FLIGHT International, i January 1975 7

Britannia fights part charters
"There is no doubt in my mind as to what this part-charter policy will lead to ... a State monopoly." BRYAN LLEWELLYN, chief executive of Thomson Travel, the owner of Britannia Airways, talking to CHARLES HEATHCOTE-SMITH.

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NE of the reasons given for the review of British civil
aviation policy being undertaken for Mr Peter Shore,
Secretary of State for Trade, was the collapse last
year of Court Line and several other independent operators. The British independents are currently under strong pressure from British Airways, far stronger and more aggressive than were BEA and BOAC together, which was several times accused last year of "buying its way" into the inclusive-tour market. Among those making such statements have been Adam Thomson, chairman of British Caledonian, and Freddie Laker, chairman of Laker Airways and the Laker travel group.

The independents feel that the recent Civil Aviation Authority decision to sanction 50 per cent part charters on scheduled nights is eroding a market that they developed and built up and many of them are apprehensive about the CAA's declared intention of introducing advanced-booking charters within Europe.
Britannia is Britain's largest all-charter carrier. It has a fleet of 14 Boeing 737-200s, bought new, and is set to turn in a profit for 1974. Flight recently talked to Mr Bryan Llewellyn, chief executive of Thomson Travel Limited, which owns Britannia, as well as Thomson Holidays, and provides work for more than half Britannia's fleet. By most standards Britannia and Thomsons are in good shape to deal with any problems that arise from the review as well as with those that they currently face. Although the total summer market for UK-originating air inclusive tours was down by 33 per cent last year on the total for 1973, and is expected to decline by another 10 to 15 per cent this year, the number of seats being offered by Thomsons in 1975, 800,000, is only a little less than the figure for 1974. Market share will be 25 per cent, "not enormous," but a few points up on the 1974 figure. At present Britannia disposes of 11 737-200s in the United Kingdom and three additional aircraft are on lease abroad, two with Transavia Holland and one with Yemen Airlines. Britannia is happy with these arrangements, which were entered into as a hedge against a decline in the IT market. This year all UK-based aircraft are heavily committed to flying for Thomsons or other tour operators aind it may be difficult to provide enough capacity. While it may be possible to lease summer capacity from other airlines, Britannia is therefore thinking of picking up foirmer Court Line One-Eleven® on short leases.

"We have a reasonably comfortable mix of business." Eight 737s—"the best IT aircraft going"—are allocated more or less full-time to Thomson Holidays, two to Horizon Midlands and the remaining one equally between the Ministry of Defence and ad hoc charters. Planning load factors are generally 85 per cent and the 737s average around 3,750hr a year—the highest utilisation in the business, says Britannia—while the UK-based aircraft each work for up to> 4,000hr a year.
Inclusive-tour flights from regional British airports began
in 1971. "Thesie gave us an edge over Clarksons," says Llewellyn, but the regional market shares have now stabilised. Regional airports are difficult to open up since there is at first only a small choice of destinations and services available to prospective passengers. But the willingness of customers to travel long distances to take IT flights alters sharply when even a few services are started from a local airport. Previously people might have been willing to undertake a 3-4hr trek to Luton or Gat-wick, but even if only a very few small IT series are operated out of a local airport the situation changes. One way of getting round this problem and of ensuring that no passenger is much more than an hour from his aircraft is to run feeder services into the main traffic hubs. The

CAA earlier this year "reluctantly" allowed Britannia to run feeder services from Glasgow to Luton. The scheduled-service trunk operators objected on the grounds that such flights would divert traffic from their flights, but Llewellyn maintains that "these are not normal domestic routes. We're there to serve the holiday public and the feeders are nothing to do with British Airways."

Computer model

At its North London headquarters Thomsons is testing
a computer model, devised by Dixon Speas Associates, which will enable it to derive aircraft costs and optimum utilisation and to assess marketing and operational choices. It is, says Llewellyn, "one of the prizes of integration between Thomsons and Britannia." The market require-ments are defined according to such parameters as pre-ferred times of departure, permissible access time to airports and choice of destination. The model algorithmic-ally derives optimum aircraft utilisation at least cost. It is iterative and can be checked against the market at different stages in its program. It should be ready at the end of this year after almost three years' work. Llewellyn con-siders that the time-honoured theory of transfer costs, whereby each part of the organisation charges an internal price for its services, is "not sufficiently sensitive." While the lack of totally autonomous cost centres may not accord fully with the CAA's accounting theories. Thomsons is convinced that it enables its resources to be disposed of more efficiently and means that it is closer to the needs of the market, "which is the final check on anything done."

Total operating costs are derived from direct and fixed costs so as to give a trading margin which is then eroded by leasing costs, computer costs and the like.
The main worry of Thomsons and Britannia at present is the CAA policy of allowing scheduled airlines to fill up to 50 per cent of their seats with charter passengers. "The scheduled carriers weren't set up to fly charters," says Llewellyn. "They have this self-created overcapacity situation, so they dreamed up part-charters and moved into the holiday market that we, the private sector, have created."

A State monopoly?

"In the long term, this will lead to a State monopoly. The part-charter fares are very infirm. They're not cost-related. The long term we can define as being from three to five years, but there is no doubt in my mind as to what this part-charter policy will lead to. State corporations are not businesses and they do not abide by normal business rules. They can't go bust because their pocket is limitless. Ultimately it is, of course, a political question. Do people want a mixed economy with healthy competition, or is it to be a monolithic state airline, slow to react, restricted in its choice of product, probably even more inefficient and certainly with higher prices?"

The group has no objection in principle to European advanced-booking charters. "They will give a new choice to the public and would add a new dimension to the market." It is, however, apprehensive as to how the neces-sary inter-Governmental negotiations might go. The British Department of Trade may have to concede that private charter airlines cannot mix ABCs and ITs on the same aircraft. Yet scheduled airlines would be allowed to do this. It would tend to concentrate yet more of the market in the hands of the scheduled operators and, in any event, "British Airways won't pick up all the traffic; Iberia and other airlines will, and this would have a negative effect on the UK balance of payments."