

# Transat: a pioneering Canadian holiday provider

Since the terrible atrocities in the fall of 2001, Canada's aviation scene has changed dramatically: Canada's national carrier Air Canada underwent a painful reorganization in order to emerge from bankruptcy protection, the demise of Canada 3000, which, just prior to 9/11, purchased two competitors, and in March of this year (2005) low-cost carrier JetsGo suddenly ceased all operations.

When looking at the tarmac of Canadian airports, one particular scheduled charter line stands out: Air Transat, which seems to be thriving. Airlines editor Eduard Koekkoek scopes out Montréal to talk to Transat's Ricardo Pilon and to take a look behind the scenes of this travel entrepreneur and also to learn something about seat inventory control as well.

By Eduard Koekkoek

## History

In April 1987, Transat Group and its airline Air Transat were founded to provide holiday travel for the Canadian market. Backed by a Canadian and a French tour operator, which merged into Air Transat Holidays in 1991, operations of Air Transat expanded steadily in all its facets. The company changed its name into Transat A.T. Inc. in April 1993, of which Air Transat became a wholly owned subsidiary. Their Lockheed L1011 Tristars became a familiar sight around the Atlantic.

In order to meet the highly varied requirements of tour operators Transat introduced Airbus 330 in February 1999. According to a business report at Transat, the company's strategy at that time was "...to have at its disposal a fleet comprised, on the one hand, of aircraft with low fixed costs (i.e. the Lockheed Tristar) and, on the other hand, of aircraft with low variable costs. The former are used only during peak periods: winter weekends and the summer high season. The latter are operated year-round to their maximum capacity."

In a response to the 9/11 events and the following acceleration of the worldwide economic downturn, Transat reduced the Air Transat workforce and flights by a quarter of its capacity. Although these measures were certainly useful, a strategic decision was

made for Air Transat to harmonise its fleet around Airbus aircraft and accelerate the retirement of their remaining Lockheed Tristars. This proved to be worthwhile, because costs derived from simplified maintenance and training, and from operational expenses were reduced significantly over the years to follow, all being part of effective cost management and constant evaluation of internal processes.

At the end of the summer of 2003, a charter flight procurement agreement was struck with WestJet Airlines, a low-fare carrier based in Calgary, a partnership that will continue into 2007. This allows Transat to charter Boeing 737-700 aircraft and crews for specific lower-density niche routes from Canadian cities to carry tourists to Mexican and Caribbean destinations. The partnership has enabled Transat to enter new markets and broaden their offering in areas that they would not be able to profitably sustain the deployment of wide-bodied aircraft. "The deal with Westjet is going strong and is a clear win-win situation" as Ricardo Pilon comments.

## Business Concept

Transat A.T. Inc. is a vertically integrated enterprise specialised in the organisation, sales and marketing (including distribution) of vacation travel. It comprises tour operators based in Canada and France, air travel,



value-added services at holiday destinations, distribution of vacation products and services through (owned) travel agency networks.

The business vision is focused on vertical integration of the whole leisure travel supply chain. Combined with their ambition to be a worldwide benchmark for quality, and to be accessible to all, Transat is setting a high standard. Ricardo Pilon stresses the importance of the synergies to be reaped in vertical integration: "A big driver of vertical integration is that it allows opaque pricing and is a departure from the very low margins in the pure 'air only' business. Margins in packages are much healthier."

Transat primarily serves the typical and traditional vacation market in which customers take one week or two weeks of holiday. A significant increase in competition comes from the low-fare medium haul carriers and start-up tour operators, which can benefit from a cost structure advantage in comparison with Transat's evolved business model. The new entrants are very aggressive in terms of pricing as well as in their direct-to-consumers (B2C) distribution strategy, which poses a challenge to Transat's response to avoid channel conflict".

### Forum Lindbergh

The challenge that established enterprises face is to be ahead of competition and to adapt their business model, business structure, business culture etc, to set itself apart. One of the latest developments at Transat to increase efficiency regards seat inventory control; a project called Forum Lindbergh, named after Capt. Charles A. Lindbergh, a U.S. airmail pilot, who, in May 1927, made a historic non-stop solo flight from Long Island, New York to Le Bourget near Paris in a record-breaking 33½ hours.

For its air travel product, Transat engaged into flight procurement with external carriers like Westjet, Canjet and Canada's national carrier Air Canada. Currently, these are charters operating from smaller airports only and in thinner markets, where Air Transat wide body aircraft are not a good fit. This has created a business need to have the right systems infrastructure to deal with multi-carrier flight procurement.

"A new system that allows for a response to availability requests based on those products, dates, and airlines that could provide the best margins (so increasing revenue). In the future, we also intend to procure on scheduled flights, using blocks of seats under

negotiated fares, or even procuring scheduled flights using published fares in order to allow ad-hoc packaging and in order to support odd durations (rather than 7-day or 14-day packages)", Ricardo Pilon explains.

Furthermore, such a system will create synergetic advantages operationally. "Firstly, it will allow better manage-



An Airbus A330 of Air Transat at the tarmac of Amsterdam Schiphol.

Photo: A.J. Altevogt

ment of the US APIS (i.e. Advanced Passenger Information Systems) governmental requirements, special requests, seat selection (for which we charge) et cetera. Secondly, it will lead to better accuracy with regards to the generation of a single Passenger Name List (PNL) sent to the proper carrier in the right format. And lastly, it will also help to better control IROPS, flight consolidations and handle schedule changes including the handling of individual reservations, all of which is very manual and labour-intensive today".

Transat's distribution strategy will see new distribution channels added, while current channels will benefit from improved availability screens, shopping features for alternative dates, itineraries, and so forth. Thus, we are making the (marketing) tools client-friendlier, faster, more reliable and more accurate. "And to be able to push special offers on distressed inventory through selected channels", as Ricardo Pilon comments.

### Air Transat

"The airline that brings families and dreams together in a friendly, affordable, and reliable manner." Air Transat's mission for 2005.

They have made it their objective to become the lowest-cost vacation airline in the world and to remain com-

petitive with new entrants. Currently, Air Transat is the leading leisure carrier in Canada, carrying over 2.4 million passengers in 2004 to some 90 destinations in 25 countries.

During the winter season, the airline serves primarily Southern sunshine destinations in the Caribbean, Central America and the United States. The bulk of these passengers have booked an all-inclusive package including air, transfer and hotel accommodation. In the summer season, Air Transat focuses on Europe in addition to maintaining flights to the Southern destinations. The destination portfolio mainly consists of cities that are either culturally linked with Canada or popular Mediterranean Basin holiday resorts (especially Greece and Africa).

Flights operate from 10 Canadian gateways with hub operations concentrating at Montréal's Pierre Elliott Trudeau International Airport (since November 2004). Since its start, Air Transat has operated from Montréal-Mirabel International Airport, which is an underutilised airport some 35 kilometres further away from the city centre.

The local airport operator and politicians envisioned improving air transport efficiency, whilst reducing



Mirabel's recurring deficit through channelling passengers through one airport instead of two. They agreed on a deal with Transat, which included an on-time delivery of new, ultra-modern facilities comprising a newly built complex with office space and a maintenance hangar. The opening coincided with a new international arrivals complex inaugurated at Trudeau.

Since May 2004, Air Transat has operated an all Airbus fleet that comprises of ten second-hand Airbus 310-300s, three Airbus 330-200s and one Airbus 330-300. The first of the new 330 models took flight in February 1999, departing from Montréal Mirabel Airport for Toulouse. All aircraft are fitted with a two-class interior with 239 to 342 seats in economy class and 20 seats in Transat's Club Class. The chartered 737-700 aircraft of WestJet are all fitted with 136 seats in an all-Economy class. We have to wait and see if this strategy might provoke a study into Air Transat acquiring its own narrow body aircraft, but for now, the current agreements and operations are very satisfactory.

### Conclusion

Being an established vertically integrated enterprise in a highly competitive holiday travel arena brings its own distinct challenges: increased competition from low-fare medium haul aircraft operators, smarter consumers increasingly aware of their own travel needs (and how to arrange them), increased possibilities through the Internet and so forth. Transat intends to help the confused customer, through offering a wide horizon view of all availabilities for products that are managed and created by Transat. Furthermore, Ricardo Pilon adds: "We



do not intend to start operating as an intermediary and offer external wholesalers' products. Our B2B project provides for an excellent shopping tool of Transat products".

Transat proves to be able to differentiate its products and to combine it with healthy corporate economics. Transat trades as a public corporation with revenues accumulating to CAN\$ 2.2 billion and a margin of CAN\$ 163.8 million in 2004.

Special thanks to Ricardo Pilon for co-operating on this article. Ricardo Pilon is Corporate Senior Director, Systems & Planning at Transat A.T. Inc. For further information or inquiries e-mail [eduard.koekkoek@aerlines.nl](mailto:eduard.koekkoek@aerlines.nl).

### Relevant sources on the Internet:

*Transat's web pages:*  
[www.airtransat.com](http://www.airtransat.com) &  
[www.transat.com](http://www.transat.com)

*WestJet Airlines:* [www.westjet.com](http://www.westjet.com)

*Montréal airports authority:*  
[www.admtl.com](http://www.admtl.com)

*Air transport organisations:*  
[www.iata.org](http://www.iata.org) & [www.aci-na.org](http://www.aci-na.org)

*Fleet history search page:*  
[www.airfleets.com](http://www.airfleets.com)  
<http://airlines.afriqonline.com/>

### About the author

The author of this article is a Business Logistics undergraduate from the Haarlem School of Economics currently working for Schiphol Group, Amsterdam Airport.



*A Lockheed L1011 of Air Transat at the tarmac at Amsterdam Schiphol.  
 Photo: A.J. Altevogt*