled passengers had an annual income of more than \$10,000, had an occupation which did not allow them an extended vacation, tended to fall into the middle-age bracket, were married, and were male travellers.

However, while the income, age, marital status, and sex variables were found to be statistically significant, the occupation variable was not. This implies that occupation alone is not a reliable indicator as to whether or not a person will fly charter. To take this point one step further, this is perhaps an indication that no one variable can be used effectively to distinguish between a charter and scheduled passenger.

The author believes that the primary factor which distinguishes a charter passenger from a scheduled passenger is his ability to enjoy an extended vacation. In order to ascertain one's ability to take an extended holiday, the occupation, age, marital status, and sex variables must be considered in conjunction with each other. However, even then the results are not conclusive. It must be remembered that scheduled passengers could consist of those who are able to enjoy an extended vacation but (a) could not arrange their vacation to coincide with a charter timetable or (b) preferred the convenience of a flexible timetable and were willing to pay for that convenience.

The assumption that a large number of people who have not previously flown would prefer to fly charter (to be in the company of friends) in the hope that it would lessen their anxiety towards air travel appears to be invalid for two reasons. First, only a small percent of charter passengers responded that they never have flown before because of their fear of air travel. And second, all trans-Atlantic passengers, whether flying charter or scheduled, whether experienced or not, almost identically ranked the five modes of transportation. Given that a person can take an extended vacation, then cost is by far the major consideration in flying charter, not group travel.

The hypothesis that charter passengers would not go to Europe if they could not fly charter was not substantiated. Almost one half of the charter passengers said they would still travel to Europe if they had to pay the regular fare or travel without their group.

Charter operators appear to create new business for scheduled operators both domestic and foreign but the evidence is not conclusive. However, the author believes that the new business generated does not compensate the scheduled operators for the diversion of traffic on the trans-Atlantic routes.

To conclude, generally speaking, charter passengers have certain different demographic characteristics than scheduled passengers but approximately 47 percent of the charter

passengers would still travel to Europe, in the near future, if they had to pay the regular scheduled fare. Thus, it appears that, on trans-Atlantic routes, charter carriers divert a significant amount of passenger traffic away from scheduled carriers.

Concluding Comments

On page 3, reference was made to the cross-subsidization argument put forth by the scheduled carriers. The author believes that scheduled carriers are unjustified in denouncing charter operators on the basis that they jeopardize their cross-subsidy system. The reasons are twofold. First, a system of cross-subsidy cannot exist in the long run. Whenever excess profits characterize a particular market or industry, new participants will be attracted or less expensive substitutes sought. In time, the excess profits will be eliminated thereby jeopardizing the cross-subsidy system. Such is the case on the trans-Atlantic routes. Charter flights are a less expensive substitute for scheduled flights.³⁴ In a desperate battle to keep the passenger loads up on scheduled flights the International Air Transport Association has in recent years counteracted with a dazzling variety of special incentive fares.³⁵ These fares have

³⁴ Author's Note: Although there have been no new Canadian entrants into the international charter market in the past few years, no restrictions on entry have been imposed by the Canadian government.

³⁵ B. Baxter, "The Charter Revolution," The Financial Post, (November 28, 1970), p. 16.

been successful in that they attracted more people than ever before. However, with regard to the industry as a whole, "The yield has steadily gone down over the last four years, quite dramatically, as a result of these fares."³⁶

Second, some routes which operate at a loss cannot be considered unprofitable per se. If a person wished to fly from Victoria to Toronto, for example, he would have to transfer to a transcontinental flight at Vancouver. As Air Canada serves the Victoria to Vancouver route he would, in all likelihood, fly both segments of his trip via Air Canada. However, if only regional carriers served the Victoria to Vancouver route, he may possibly choose to fly CPAir from Vancouver to Toronto and not Air Canada. In this case, Air Canada, if they operated the Victoria to Vancouver route at a loss, could not claim that the route was wholly unprofitable. The reason is that this route feeds a certain amount of traffic onto Air Canada's transcontinental flights, some of which may have gone to CPAir. Thus, the overall route should be examined in order to determine profitability and not any one segment. Also, the scheduled operators are unjustified in claiming that a route, which presently operates at a loss but which is expected to operate at a profit in the future, is unprofitable per se.

³⁶Z. Clark, quoted in, "The Charter Revolution," The Financial Post, (November 28, 1970), p. 15.

To summarize, if there is a demand for inexpensive international air travel, and the findings indicate there is, then charter operators should be allowed to provide their services. At the same time, if the scheduled operators discontinue or allow regional carriers to take over their less profitable routes, then the cross-subsidy problem would be of less concern to them. At present, this is the case. Air Canada is embarking on a regional carrier policy which will, with the consent of the Air Transport Committee,³⁷ relinquish some of their less profitable routes to regional carriers which, with smaller craft, could make the route more profitable. The routes from Victoria to Seattle and Lethbridge to Calgary have recently been turned over to Pacific Western Airlines and Time Airways respectively.

Obviously scheduled operators should be and are easily able to compete in the charter market. Appendix VII on page 67 shows that Air Canada's and CPAir's 1969 shares of the charter market have substantially increased over their 1968 market shares. This increase was due to their more active participation in the charter market. The scheduled airlines do not consider their charter operations to be in direct competition with their scheduled operations. They have recently accepted the fact that charter flights are here to stay and therefore have entered the charter market to compete with other operators, both charter and scheduled who offer charter flights.

³⁷ Author's Note: The Air Transport Committee, under the Canadian Department of Transport, controls all route licencing and fare schedules.

However, in the future, the scheduled operators will have to rely on the businessman to support their scheduled trans-Atlantic flights. As mentioned before,³⁸ as the availability of charter flights increases, so will the opportunity of prospective scheduled passengers to fly charter. These passengers, who could afford to fly scheduled but who can arrange their vacation to fit a charter timetable, will fly charter and use the saving in plane fare to help pay for the other costs of their holiday abroad.

Suggestions for Further Research

This paper has been a preliminary study to investigate whether or not charter operators divert passenger traffic away from scheduled operators on trans-Atlantic routes. As such, it has outlined a workable framework which can be used as a base from which future studies can proceed. For the person conducting a private study, this paper has recounted some of the problems of methodology which would have to be reconciled. For the private researcher and the researcher who has the complete co-operation of an airline company, this paper has suggested relevant areas to be investigated and the possible design and content of questionnaires which can be distributed to charter and scheduled passengers.

The writer has referred to this paper as a preliminary study because the lack of adequate co-operation on the part of

³⁸See page 41.

the airline industry has led to the two major weaknesses of this paper. First, as mentioned before, only four of the thirteen major categories of Canadian originating charterers were able to be investigated. Except for the athletic category, only a token sample size was obtained from the other three categories. Also, as approximately seventy percent of the sample was derived from an athletic group, the results obtained from the sample population might not be representative of the entire charter passenger population. Second, airline company statistics were not made available. Given that about forty-seven percent of the charter passengers were diverted away from scheduled carriers, the writer was unable to determine precisely the impact this diversion had on the operations of the scheduled carriers. Similarly, it would have been relevant to examine the variations in the yields of the scheduled carriers' operations on trans-Atlantic flights before and after (a) charter flights gained prominence (b) scheduled operators initiated promotional fares to compete with charter fares and (c) scheduled operators took an active role in the charter market. It is apparent from these two weaknesses of this paper that the environment, in which a study of this type is undertaken, should include the unlimited co-operation of at least one of the major scheduled airlines.

Future studies should endeavor to make a more comprehensive investigation into two specific areas. First, a more

reliable method of measuring fear of air travel should be considered. Personal interviews, if they can be arranged, would be ideal. Second, scheduled passengers on trans-Atlantic flights were asked if they took their first flight on a charter carrier. The same question should be asked of scheduled passengers on domestic routes. In both cases the respondents, who took their first flight on a charter carrier, should also be asked if their experience with the charter flight was instrumental in inducing them to fly more often and, if so, they should be asked to indicate the number of subsequent trips on a scheduled airline. In asking these questions, a more accurate indication of whether or not charter carriers create new business for scheduled carriers would be obtained.

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A P P E N D I X

APPENDIX I

DESTINATION OF CHARTERS ORIGINATING IN CANADA

North Pacific	2,196
Trans-Atlantic	24,462
South Pacific	16,337
Latin America	4,491
Caribbean	21,081

Source: Dominion Bureau of Statistics, International Air Charter Statistics, January-March 1970, Vol. 1, No. 1, pp. 23-24.

APPENDIX II

DESTINATIONS OF AIR CANADA'S AND CPAir's

INTERNATIONAL SCHEDULED FLIGHTS

(Number Per Week - Peak Period)

	<u>North Pacific</u>	<u>Trans- Atlantic</u>	<u>South Pacific</u>	<u>Latin America</u>	<u>Caribbean</u>
Air Canada	-	88	-	-	30
CPAir	4	16	10	7	-

Source: Telephone interview with T. Dyck, Customer Services, CPAir (Vancouver) and B. Mayhew, Market Analyst, Air Canada (Vancouver), December 17, 1970.

APPENDIX III

CHARACTERISTICS OF PASSENGERS IN SELECTED MARKETS

	Trans-Atlantic Passengers				Mainland-Hawaii Passengers	
	1963/1964		1966/67		1967	
	<u>Scheduled Economy Passengers</u>	<u>Charter Passengers</u>	<u>Scheduled Economy Passengers</u>	<u>Charter Passengers</u>	<u>Inclusive Tour Charter Passengers</u>	<u>All Visitors to Hawaii</u>
Touring or visiting resort	24%	N/A	38%	55%	N/A	75%
Age 50 or more	30%	32%	35%	36%	55%	35%
10,000 annual income or less	43%	66%	35%	42%	56%	N/A
Male	41%	56%	44%	52%	69%	60%
First trans- Atlantic trip in 5 years	45%	62%	45%	50%	-	-
First trip to Hawaii	-	-	-	-	93%	71%
Never flown before	N/A	N/A	N/A	N/A	32%	N/A

Source: Civil Aeronautics Board, Economic Impact of Inclusive Tour Charters on Scheduled North-Atlantic Services, A Report Prepared by the Bureau of Economics (Washington, D.C.: Civil Aeronautics Board, January, 1969), p.

APPENDIX IV

QUESTIONNAIRE DISTRIBUTED TO CHARTER PASSENGERS

QUESTION	ANSWER																																													
1. Is this your first flight on a commercial airliner?	Yes _____ No _____																																													
2. <u>If you have flown before:</u> How many flights (count a return trip as 2 flights) have you flown in the last 2 years (include both domestic and international flights)? Previous to this trip, have you ever personally paid for a flight on a commercial airliner? If "no", please proceed to question #4. Was your <u>first</u> flight, for which you paid for the fare yourself, on a: Previous to this trip, have you ever personally paid for an <u>overseas</u> trip on a: Scheduled Airliner. . . . Chartered Airliner. . . .	Number _____ Yes _____ No _____ Scheduled Airliner _____ Chartered Airliner _____ Yes _____ No _____ Yes _____ No _____																																													
3. <u>If you have not flown before</u> , please check (✓) how much you agree or disagree with the following statements. I have not flown before because: I never found it necessary to fly. The cost was too high I had no travelling companion I never had the opportunity. I was afraid of flying. . . I preferred other methods of travel If I enjoy this plane trip, I will travel by air more often	<table border="1"> <thead> <tr> <th>Strongly Agree</th> <th>Slightly Agree</th> <th>Neither Agree Nor Disagree</th> <th>Slightly Disagree</th> <th>Strongly Disagree</th> </tr> </thead> <tbody> <tr><td>_____</td><td>_____</td><td>_____</td><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td><td>_____</td><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td><td>_____</td><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td><td>_____</td><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td><td>_____</td><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td><td>_____</td><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td><td>_____</td><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td><td>_____</td><td>_____</td><td>_____</td></tr> </tbody> </table>	Strongly Agree	Slightly Agree	Neither Agree Nor Disagree	Slightly Disagree	Strongly Disagree	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
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4. Using the numbers 1 through 5, please rank these methods of travel according to their safety (the safest would be given a "1"...and the least safe a "5").	<table border="1"> <tbody> <tr><td>Car</td><td>_____</td></tr> <tr><td>Bus</td><td>_____</td></tr> <tr><td>Airliner</td><td>_____</td></tr> <tr><td>Train</td><td>_____</td></tr> <tr><td>Ship</td><td>_____</td></tr> </tbody> </table>	Car	_____	Bus	_____	Airliner	_____	Train	_____	Ship	_____																																			
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5. Please check (✓) whether or not you agree or disagree with the following statements.

Agree (Yes) Neutral (Maybe) Disagree (No)

I am taking this charter flight because:

(a) The fare was lower than a scheduled fare

(b) I wanted to travel with this club. .

Pleasure is the main purpose of this trip .

Chartered airliners are safer than scheduled airliners.

I would still take this trip to Europe, either now or in the near future, if:

(a) I had to pay the regular fare . .

(b) I could not travel with this club. .

Although I am somewhat afraid of flying, I could not pass up this opportunity to fly to Europe at such a low cost

If I could not have fitted my vacation to meet the charter timetable (length of time between the departure from and return to Vancouver) I would have flown on a scheduled airliner at the regular fare

If I could not have fitted my vacation to meet the departure and arrival dates I would have flown on a scheduled airliner at the regular fare.

I would rather pay a lower fare and have a fixed timetable than pay a higher fare and have a flexible timetable

6. In Europe, will you use scheduled airliners between any of the cities?

Yes _____ - Number of times _____

No _____

7. If your organization did not offer charter flights, would you still take this trip to Europe paying the regular fare, either now or in the near future?

Yes _____

No _____

8. For how many people on this flight are you paying the plane fare (include yourself)?

Number _____

9. How much is the single plane fare for this return flight?

Amount \$ _____

How much more would you be willing to pay to make this flight on a scheduled airliner?

Amount \$ _____

10. Please check (✓) those alternatives which you considered before deciding to take this flight.

- vacationing by car, bus, or train _____
- travelling to Europe by ship _____
- purchasing other goods, services and/or investments (savings). _____
- vacationing by plane to other parts of Canada or the continental United States _____
- flying to Europe on a scheduled airliner _____
- flying to a continent other than Europe _____
- other _____ _____

11. Age _____

Male _____

Female _____

Single _____

Married _____

Other _____

Occupation: _____

12. Please indicate your annual income from all sources.
(If married, include husband and wife combined income.)

under \$4,999 _____

\$5,000 - \$7,499 _____

\$7,500 - \$9,999 _____

\$10,000 - \$12,499 _____

\$12,500 - \$14,999 _____

\$15,000 - \$19,999 _____

over \$20,000 _____

AGAIN, THANK YOU VERY MUCH FOR YOUR CO-OPERATION.

HOPE YOU HAVE A MEMORABLE VACATION.

APPENDIX V

QUESTIONNAIRE DISTRIBUTED TO SCHEDULED PASSENGERS

QUESTION	ANSWER																																													
1. Is this your first flight on a commercial airliner?	Yes _____ No _____																																													
2. <u>If you have flown before:</u> How many flights (count a return trip as 2 flights) have you flown in the last 2 years (include both domestic and international flights)? Previous to this trip, have you ever personally paid for a flight on a commercial airliner? If "no", please proceed to question #4. Was your <u>first</u> flight, for which you paid for the fare yourself, on a: Previous to this trip, have you ever personally paid for an <u>overseas</u> trip on a: Scheduled Airliner. . . Chartered Airliner. . .	Number _____ Yes _____ No _____ Scheduled Airliner _____ Chartered Airliner _____ Yes _____ No _____ Yes _____ No _____																																													
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4. Using the numbers 1 through 5, please rank these methods of travel according to their safety (the safest would be given a "1"....and the least safe a "5").	Car _____ Bus _____ Airliner _____ Train _____																																													

QUESTION	ANSWER				
	Strongly Agree	Slightly Agree	Neither Agree Nor Disagree	Slightly Disagree	Strongly Disagree
5. Please check (✓) how much you agree or disagree with the following statements.					
Pleasure is the main purpose of this trip	_____	_____	_____	_____	_____
Scheduled airliners are safer than chartered airliners. . .	_____	_____	_____	_____	_____
Previous to taking this flight, I tried to fit my vacation to coincide with a charter timetable (length of time between the departure from and return to Vancouver). . .	_____	_____	_____	_____	_____
I would rather pay a higher fare and have a flexible timetable than pay a lower fare and have a fixed timetable.	_____	_____	_____	_____	_____
6. For how many people on this flight are you paying the plane fare (include yourself)?	Number_____				

7. Please check (✓) those alternatives which you considered before deciding to take this flight.

- vacationing by bus, car, or train _____
- travelling to Europe by ship _____
- purchasing other goods, services and/or investments (savings)
- flying to a continent other than Europe. _____
- vacationing by plane to other parts of Canada or the continental United States _____
- other _____

8. Age_____

Male_____

Female_____

Single_____

Married_____

Other_____

Occupation: _____

Please indicate your annual income from all sources.
(If married, include husband and wife combined income)

\$_____

AGAIN, THANK YOU VERY MUCH FOR YOUR CO-OPERATION.

HOPE YOU HAVE A MEMORABLE VACATION.

APPENDIX VI

CANADIAN ORIGINATING CHARTERERS: SUMMER 1969

<u>Classification</u>	May		June		July		Average	
	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
Miscellaneous	27	12.7	71	25.5	81	22.9	179	20.8
Company								
Employees	11	4.8	5	1.8	3	.8	19	2.2
Social Club	29	12.8	21	7.6	25	7.1	75	8.2
Students	18	7.9	11	4.0	11	3.1	40	4.7
Professional	10	4.4	5	1.8	0	0	0	0
Religious-Ethnic	41	18.0	64	23.0	91	25.7	196	22.8
Athletic	39	17.1	38	13.7	64	18.1	141	16.4
Government								
Employees	8	3.5	9	3.2	5	1.4	22	2.6
Union	13	5.7	7	2.5	15	4.2	35	4.1
Teachers	3	1.3	17	6.1	21	5.9	41	4.8
Credit Union	13	5.7	21	7.6	19	5.4	53	6.2
Auto Club	11	4.8	6	3.2	11	3.1	28	3.3
Hostel	3	1.3	3	1.1	7	3.0	13	1.5
	<u>228</u>		<u>278</u>		<u>353</u>		<u>858</u>	

*Split charters counted as two charterers.

Source: Canadian Transport Commission, Trans-Atlantic Charter Flights
Approved by the ATC Transport Committee (Pro Rata and Entity),
 May-July 1969.

APPENDIX VII

TOTAL ATLANTIC CHARTER PASSENGER FLOW - 1969 AND 1968

	<u>1969</u>		<u>1968</u>	
	Number of Passengers	% of Charter Market	Number of Passengers	% of Charter Market
Wardair	95,671	16.3	60,746	17.5
Air Canada	71,270	12.1	26,770	7.7
Caledonian	67,560	11.5	27,000	7.8
CP Air	50,010	8.5	584	.2
Pacific Western	33,807	5.8	22,982	6.6
BOAC	32,645	5.6	13,522	3.9
Capitol	29,320	5.0	18,872	5.4
British United	26,252	4.5	5,449	1.6
Air France	22,035	3.7	15,378	4.4
World Airways	21,510	3.7	17,756	5.1
KLM	20,177	3.4	13,545	3.9
Martin's	19,398	3.3	9,678	2.8
Overseas National	17,870	3.0	7,920	2.3
American Flyers	11,033	1.9	375	.1
Modern Air Transport	10,008	1.7		
Donaldson	8,125	1.4		
Atilalia	7,732	1.3	3,030	.9
Transavia Holland	6,640	1.1		
Sabena	6,133	1.0	9,778	2.8
PAA	5,678	1.0	7,587	2.2
Trans. International	4,285	.7	250	.1
Lufthansa	2,024	.7	4,406	1.3
Finnair	2,590	.4		
Aer Lingus	2,518	.4	3,776	1.1
Saturn	2,435	.4	3,483	1.0
Iberia	2,304	.4		
Kar Air	1,344	.2	1,352	.4
Standard	1,280	.2		
El Al	1,230	.2	800	.2
Atlantis	832	.1		
TWA	672	.1		
Swissair	429	.1	2,569	.7
SAS	388	.1	382	.1
Monarch	90	-		
Air India			568	.2
Yugoslav			3,608	1.0
Adria			164	
British Eagle			18,746	5.4
Icelandic			189	-
Lloyd International			8,875	2.5
Nordair			11,340	3.3
Sudflug			648	.2
Transglobe			25,988	7.5
Total	587,295	100.0	348,116	100.0

Source: Canadian Transport Commission, ATC Approved Charter Passenger Flow - Total Atlantic, 1969/1968.