

AirBC is the b

These days, many more red leaves are descending into Vancouver International Airport.

AirBC's fleet of de Havilland aircraft, sporting a bright, new Air Canada Connector logo, arrive from 20 communities in British Columbia, Alberta and the U.S. into Canada's second largest domestic hub and the third most important Canadian destination for transborder and international traffic. And, undaunted by the competition, the regional carrier thrives and continues to expand its network, providing Air Canada with an increasing number of connection passengers.

AirBC carries some 70,000 passengers a month, of which an estimated 25 per cent connect to Air Canada. This translates into about 600 passengers a day and was worth more than \$40 million to Air Canada this year.

AirBC is the most recent member of the Air Canada Connector family, which also includes Air Ontario and Air Nova. Together, these three carriers play a vital role to Air Canada in the Canadian marketplace.

Our domestic alliance strategy is based on the rapidly changing conditions of a deregulated environment. Two major Canadian networks have emerged following a series of acquisitions, notably Pacific Western Airlines' purchase of Canadian Pacific Air Lines last year. Together, Air Canada and Canadian Airlines International Ltd. (CAIL) carry 90 per cent of Canadian traffic, while Wardair continues to compete for a larger share of the domestic market.

At the same time, deregulation has allowed the country's

regional carriers to expand into new markets. Although their smaller aircraft carry fewer passengers than a small jet, they allow for more frequent service than could be justified with larger planes.

New pattern

A new pattern is emerging. Both Air Canada and CAIL are developing 'hubs' into which their alliance partners provide passenger 'feed'. Travellers stand to benefit from this arrangement; along with increased frequency, alliance partnerships offer convenient connections and coordinated ground handling, with through-ticketing, a greater range of joint fares and access to frequent flyer programmes.

AirBC was formed in 1980 when a British Columbia conglomerate, the Jim Pattison Group, decided to diversify into aviation and bought up five coastal airlines, acquiring a fleet of 104 aircraft, more than 60 of them floatplanes.

The first few years were rocky ones for the fledgling carrier. The recession in 1980 hit B.C.'s primary industries, mining and forestry, and this led to big losses for AirBC, whose floatplanes served many remote logging camps, mine sites and pulp towns.

Following two years with a red stained balance sheet, AirBC underwent a major restructuring. Newly-appointed President Iain Harris trimmed down the carrier's ragtag menagerie of aircraft, which included Otters, Beavers, Mallards and Gruman Geese. AirBC's

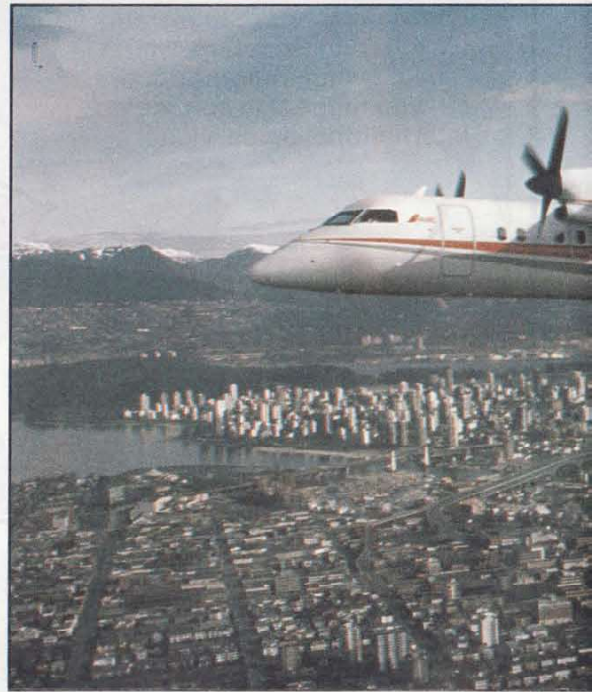
current fleet consists of six 50-seat Dash 7s; four 37-seat Dash 8-100s and 10 19-seat Twin Otters (four on floats). It also has 16 Dash 8s on order, including four Dash 8-100s and 12 of the larger Dash 8-300 models, of which six are on option. AirBC is the only airline in the world exclusively using de Havilland's full line of commuter aircraft.

Along with a rationalized fleet came a complete change in corporate strategy. AirBC saw opportunity for growth and profitability in filling the gap in markets being served with the 120-seat Boeing 737, operated by both Pacific Western Airlines and CP Air.

"Many of the routes the jets were flying were short and relatively thin and our Dash 7 aircraft provide a better match of equipment to the size of the market," says Harris.

Valuable niche

The carrier put its new strategy to the test on the Vancouver-Victoria route and it came out a winner. When it started serving the two cities in 1983, AirBC offered seven daily Dash 7 flights. It now runs 15 return Dash 7 services airport-to-airport and 12 more return flights from Vancouver harbour (by the Bayshore Inn) to Victoria harbour (by the Empress Hotel) with Twin Otter floatplanes. "In every market we've entered, we have been up against the jets," says Ron Moore, Director, Sales and Marketing. "But we've managed to thrive because we can offer greater frequency and



competitive fares," he adds.

AirBC has carved itself a profitable niche in the Vancouver-Victoria market, so successful in fact, that in 1983 CP Air lost \$3 million on its thrice daily jet service on the route.

But a solution was found in October of that year when AirBC became the official feeder airline of CP Air, agreeing to time its flights to connect with CP's arrivals and departures in Vancouver. CP Air dropped two of its flights between Vancouver and Victoria and the results were so satisfactory that, in the spring of '84 it dropped its remaining jet service and turned the route over entirely to AirBC.

"Everyone benefitted," explains Harris. "AirBC, by increasing revenues; the larger carrier, by reducing costs through phasing out unprofitable jet service and passengers, by gaining greater frequency of service."

By 1984 AirBC was comfortably positioned on the coast, with services to Nanaimo, Comox and Port Hardy in addition to Victoria. It was now ready to launch an assault into the B.C. interior - a stronghold of Pacific Western Airlines. The Calgary-based airline countered by enlisting the support of a commuter carrier, Time Air.

In October 1984 AirBC commenced service to the Cariboo communities of Quesnel and Williams Lake. This was fol-

lowed a year later by five daily flights to Kamloops. "This was one of our most successful launches," recalls Moore. "Within two months we had captured more than 60 per cent of the market."

In the months that followed, AirBC started service to Kelowna and Castlegar, whose airport has the highest limits of any in North America and daylight-only operating hours. "The Dash 7 is the only aircraft that can get in below the cloud layer with 90 per cent reliability," explains Moore. AirBC has also pioneered the Microwave Landing System (MLS) with one of its Dash 7s at Pemberton Airport (near the ski resort village of Whistler) and in 1988 will commence service from both Vancouver and Seattle.

Route expansion

So far this year, AirBC has opened seven new routes and is in the process of receiving its new Dash 8 fleet. The new services are from Dawson Creek and Grande Prairie to Vancouver and Edmonton and from Kamloops and Kelowna to Calgary. It also inaugurated its first transborder service, linking Vancouver with Seattle.

On October 25 AirBC will inaugurate the following new services: Vancouver-Cranbrook; Cranbrook-Calgary;



A Twin Otter floatplane docks at Victoria's harbour terminal, a three minute walk from the Empress Hotel.

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Penticton-Calgary and Castle-gar Calgary. And, challenging CAIL on what Harris calls "the biggest monopoly in Canada," AirBC will start operating one flight a day each way between Edmonton and Calgary.

"We have had to work hard to gain a share of a limited market," admits Moore. "We have some good competitors out there but we are not shy about jumping into the fray."

Alliances shifted dramatically a year ago when Pacific Western Airlines merged with Canadian Pacific Air Lines. Air Canada dropped its commercial affiliations with its former western-based carriers and, recognizing that it needed an alliance partner to challenge the formidable CAIL presence in the west, it acquired AirBC.

On April 26, 1987 AirBC officially became an Air Canada Connector carrier. Five months later, things are running smoothly and the AirBC fleet, repainted in the distinctive red and white livery, is penetrating further and further into CAIL country.

Future plans call for new services to Prince Rupert, Terrace and Fort St. John in northern B.C., all CAIL designations and to Ft. McMurray, Lloydminster and Medicine Hat in Alberta, served by Time Air. Although Vancouver is the major hub, as AirBC acquires more aircraft, further feeder services will radiate out of Calgary and Edmonton.

AirBC's operation is anything but grand. Its sales, reservations and flight operations offices are located in a set of converted school trailers. In the adjoining secondhand maintenance hanger mechanics carry out their work at night so that the aircraft can be back in service the next day. AirBC also has maintenance and pilot training contracts with several foreign de Havilland operators including Royal Air Nepal.

AirBC's workforce numbers 480. The carrier maintains a reservations office in Vancouver and handles all AirBC bookings except for Calgary and Edmonton, where Air Canada employees process reservation requests. There are more than 21,000 different fares in AirBC's network and they are displayed in all major computer reservations systems - Reservec, Pegasus, and the U.S. Apollo and Sabre systems. "Our product is widely distributed and electronically we are as good as the best in the business," says Moore.

Shared carrier

As a shared carrier in the Res 11 system, AirBC's flights are identified by four-digit flight numbers preceded by an 'AC' flight designator. This allows for 'on-line' pricing and work is underway to implement a full-range of international joint fares.

Air Canada provides passenger handling services for AirBC in Vancouver, Calgary and Edmonton, while AirBC staff work at airport facilities in other B.C. and Alberta stations. In Victoria both airlines maintain operations and in Seattle AirBC is handled by American Airlines. AirBC has a policy of open seating but has installed printers to provide boarding passes to passengers making on-line connections. Aeroplan members can earn mileage and redeem rewards on all AirBC services.

Opportunities

"The alliance with AirBC is one of the most positive developments for Air Canada in its 50 years of operating out of Vancouver," says Al Thompson, General Manager, B.C. and Pacific Northwest.

"AirBC's services to 20 destinations in B.C., Alberta and the U.S. has brought valuable feed to our main line operations and sales results have been very encouraging," he adds.

Air Canada's passenger sales and ramp service staff at Vancouver International Airport have played an important role in the new operation. When AirBC officially came on line in April, Air Canada staff had to handle its 62 daily arrivals and departures in addition to its 31 daily operations and contract work for Cathay Pacific, Lufthansa and the Canadian Armed Forces.

"We are all very excited



Customer Sales and Service Agent Eve Sonner checks in an AirBC passenger at Vancouver International Airport.

about the new opportunities this gives us in Western Canada and everyone has pitched in to handle the increased workload," says Glen Steeves, Airport Manager.

Airport facilities have been strained to the limit but Transport Canada plans to expand the terminal within the coming year. "In the meantime, timing is tight and our staff is doing an excellent job," acknowledges Steeves. "Our big challenge is handling connection baggage and we are eagerly awaiting the installation of a new spur-type outbound baggage system," he says.

With all this activity and expansion into new markets, AirBC is experiencing expo-

nential growth. "Our available seat miles in July were 85 per cent above those of the same month last year," says Harris.

"CAIL has tremendous strength in the west," he adds. "Our available seat miles represent some 20 per cent while CAIL controls most of the remainder."

But AirBC's President is optimistic about what lies ahead. "We want to continue building an extensive regional network to optimize feed for Air Canada at Vancouver, Edmonton and Calgary and to further enhance our competitive position in Western Canada," he says.

Linda Sutherland

