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CANADIAN TRANSPORT COMMISSION

TD 9-180(2)
Tabled June 16, 1980

AIR TRANSPORT COMMITTEE

- IN THE MATTER OF: Calm Air International Ltd. carrying on business under the firm name and style of Calm Air.
- IN THE MATTER OF: The adequacy of air service in the Keewatin District.
- IN THE MATTER OF: The question of route protection in the Keewatin District.
- IN THE MATTER OF: Calm Air Applications, Docket Nos. 4811, 4812, 4813, 4814, 4815, 4816.

SUBMISSION OF CHURCHILL CHAMBER OF COMMERCE AND
KEEWATIN CHAMBER OF COMMERCE

1. This submission is being made pursuant to the telex of May 3, 1980, to the Air Transport Committee, calling upon the Air Transport Committee to hold public hearings in Churchill and in the Keewatin District to consider A) adequacy of commercial air service in the Keewatin District and B) the matter of route protection in the Keewatin District. We call upon the Air Transport Committee at these public hearings to consider the above-noted Calm Air Applications (Dockets 4811, 4812, 4813, 4814, 4815, and 4816) unless those Applications will already have been dismissed.

We are concurrently filing with the Committee and serving upon Calm Air our Interventions to the above-noted Calm Air Applications. Therefore, in this submission, we will not deal specifically with the above-noted Applications. If our Interventions and the other Interventions filed in these Applications do not satisfy the Committee to dismiss the Calm Air Applications, then we request the Committee to consider our Interventions and the other Interventions on file in support of this request for a public hearing.

2. In this submission calling for a public hearing, we believe that what we must show the Committee is that there is a genuine and reasonable public concern as to the adequacy of the present and future air service to the Keewatin District, and that the concept of route protection has an important bearing on the adequacy of such service.

3. The events of the past year provide the indispensable background to this submission. The Committee will recall that in the spring and summer of 1979, there were sufficient complaints about the adequacy of service provided by Transair and charter carriers, as well as the Application of Lambair for relief against route protection. The hearings, held in late July in Churchill and Rankin Inlet, were necessarily incomplete because during those hearings PWA/Transair announced that they were giving up their Churchill-based Keewatin scheduled service.

While PWA/Transair specifically committed themselves to continuing their service until appropriate alternate arrangements were made, in fact PWA/Transair breached that undertaking. They made arrangements with Calm Air, filed an Application for transfer, and before the transfer could be fully considered, they announced that they were withdrawing their aircraft and requested interim authority for Calm Air. Presumably, the Committee concluded that it had no alternative but to give Calm Air tentative approval. That fact made the Keewatin very unattractive for other carriers to attempt to apply to serve the Keewatin District.

4. Calm Air began operating the service using one HS748 with an inadequate cargo door. Calm Air has withdrawn its Twin Otter from its internal Keewatin sked based at Rankin Inlet.

5. On the regulatory side, Lambair was given relief from route protection. Calm Air has applied to the Review Committee to overturn this decision. Calm Air has made the above-noted Applications, which as we said in our Intervention to them, would, if granted, have the effect of giving Calm Air a virtual monopoly in northern Manitoba and the Keewatin area.

6. At our meeting in Churchill on May 2, 1960, the communities and participants made these points about adequacy of service:

a) The Calm Air service fully committed the HS748. The expected increase in tourists into the Keewatin would require considerable additional service.

b) The development of possibly thirty mining settlements in the north. Representatives of companies exploring in the north are continually coming to Churchill to study the feasibility of transporting their supplies from Churchill. Mining companies will be establishing an economic base and if Churchill does not provide sufficient and sufficiently flexible air transport, some of these companies will decide to operate out of other places such as Lynn Lake and Yellowknife because of the commercial air facilities that are available from those points.

c) Route protection was having a stifling effect upon the cost and availability of air service to the Keewatin District. While route protection affects the carriage of passengers and cargo, the need for relief from route protection arises especially in the case of cargo. The Keewatin District depends completely on air service for cargo (except for sea lift to coastal communities during the short summer). Thus the movement of cargo is obviously of first importance in the life, and the mode of life, of residents, tourists, exploration, petroleum and mining groups, in the Keewatin area.

d) The promotion of tourism. We are just on the threshold of this industry. Churchill has built up its infrastructure for tourism. It has the motels, it has the guides, the museum; and local tours are organized. The Keewatin points

are in the process of organizing these elements. These elements are all within their own capabilities. The only element which is not within their capability is the provision of adequate air transport. We expect that much of this air transport catering to groups will exceed the capacities of Calm Air. Other air transport will be necessary, especially for cargo.

Route Protection:

A consideration of the current facts in the Keewatin District will assist the Committee in evaluating the effect of the present operation of route protection, in order to determine how it should be altered. There are two important indicators as respects carriage of cargo. These are cost to the consumer, and timeliness of carriage.

Cost to the consumer is obvious: The present route protection rules are that if Calm Air can carry the goods - if you can stuff them into the 748 - you pay the economic rate for the 748. To take an example, from Churchill to Rankin Inlet, the economic rate is 28¢ per pound. The economic rate for the Hercules, carrying 40,000 lbs., between the same two points, is 13¢ per pound.

Timeliness: The Hercules would move the whole shipment at once. Because of passengers and other commitments, the HS748 would take a week or more to move the shipment. Where a part of the shipment is perishables, the consumer receives his goods in at best a stale state and at worst a decomposed state.

The traditional argument is that route protection is necessary to support the scheduled carriers' passenger service. We are at the ideal time to test this concept. We say this because Calm Air made its Application for the transfer of the PWA/Transair service with its eyes open. It was perfectly aware of the Lambair Application for relief from route protection. It was equally aware that Aero Trades had before the Air Transport Committee a similar Application. Calm Air cannot use the argument that Transair used over and over again about its pre-existing "grandfather" rights that it established the service based upon the concept of route protection.

The present relief from route protection covers only Lambair. Since other carriers, using DC-4, Electra, and Hercules aircraft, are equipped with those aircraft specifically designated for cargo, there is much to be said for the relief from route protection to be enlarged to cover such larger aircraft.

The present practical working out of route protection appears to be that the NWT Air Hercules does not operate out of Churchill unless the goods and boxes are of such size that they cannot be taken aboard the Calm Air HS748. PWA appears to take the same position with their Hercules.

It appears to us that cargo service to Keewatin points would be much improved, and the cost reduced, if large cargo aircraft were exempted from route protection.

Adequacy of service:

The Committee will recall that at the Churchill hearings in July, 1979, Mr. E. Pezzot, the Manitoba vice-president of PWA/Transair, admitted that the YS-11 was not the ideal aircraft for the Keewatin service. He went so far as to admit that a smaller aircraft for passenger, mail and parcel service and cargo aircraft specifically designated for the cargo, might be a more appropriate combination to more adequately serve the Keewatin area. This concept demands careful consideration. Calm Air, however, followed the footsteps of PWA/Transair by acquiring the HS748, an equivalent aircraft, which in some ways is not as appropriate because of the lack of a large cargo door. ... This may be the time to explore what is the best combination of passenger and cargo service for the Keewatin District.

A restriction which should be considered is whether a charter carrier can carry goods for more than one consignee. The freight forwarders at Churchill often have a part Hercules load for one consignee and the other part for another consignee. The charter carriers take the position that it must obtain specific permission for such charters. ... This may be the time to reconsider this concept.

Churchill as a terminal:

Churchill is the end of rail and should be a major resupply point for the Keewatin. We consider that it is important that the licensing arrangements be such that Churchill be sufficiently available for appropriately equipped carriers to move the goods into the Keewatin District. While we do not wish to impede other points from efficient air service, we do not wish them to be preferred because they are in an open and competitive market while Churchill is in a near monopoly market. We have made more extended reference to this aspect in our Intervention to the above-numbered dockets. Here, we note that we do not wish to impede Lynn Lake, Thompson, or Gillam competitively. We merely repeat that those points are open or nearly open for cargo using Groups E, F or G aircraft. However, Churchill is restricted to only Calm Air and Lambair to the extent of one C-46. ... Churchill should be on a competitive basis with these other points. This would mean that for cargo, Churchill should be open, or nearly open, for aircraft in Groups E, F and G. This would include C-46, DC-4, Electra and Hercules aircraft.

General:

We were disappointed that the Committee did not hold a public hearing on the PWA/Transair transfer to Calm Air. Since then the communities have had many concerns. As you saw by the signatories to the May 2 telex, Keewatin communities were sufficiently concerned to send their representatives to Churchill, and to again call for a public hearing. Both Chambers of Commerce strongly urge that the Committee now call a public hearing.

All of which is respectfully submitted this _____ day of May, 1980.

KEEWATIN CHAMBER OF COMMERCE

Per: _____

CHURCHILL CHAMBER OF COMMERCE

Per: _____

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CANADIAN TRANSPORT COMMISSION
AIR TRANSPORT COMMITTEE

Dockets Nos. 4811
4812
4813
4814
4815
4816

IN THE MATTER OF CALM AIR INTERNATIONAL LTD. CARRYING
ON BUSINESS UNDER THE FIRM NAME AND STYLE OF CALM AIR

- Docket No. 4811: Class 4 and 9-4, Group E, Lynn Lake.
Docket No. 4812: Class 4, Group E, Rankin Inlet.
Docket No. 4813: Addition of Group E to Calm Air Keewatin Points
Class 3 license (2651/77), and addition of Churchill.
Docket No. 4815: Removal of restrictions of Calm Air Lynn Lake
and other points Class 3 license, and addition of Gillam.
Docket No. 4816: Consolidation of Calm Air Lynn Lake and other
points Class 3 (1433/63), with Calm Air Keewatin Class 3
(2651/77) and former Transair Keewatin Class 3 (540/50), and
to operate Groups A, B, C and E aircraft.
Docket No. 4814: New Class 2 unit toll license to include points
on the existing Class 2 license and the Class 3 licenses
(points to be upgraded from Class 3 to Class 2 when airstrips
are licensed).

INTERVENTION OF CHURCHILL CHAMBER OF COMMERCE
KEEWATIN CHAMBER OF COMMERCE

1. This is the Intervention of Churchill Chamber of Commerce and of the Keewatin Chamber of Commerce to all six of the above noted Applications.
2. While each of the above noted Applications is made separately, this single Intervention deals with them all, and is to be applied to each of the Applications.
3. This Intervention arises out of the joint meeting which we held at Churchill. That was an extremely well attended meeting, the notice of which stated that we would be discussing air service to Churchill and the Keewatin district. We have no doubt at all that this was the reason why the attendance was so strong. It included nearly every business at Churchill, with representatives from nearly every community in the Keewatin district.

4. At that meeting, one of the resolutions which was passed was that we submit opposing Interventions in the above noted Applications. We requested your Mr. Patenaude to obtain for us a three weeks' extension to prepare and forward written reasons. The three week extension was granted. Our reasons for intervening to oppose the above Applications are set out below.

5. We begin by stating the obvious: that is, our aim to foster and improve the amount of business and industry in Churchill and the Keewatin district, and to enhance the well-being of residents in Churchill and the Keewatin district.

6. The Keewatin district depends solely on air transport to provide all its needs. (The only exception to this is water transport to the coastal points during the short navigation season.) Most of the air transportation is provided from Churchill. To the extent that the service out of Churchill has been and is inadequate, air service has been provided from the West, from Yellowknife, and from the East, from Frobisher Bay.

7. From the early 1970's to the autumn of 1979, we were accustomed to our main service being provided by one, and as necessary, two Transair YS11 turboprop aircraft, equipped with large cargo doors. These aircraft carried the passengers and the bulk of the cargo. This service was based at Churchill. Also based at Churchill was Lambair, which provided a supplementary cargo service. Additional cargo service, especially for the heavy lifts was provided by the Hercules aircraft of Pacific Western Airlines (until 1978 an airline not connected with Transair). Some additional cargo service was supplied by Northwest Territorial Airways, and other carriers.

While Transair did not completely police its route protection, nevertheless the route protection provisions became sufficiently awkward that Lambair applied for relief from those provisions. The Air Transport Committee called a public hearing for the Keewatin area in the summer of 1979, and Aero Trades applied for partial relief from both route protection and positioning charges. As the Air Transport Committee hearings began, Transair/PWA announced that Transair was giving up its Keewatin service operated out of Churchill.

Transair/PWA, in effect, nominated Calm Air to take over the Keewatin service. Over objections from many in the Keewatin district, Calm Air succeeded to those services. Lambair was granted relief from route protection.

8. The present situation: Calm Air operates the formerly Transair Keewatin service with one HS748 aircraft. This aircraft has a small cargo door and is therefore not capable of carrying large containers or bulky objects. Calm Air has no back-up aircraft. In addition, this aircraft is required to take over most of the service which Calm Air formerly had operated with Twin Otter aircraft from a base at Rankin Inlet.

9. Calm Air and route protection: PWA appears to restrict its Hercules to lifts which do not conflict with Calm Air. As we have been advised by Costa Cartage, PWA declines to take a charter when the articles would fit into Calm Air's HS748. We understand from Northwest Territorial Airways that they take the same position... Calm Air has already applied to the Review Committee to terminate Lambair's exemption from route protection.

10. Lambair is restricted to one C46 based at Churchill... Northwest Territorial Airways has excess capacity in its Hercules aircraft... Aero Trades has excess capacity in its DC4 aircraft.

The worst is yet to come: it was forcibly drawn to our attention at our meeting that we were approaching our busy season. As we reach the busy season it is obvious that Calm Air's single HS748, already operating some 20 hours per day, would not be able to handle the additional traffic, especially for cargo.

Tourism: one of the matters discussed at our meeting was the promotion of tourism. We are just on the threshold of this industry. Churchill has built up its infrastructure for tourism. It has the motels, it has the guides, the museum, and the local tours organized. The Keewatin points are in the process of organizing these elements. These elements are all within their own capabilities. The only element which is not within their capability is the provision of adequate air transport. Obviously much of this air transport catering to groups will exceed the capacities of Calm Air. Other air transport will be necessary.

Obviously there are three directions from which the air transport can be brought. The first and obvious is from Churchill on the south. The alternatives are from the west, and from the east. Our goal, as we have noted above, is to expand Churchill and the Keewatin. Therefore we are in favour of any step which makes for more flexibility - more opportunities for air carriers to operate out of Churchill. We are against any movement or development which strengthens the monopolies of Calm Air.

11. These 6 Applications are a package. We have briefly described the dockets in the heading to this Intervention. In dockets 4811 and 4812, Calm Air requests 2 Group E bases, one at Lynn Lake and the other at Rankin Inlet. Docket 4813 relates to the addition of Group E to the Calm Air Keewatin Class 3 license and the addition of Churchill. Docket 4815 removes restrictions on the Calm Air Lynn Lake and northern Manitoba license between various of the points and adds the point Gillam. Docket 4816 is intended to consolidate all of the three Class 3 licenses. This includes the northern Manitoba points:

Lynn Lake, South Indian Lake, Missi Falls, Brochet, Ruttan Lake/Leaf Rapids, Thompson, Thicket Portage, Pikwitonei, Pukatawagan, Flin Flon, Granville Lake, Lac Brochet, Tadoule Lake, and Churchill, Manitoba, Cullaton Lake, Northwest Territories and Co-op Point (Kinoosao) and Wollaston Lake, Saskatchewan as well as Gillam, Manitoba. The second Class 3 license to be joined is the Northwest Territories inland sked, Rankin Inlet, Chesterfield Inlet, Whale Cove, Eskimo Point, Repulse Bay, Baker Lake, and Coral Harbour, Northwest Territories, with Churchill, Manitoba added. The third Class 3 license to be joined is the former Transair Class 3 license, Churchill, Manitoba, Baker Lake, Rankin Inlet, Coral Harbour, Hall Beach and Yellowknife, Northwest Territories. Docket 4814 applies for a new Class 2 license to cover all of the points in the existing Class 2 license and in the three Class 3 licenses. The points in the Class 2 license are Churchill, Eskimo Point, Baker Lake, Rankin Inlet and Coral Harbour. The points in the Class 3 licenses are noted above under Docket 4816. Not all of the points in the Class 3 license are presently eligible for Class 2 operation because they do not have licensed airstrips. Calm Air requests that the Class 3 licenses remain intact, and that the points be transferred from Class 3 to Class 2 as the airstrips are licensed.

This package has one overriding result: That result is to establish as completely as possible, a monopoly by Calm Air of the commercial air services in Northern Manitoba and the Keewatin district. That package will have a subsidiary result which will be of great importance to Churchill and the Keewatin. That result is a substitution of other points, being Gillam, Thompson, and Lynn Lake as distribution points, both of passengers and cargo, for Churchill, in the servicing of the Keewatin district.

We will first discuss the monopoly aspects of these Applications, and we will then discuss the subsidiary effect.

12. The legal difference between a Class 3 and a Class 2 license is that the concept of route protection applies to a Class 2 license but does not apply to a Class 3 license. Let us consider the working out of route protection on one license, and then let us consider the significance of route protection when two Class 2 routes are joined together.

Let us take an example: Calm Air's own Keewatin license based at Rankin Inlet, serving Eskimo Point, Whale Cove, Chesterfield Inlet, Baker Lake, Repulse Bay, and Coral Harbour. At present, this is a Class 3 license. A charter carrier can carry a charter amongst any of these points without regard to route protection. If that license becomes a Class 2 license, then no charter carrier will be entitled to carry a charter amongst any of those points without regard to route protection. Generally speaking, that will mean that no charter can be carried on a day on which the Class 2 carrier operates. Perhaps a charter carrier will take a charter if he is certain that the Class 2 carrier cannot provide an equivalent service. We can see therefore, that upgrading a Class 3 service to a Class 2 service virtually eliminates a charter carrier amongst those points.

Let us now consider the effects of joining together two Class 2 licenses. Let us consider what Calm Air is attempting to accomplish in Docket 4814. There, as we have noted above, after having consolidated the three Class 3 licenses in Docket 4816, Calm Air in Docket 4814, applies to upgrade them all to Class 2. This will mean that any charter amongst any of those 27 points in Manitoba, Saskatchewan and Northwest Territories will be limited by route protection. To take a few examples: service between Churchill and Whale Cove, Churchill and Repulse Bay, and Churchill and Chesterfield Inlet will be covered by route protection. Thus the more important points in the Keewatin will be taken away from the charter carrier.

Let us take an example of traffic originating in Northern Manitoba,

at large points served by a highway or a railway. These are Lynn Lake, Leaf Rapids, Thompson, Flin Flon and Gillam. This will mean that no charter carrier will be able to take a charter, for example, between Lynn Lake, Thompson, Gillam and Eskimo Point. Or to take another example, between Gillam and Churchill or between Gillam and Baker Lake.

There are many more examples we can give. We believe we have stated enough of them to show that the granting of these Applications would give to Calm Air an obvious, and nearly complete monopoly.

These examples have also shown that these Applications, while intending to restrict Churchill to Calm Air, and to some extent to Lambair, gives to Calm Air the ability to substitute other points, such as Lynn Lake, Thompson, and Gillam as points of entry to the Keewatin district.

In this connection we note that one of the main points of discussion at our meeting was the role of Churchill in the development of possibly 30 mining settlements in the North. Representatives of companies exploring in the North are continually coming to Churchill to study the feasibility of transporting their supplies from Churchill. Mining companies will be establishing an economic base and if we do not provide sufficient and sufficiently flexible air transport, some of these companies will decide to operate out of other places such as Lynn Lake and Yellowknife because of the commercial air facilities that are available from those points.

Those Applications show that Calm Air does not have any specific commitment to the development of Churchill. As we have already noted, one of the results of these Applications is to downgrade Churchill as the point from which the Keewatin district is served.

13. Route protection generally: At our meeting, Mr. J. Kristianson a long time resident of Churchill, a former employe of Transair, and now in the forwarding business at Churchill, recalled the history of route

protection. He recalled that in the 1950's, Transair asked for protection and promised good service. They received support from the North, but when their Application for protection was granted, the quality of service declined.

The traditional justification for carriers requesting route protection is to have some stability to assure regular scheduled service. In answer to that justification, we say that it can only have validity when the charter carrier requesting route protection clearly shows that the charter carriers are so interfering with his scheduled service that he will have to curtail or to terminate his scheduled service unless he is given route protection.

In the Calm Air Applications, no such conditions arise. In Docket 4814, the Class 2 Application, in para 310, Calm Air frankly states that the purpose of this Application is route protection. The Application then goes on to state the reasons why route protection is required. (Para. 350) It says: "The granting of this Application would not add, at this time, additional traffic to Calm Air services. What it would provide, however, is protection against unnecessary diversion and undue competition by charter operators . . ."

From the above we see that there is at present no undue competition by charter operators. Indeed, Calm Air could not have said otherwise: except for its one HS748, all of Calm Air's aircraft are Group C. There is very little competition in the Calm Air area by Group C aircraft.

Calm Air says to the Air Transport Committee: please give us route protection. This will not add at the present time to our services. But we request the route protection now so that at some future time, free from competition, we will be able to improve our services.

Why should the Committee do this for Calm Air? Surely, what the Committee should do is to leave the situation as fluid as possible, so that there will be a minimum of administrative impediments to the

improvement of the service of all licensed carriers. The same criterion should apply to Calm Air as well as to the other licensed carriers.

14. Docket 4813: to add Group E and the point Churchill. Were this Application to stand by itself, we would not oppose it, because while the airstrips at Whale Cove, Chesterfield Inlet and Repulse Bay are not licensed, according to Calm Air, they can serve those points with the HS748 on a Class 3 license. However, because of all these Applications, we prefer that Calm Air's service of these points from Churchill remain under Calm Air's temporary authority, to Repulse Bay, and similar temporary authority to Whale Cove and Chesterfield Inlet.

15. As we have already stated, our position is that the interests of Churchill and the Keewatin district require the potential for more openness and competition in commercial air transport. We oppose these Applications because we are satisfied that if granted, the result will increase the monopoly of Calm Air, and decrease the competition.

16. If the submissions in our telex of May 3, and this Intervention, and the other Interventions do not convince the Committee to deny all these Applications, then we request that they all be considered at the public hearing which we have requested that you call at Churchill and the Keewatin district to consider adequacy of service, and the matter of route protection in the Keewatin district.

Respectfully submitted this day of May, 1980.

CHURCHILL CHAMBER OF COMMERCE

Per:

KEEWATIN CHAMBER OF COMMERCE

Per: