Govt. Policy On Air Competition Faces Test

Growing BC Airline Claims Its Wings Clipped, Hit By Subsidy

British Columbia's postwar boom has brought expansion in almost every line of business—and headaches for some of them.

Here, pieced together by two Post staff writers, is the story of one of the headaches—the fight between Queen Charlotte Airlines and Pacific Western Airlines over the big new run from Vancouver to the Alcan project at Kitimat. In the middle is the Air Transport Board; at stake is government policy on competition among airlines.

By VICTOR KOBY

The hopes and plans some people have for expansion of Canada's airline and air charter industry hinge this fall on the Government's decision on Pacific Western Airline's bid for expanded services.

PWA is seeking to loosen the Government's "tight grip on competition within the industry." It has applications before the Government agency, the Air Transport Board, to (1) fly an air coach service across the Rockies; (2) provide increased services north from Vancouver in competition with Queen Charlotte Airlines.

These applications are based, PWA claims, on a growth of air traffic potential far in excess of what the company is allowed to carry by the present licenses it holds from the Air Transport Board.

"The time has come," says PWA, "for the Government to establish a more realistic aviation policy. There are two alternatives ahead:

"Retain the present restricted, closely controlled monopoly system and stifle the aviation industry;

"Permit reasonable competition, which will benefit the industry and result in far greater service to the public."

The company takes this vigorous stand on the basis of its dealings with the Air Transport Board over the past year while undergoing rapid expansion.

PWA was a small charter company two years ago known as Central British Columbia Airways. Today Pacific Western is one of the larger air carriers in Canada.

This growth has been a direct result of the expansion of air transportation demands from the construction companies engaged on the Aluminum Co. of Canada's Kitimat project.

The Air Transport Board, PWA, claims, has hindered their further expansion and the flow of men and goods to the Kitimat area:

—By refusing to grant PWA the right to fly more frequent services and to use its variety of small and large aircraft to the mutual economic advantage of PWA and its customers;

—Has canceled a "valid" contract between PWA and one of its customers by refusing renewal of the contract after it had been in successful operation for a year;

—Attempting to force PWA's customer to use another airline against its wishes to PWA's loss;

—Had forced PWA to operate in competition with an airline which was being subsidized by the Government while PWA was suffering losses at the hands of the Government;

—Had reversed its earlier 1951 decision: to allow free access by Alcan or its contractors to the flexible type of service they need by permitting "as many carriers as can conveniently serve the area to do so in as free and full a manner as possible."

It was in 1951 that PWA (then CBCA) came on the scene to start competing with Queen Charlotte Airlines for the construction business. PWA secured a three-year contract with contractor Morrison-Knudson.

PWA had been given the same rights as Queen Charlotte Airlines but in 1952 QCA lost most of the growing construction companies' traffic to PWA. Pacific Western says that it handled 10,500 passengers to QCA's 700.

After QCA expanded its fleet of aircraft without successfully gaining the construction companies' business, and then suffered a loss on its regular coastal service, the Government granted a $150,000 subsidy to the company. (A further subsidy of $250,000 is being considered by the Government now, according to PWA).

PWA late in 1952 wanted to expand its operations and was considering the purchase of a group of smaller charter companies—the Associated Group—which would give PWA increased traffic licenses.

Most importantof these licenses

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Policy On 'Protected Routes' Due For Review In The Fall

BY MICHAEL BARKWAY

OTTAWA (Staff) — The "no competition" policy for civil aviation which the Government has maintained since the end of the war must be reviewed this fall.

Besides the CPA application for a transcontinental freight service in competition with TCA, the whole concept of "protected routes" has been challenged in a long-drawn out fight between rival operations in British Columbia.

The sooner the B. C. tangle can be cleared up the better. Aviation circles in and outside government are disturbed by the damage done to the industry by the sort of inter-company rivalry which has been raging in British Columbia.

An application — the latest of many — is now pending before the Air Transport Board from Pacific Western Airlines for permission to increase its regular service between Vancouver and Kitimat-Kemano, the site of the aluminum development. This is a route which was originally assigned to Queen Charlotte Airlines; and under the regular policy of the Government it would have been "protected" for QCA if the special demands of the Alcan Construction project had not led the Air Transport Board to let Pacific Western Airlines share it.

The civil air fight in British Columbia has been going on for nearly two years, ever since the construction work at Alcan's new project led to huge new demands for service. It has from the beginning been a challenge to the "no competition" policy; and a series of decisions by the Air Transport Board read like a series of attempts to reconcile the broad principle of "no poaching" with the need to provide more and more service to the Aluminum Company's construction project.

When the demand for increased air service to Kitimat and Kemano arose two years ago, the Air Transport Board was bound by the Government's post-war policy. This was, broadly, to assist the establishment of an economically sound civil aviation industry by preventing cut-throat competition, pirating or poaching, on routes once assigned to a regular carrier.

It was expressed in two General Orders, dating back nearly five years now, which were worked out with the air industry and were indeed vigorously demanded by air operators.

The first dealt with what are frankly called "protected routes" — that is routes on which one company has been granted a license to operate a regular scheduled service of either Class I (requiring high standards of performance and service) or Class II (requiring rather lower standards). It provided that on such "protected routes" outside companies might not come in to operate charter services. The only

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Personalities In B. C. Air Fight

Here are key personalities involved in the expansion of British Columbia's air service to the Kitimat construction camps:

A. J. SPILSBURY — president and managing director, Queen Charlotte Airlines Ltd. long known in western aviation circles as a steady, quiet-spoken figure who has brought QCA into its eighth year of operation as a scheduled air carrier. As well as passenger operations, he brought QCA into work for the provincial government on fishery and fire protection patrols; air survey and air ambulance work; and as a contractor for B. C. lumber companies and construction companies engaged on the Kitimat project.

FRANCIS RUSSELL BAKER — "Russ" Baker to thousands who knew him as one of Canada's most famous bush pilots. Vice-president and general manager of PWA, which he started as Central B. C. Airways in Fort St. James in 1946 with one small aircraft and two men to help. Holder of the U. S. Air Medal, presented by President Roosevelt for heroic rescue of the crews of three U. S. bombers forced down in the Yukon while on a wartime flight to Alaska. Is senior among Canadian pilots, with approx. 15,000 hours in the air.

KARL J. SPRINGER — President of the PWA. Mr. Springer is a prominent Toronto and Vancouver mining executive who has ben associated with Mr. Baker's activities since 1947. Was first man to introduce helicoptor into mineral prospecting in B. C. and until recently owned his own helicopter.

Air Competition Policy Faces Test

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exceptions were for small air-taxis and for special cases of emergency in which special authorization might be given by the Board.

The second dealt with charter operators. It provided that once a charter carrier had been given a license to operate from a certain base, he would be "protected" at his own base. The protection in this case meant that nobody else might come into his base to take charter business out of it, with two exceptions: — A second charter operator from another base might bring loads into the "protected" base, and take a return load back to his home base. But he could not pick up a load in the protected base for any other destination.

With few exceptions these principles have been maintained during recent years; and many people in the air industries say that without them Canada would not today have as many profitable commercial air operators as it has.

Others claim that, however necessary they were in the past, the time has come for a relaxation to permit freer competition.

At any rate when the Air Transport Board was faced two years ago with the Alcan construction needs at Kitimat-Kemano, it recognized that these two principles would at least have to be stretched if the needs were to be met adequately.

Decision No. 635 issued Sept. 6, 1951, said: "During the construction period there is a special need demanding great flexibility of service and availability of various types of aircraft at short notice and at various points; and this special need will continue for at least two years. This construction period has to be distinguished from the mere settled "production" stage which will follow; and once the construction stage is completed, the requirements for air transportation ought to assume a well-defined pattern."

For these reasons the Board reached this conclusion:

"For the present the public interest would best be served by permitting as many air carriers as can conveniently serve the area to do so in as free and full a manner as possible; and that any type of licensing would carry excessive protection or would hamper the free access by the Aluminum Company and the contractors to the flexible type of service which they need, ought to be avoided or held to a minimum."

On this principle Queen Charlotte Airlines, which had formerly had charter services north out of Vancouver as one of its protected areas of operation, was authorized to start a Class II regular service to Kitimat and Kemano; Canadian Pacific Airlines was given a Class II service to Terrace and Prince Rupert; and a company then called Central British Columbia Airways was given its first chance to get into charter trade on the coast. It was given a charter base at Kemano (for aircraft of load capacity less than 3,200 lbs) and was allowed to add Nechako Damsite, Tahtsa Lake, Kitimat and Kemano to its existing services.

This arrangement had not had a chance to be tested under the full strain of a summer's work when Central British Columbia Airways (now Pacific Western Airlines) came back to the Board in early 1952. They asked for licenses to operate a regular service, Vancouver - Terrace. They were turned down, on the ground that the previous arrangements had not yet even been tested.

During the summer of 1952 Queen Charlotte Airlines had problems in its main business — which is operating scheduled services between Vancouver, Vancouver Island, coastal points like Powell River and other islands. It was the summer of bad forest fires, coupled with strikes in both fishing and forestry industries. As a result of these difficulties the airline suddenly informed the Federal Government that it would not be able to maintain its winter operations on the scheduled routes.

After Cabinet consideration, it was decided that these routes provided an essential service to the outlying points served and that it must be maintained. Approval was given for a subsidy of $25,000 per month to QCA to operate through the six winter months only and to be used only for the maintenance of service on the scheduled routes deemed to be essential.

With the subsidy — which was clearly labeled "one time only"— QCA's service to Kitimat and Kemano was further reduced. And by this time Pacific Western Airlines, which had obtained a contract with Morrison - Knudson Construction company, one of the Alcan contractors, was doing most of the business.

In late 1952, PWA applied to the Air Transport Board for permission to buy Associated Air Taxi Ltd. of Vancouver. This would give PWA a charter base in Vancouver. On March 6 of this year the Board's decision, dependent on the purchase of Associated Air Taxi, was to let PWA operate a Class II regular service between Vancouver and Kitimat and Kemano, a route already operated by QCA.

This decision ran counter to the general policy of "protecting" a regular route granted to one operator. But the Board said: "We have to some extent been influenced by the fact that Queen Charlotte Airlines is faced with certain other problems in its operations and should not be called upon at this stage to extend its services on this route, an expansion which seems necessary to deal with the expected flow of traffic during the coming season of operations."

The Air Transport Board, however, still maintained part of its principle of "protecting" a licensed carrier. It limited both QCA and PWA to three return flights a week, adding that if this was not enough for the traffic it would consider authorizing additional flights "upon the request of the two carriers concerned."

This Decision, No.-714, also contained another warning, which is important in the light of later events, and which showed the Board trying to maintain the first of its general principles of protection.

It said: "If it is found that those using the service attempt to arrange for the transportation of passengers and goods on a charter basis during peak periods to the detriment of the Class II (regular) service, the Board is prepared to take immediate action to protect the Class II licensees."

This was to reinforce the principle that regular services should not be subject to "pirating" or poaching by charter operators.

Another principle was also involved, and it led to a letter being sent to all commercial operators on March 11 of this year. This was to remind everybody that Canadian air operators are required to charge rates fixed on a regular tariff, and that they are to charge everybody the same.

Too many applications were being made, the Board said, for approval of special contracts at special rates. Such special deals, it said, "in a market which is highly competitive may lead to unfair discrimination and so undermine the stability of the industry and the very intent of common carrier regulation." It warned everybody that in future it would not normally approve special contracts when the filed tarrifs could just as well be applied.

On June 10 the Air Transport Board wrote to PWA to remind them that their special contract with Morrison-Knudson would expire on June 30. At the same time the Board drew PWA's attention to this circular.

In the meantime the frequency of the regular service from Vancouver to Kemano and Kitimat had been stepped up to six a week for both PWA and QCA. But the Board was still trying to insist that the traffic be divided between the two companies.

On June 19 PWA's application for a renewal of its contract with Morrison-Knudson reached Ottawa. On June 30 it was turned down, in accordance with the earlier warnings. The Board took the position that the regular service was not being fully employed, and was being damaged — QCA at least—by the contract arrangements.

For the next ten days there was a fast and furious exchange of letters and telegrams between PWA and Ottawa.

Eventually John Baldwin, Chairman of the Air Transport Board, talked to representatives of the Aluminum Company, which is described here as having always been co-operative. General undertakings were given that the regular Class II service of PWA and QCA would be used as much as possible, and without undue discrimination. And on this basis the Board agreed to allow PWA to operate charter flights with small planes from Vancouver as required to meet the company's needs.

After this settlement the Air Transport Board invited PWA to draw up a new contract with Morrison-Knudson in accordance with its regulations.

Instead PWA asked for permission to increase its regular (Class II) flights beyond one a day. This application is pending, but no hearings have been set.

Canadian Pacific Airlines is also asking for permission to raise its service to Terrace from Class II to Class I. It is thought this application may involve new hearings which could open up the whole B. C. picture for re-examination.

Moreover, it will not be long before the "construction period" of Alcan's development passes into the "production period"; and at that time, as the Board said two years ago, "the whole aspect of air transportation in the area will be reviewed to determine the best pattern for air services to serve the area on a continuing basis."



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