The emergence of tourism as a mass phenomenon in the 1950s could not have happened without the help of a modern, rapid, regular and safe mode of transport, and of all the existing modes, commercial aviation has made the biggest contribution to the growth of tourism. The existence of a rapidly expanding air transport market after the end of the Second World War gave rise to an increasing supply of planes that scheduled flight companies took advantage of. However, the legislation governing the scheduled air transport market prevented the growth of tourism. The existence of a national monopoly in domestic markets and of an oligopoly on international airline routes restricted the increase in the supply of flights and the subsequent reduction of fare prices.

It was in this context that charter airlines began to emerge. Certain changes in the legislation enabled these companies to bypass the regulations established by the IATA and the international bilateral agreements that governed relations between countries. These new possibilities and opportunities encouraged many entrepreneurs to create charter airlines in response to the growth in demand for tourism and holiday travel. Europe was the main scenario, given that it was the continent where passenger transport for tourist purposes underwent the most growth. And within Europe, Spain proved to be one of the most attractive countries for tourists, which opened up a window of opportunity for companies, entrepreneurs and investors with an interest in the charter flight market.

The charter flight market in Spain developed rapidly throughout the sixties, seventies and eighties as several new companies grew at a very fast rate. However, most of them
had practically disappeared by the beginning of the 1990s. As companies they failed to vertically integrate the transport business with the selling and marketing of tourist package deals, and they were unable to convert themselves into regular commercial airlines due to the absence of liberalization in this market. Their contribution to the local production network was limited to the creation of a wide range of companies linked to the supply and maintenance of aeroplanes at the most important air bases, which were Palma de Mallorca, the Canary Islands and Madrid.

This paper explains the characteristics of these charter companies and the circumstances under which they developed in Spain as tourism expanded from the 1960s onwards. It also provides a list of the most important charter companies created during this period, together with a description of their structural characteristics and their evolution. Finally, the conclusion stresses the fact that these charter flight companies failed to make the most of an expanding market by forming more powerful business groups of package tour operators or by converting themselves into scheduled airlines to take advantage of the opportunities presented by the liberalization of the European airspace in the mid-1990s. The structural weakness deriving from their small size and limited capacity for capitalization led to their disappearance. A second phase of development was necessary, in which the new charter companies acquired a different set of characteristics, which enabled some of them to become scheduled flight airlines.

**The tourism boom in Europe: the role played by Spain**

By the mid-1950s, the disposable income per inhabitant in the countries of central and northern Europe had begun to recover after the disasters of the Second World War. Reconstruction had been rapid in the countries seriously affected by the war. Germany, France, Great Britain, Belgium, Holland and the Scandinavian countries saw their GDP per capita grow at rapid rates. During the second half of the decade, there was a considerable increase in the number of passengers from countries such as Great Britain, many of whom headed for the coastal resorts of Mediterranean countries, taking advantage of package deals that included the flight, the stay at the chosen destination and the accommodation. Destinations such as the island of Majorca, which up until then had been associated with travellers who wielded considerable purchasing power, began to be chosen by the first tourists from central and northern Europe.
These first waves of tourists in the late 1950s already considered Spain as a prime destination, thanks to a combination of relatively low costs and sufficient infrastructure and attractions in comparison with other Mediterranean markets. In the early 1960s, the Spanish market began to adapt its supply to the sharp rise in demand, and it was during this period that the number of incoming tourists underwent an increasingly significant increase. In general terms, the cost structure continued to benefit Spain. Suffice it to say that the average hotel bill in Spain was 25% lower than in Italy, the second most important foreign tourist destination in the 1960s, while the differences between Spain and Sweden, Great Britain or Germany varied between 30 and 40%.  

The tourism boom continued throughout the 1970s. The growth of the hotel infrastructure and the consolidation of package deals as a holiday travel formula contributed to the rise and growth of charter flight companies. These companies began to be controlled and/or invested in by wholesale companies which, already being located in the countries of origin of the main tourist flows, eventually set up their own charter airlines. In Germany, Great Britain and the Scandinavian countries, tour operators (IT) vertically integrated transport by creating their own transport companies.  

In spite of the rise in oil prices in 1973 and the subsequent industrial crisis that affected European countries, the flow of tourists continued to increase until the end of the decade, although this growth was followed by a period of stagnation that would last until the early 1980s. The clear stagnation suffered by European air transport between 1979 and 1982 revealed a far deeper crisis than the one caused by the second rise in oil prices, in that it also reflected the decreasing demand for tourism services on the part of European citizens, whose real income fell during this period. Meanwhile, the rising price of oil, hotels and air fares resulted in a stagnation of tourist traffic.  

The recovery of the European economy, after the industrial rationalization undertaken in many countries, marked the onset of a new expansion of tourism in Europe. From 1984 to 1990, new advances in aviation technology, focused on the introduction of planes with lower kerosene consumption, brought down prices in the Spanish tourism sector. The reactivation of the demand enabled tourism companies to recover their profit

1 F. Salazar de la Cruz (1998), pg.71
levels. Furthermore, access to the European Economic Community in 1986 gave rise to number of important changes, both for the Spanish tourism sector and for the regulation of air transport markets. The future liberalization of the commercial aviation sector in Europe altered the expectations of national companies and charter airlines alike. The latter, which had benefited from an extraordinary uninterrupted growth since 1960, suddenly found themselves facing an uncertain future fraught with difficulties.

With liberalization on the horizon, charter companies needed to change the way they operated. Their strategy had been to grow as transport providers for Tour Operators. During the crisis, these companies had created their own airlines or had renegotiated their agreements with the charter flight providers. Many companies were unable to adapt during this first process of change due to the high level of debt they had incurred, and eventually disappeared. Others survived thanks to adaptation strategies. However, the combination of the tourism market crisis caused by the Gulf War and the stagnation of the air transport market following the conflict forced many companies out of business.

**European and Spanish charter companies**

During the 1960s and 1970s, tourist-generating countries developed an extensive network of travel agencies and points of sale to market their tourism products. For this purpose, they took advantage of the growing hotel infrastructure and the residential potential of geographically distant locations in the countries of central and northern Europe. The ease with which they were able to transport an ever-increasing number of passengers both rapidly and safely stemmed from the revolution in air transport. The availability of relatively cheap planes (both for lease and for purchase), which the major scheduled airlines no longer required after having incorporated modern jets into their fleets, made it easier for businessmen and entrepreneurs from various European countries to enter the air transport market. In particular, it was Great Britain, the leading tourist-generating country that took the most advantage of the technological resources available and surmounted the few remaining access barriers to enter the charter flight market. This explains why, in the consolidated tourism market of the mid-1970s, three

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of the four biggest charter flight companies in Europe (measured in terms of the number of passengers/kilometre transported) were British (Dan Air, Britannia Airways and Laker Airways), the other one being Danish (Sterling). Fifth position was occupied by the Spanish company Spantax, followed by German, Dutch and Spanish companies (Table1).

**Table 1**

<table>
<thead>
<tr>
<th>Companies</th>
<th>Passengers/Km</th>
<th>Nationality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dan Air</td>
<td>4,059,302</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Sterling</td>
<td>3,876,610</td>
<td>Denmark</td>
</tr>
<tr>
<td>Britannia Airways</td>
<td>3,448,553</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Laker Airways</td>
<td>3,003,137</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Spantax</td>
<td>2,376,305</td>
<td>Spain</td>
</tr>
<tr>
<td>Bavaria Germaniar</td>
<td>1,876,610</td>
<td>Germany</td>
</tr>
<tr>
<td>Mersk Air</td>
<td>1,660,851</td>
<td>Denmark</td>
</tr>
<tr>
<td>LTU</td>
<td>1,555,220</td>
<td>Germany</td>
</tr>
<tr>
<td>Conair</td>
<td>1,463,862</td>
<td>Denmark</td>
</tr>
<tr>
<td>Transavia</td>
<td>1,358,191</td>
<td>Holland</td>
</tr>
<tr>
<td>Monarch Airways</td>
<td>1,150,721</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Hapag Lloyd</td>
<td>1,148,304</td>
<td>Germany</td>
</tr>
<tr>
<td>British Midland</td>
<td>755,751</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>TAE</td>
<td>738,942</td>
<td>Spain</td>
</tr>
<tr>
<td>Transeuropa</td>
<td>411,852</td>
<td>Spain</td>
</tr>
</tbody>
</table>

OACI and S3, (1977), pg. 71

As regards the Spanish charter companies, most of them emerged in the 1960s when the tourism sector was booming. The first important Spanish company was Spantax. Created in 1959 to transport passengers and cargo between the Canary Islands and the
Spanish Sahara\(^3\), it went on to become the second biggest European charter airline in the 1970s in terms of fleet size and passenger traffic. Its stunning progress was consolidated further as its fleet, size, passenger traffic and turnover continued to grow until 1980. However, as can be seen in Graph 1, the volume of passenger traffic fell sharply until 1982 and then remained stagnant until the end of the decade in spite of a brief recovery in certain north European markets.

Spantax came up against two basic problems that hindered its medium-term commercial recovery and undermined its viability as a business. Firstly, it chose the wrong technology to support its phase of biggest growth, and secondly, it had a weak business organization strategy. The company’s chief executive, the Iberia pilot Rodolfo Bay, decided to expand the airline’s business activities by purchasing a fleet of *Convair Coronado* planes. This type of plane was a fast jet with excellent performance features for medium radius flights, ideal for journeys between northern Europe and the Mediterranean and the Canary Islands, which accounted for the majority of the company’s routes. However, these planes had originally been designed for military use, and therefore their fuel consumption was very high. The oil price rises in 1974 and 1979 dealt a severe blow to Spantax’s cost structure, and the negative effect on the balance sheet was exacerbated by the fact that most of fleet was owned by the company. This meant that it could not benefit from the advantages of leasing with an option to purchase, which would have made it easier to offload some of the fleet and deal with the problem caused by the financial costs of the purchase.

\(^3\) A more detailed study of this company in J. Vidal Olivares (2005)
Moreover, Spantax persisted with a very simple organizational structure linked to its chief executive and owner, who kept the business within a purely family sphere. This approach to the air transport business restricted the company’s role to that of a mere carrier of tourists and occasional travellers. With the exception of some real estate investments in the tourism sector, including the purchase of apartments and hotels on the island of Majorca, there was no determined effort to undertake a process of vertical integration in which the mere transportation of tourists would give way to the creation of a Tour Operator (IT). Spantax limited itself to the transport business segment, and when its principal source of income was no longer enough to cover its operating costs, it went bankrupt.

Spantax could have set itself up as an aviation company operating in the scheduled flight market, but was unable to take advantage of the opportunities created by the European Economic Community’s plans to liberalize this market as from 1987, given...
the practically insuperable financial difficulties it had to cope with. The impossibility of finding a financial partner to relaunch the airline finally ruled out any chance of exploiting the opportunity provided by the European authorities.

Also created during the tourism boom, Transeuropa was another airline that took advantage of the reduced entry barriers to gain access to the charter transport market. When it started operating in 1965, it used a DC7 to combine passenger and cargo traffic, and then purchased two more units of this type of plane. It also used four DC 4 planes for flights from Palma and Las Palmas. In 1969 the company replaced its entire original with seven Caravelles, which it continued to use until the 1970s. This company also used Fokkers, owing to their adaptability on short runways and their compact size, which made them ideal for short-radius regional routes.

Transeuropa’s growth strategy, essentially based on international charter flights, was ruined by the economic crisis of the 1970s. In an attempt to solve these problems, the company established agreements with Spain’s national airline, Iberia, and its subsidiary AVIACO. The aim of these agreements was to secure “third level” traffic, i.e. in the sphere of regional aviation. Despite being a loss-making market segment in the mid-1970s, it was a source of income for the company’s owners. The Spanish Government tried to solve Transeuropa’s financial problems and the obsolescence of its fleet (based on the kerosene-guzzling Caravelle 10-R planes) by taking over the company and including it the National Industry Institute’s transport group at the end of 1981. The deal, which involved the NII paying 260 million pesetas (1,560,000 €) for Transeuropa, was based on the condition that Transeuropa’s employees (over 350) would be incorporated into Iberia and AVIACO’s staff. The NII estimated that up to 4,000 million pesetas (24 million Euros) would have to be invested in fleet for a company that had only 134 million pesetas in capital and reserves of 400 million (800,000 € and 2,400,000 €)\(^4\). In the final years leading up to the takeover, the company’s management had tried to gain more international charter traffic (as shown in graph 2), but the second oil price rise in 1979 rendered their efforts futile, as they were unable to undertake the necessary restructuring of the fleet that would enable them to carry on operating in viable financial conditions in an increasingly competitive charter flight environment.

\(^4\) "Transeuropa pilots opposed to the labour force adjustment plan requested by the company”, *El País*, Madrid, 9\(^{th}\) February 1982.
In the case of Air Spain, this company started operating in the charter flight market in May 1966, using two turbo-driven Eagle Britannia planes, i.e. relatively old aircraft that were available on lease with an option to purchase at relatively low prices. In 1969, the company bought another plane of same characteristics from the Israeli airline El Al, although it was used for transporting cargo. Air Spain transported passengers all year round, but also operated in the cargo market during the winter. After initially operating only in Europe, at the beginning of 1970 it began to fly to tourist destinations in the Caribbean, for which purpose it purchased six DC-8 21s. The company went bankrupt in 1975, having failed to overcome financial problems relating to the price of aviation kerosene after the increase in oil prices, and then found itself unable to compete with other airlines that operated in conjunction with tour operators.

Another of these charter flight companies, created in 1967, was Trabajos Aéreos y Enlaces (TAE), whose priority was revealed by the subtitle that appeared in its corporate advertising and on the fuselage of its planes: “Sunshine Liner”. Focusing on the transportation of tourists for the British, German and Scandinavian Inclusive Tour
Operators, with a fleet consisting mainly of Caravelles, DC 8s and DC 7s, it grew rapidly from 1973 to the end of the decade (graph 3), but in 1981 it suddenly disappeared, overwhelmed by debts and the problems caused by rising fuel prices and the general stagnation of demand in the tourism sector.\(^5\)

**Graph 3**

**TAE. Passengers traffic (1967-1981)**

Access to the charter flight market in Spain, and in Europe in general, was not exclusive to the tourism boom period in the 1960s. When Transeuropa was taken over by the NII, a new charter company bought some of its Caravelle planes. Hispania was the name of this new airline, set up in 1983 as an on-demand flight operator. The recovery of the tourism markets and air transport in general in Europe gave way to new players. After taking its first steps in 1982 as a labour cooperative comprising about 800 shareholders, Hispania entered the charter flight market the following year. This company focused on the German, English, Dutch and French tourism markets and acquired a new fleet consisting of Boeing 737-300s and Boeing 757-200s. These planes were a product of the technological changes brought about by the oil crises of the 1970s, but they placed an excessively heavy burden on Hispania’s balance. Despite using the leasing system, the company ran up heavy bank debts and, in 1988, was on the

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5 Eduardo Aznar, chairman of TAE, formally proposed the purchase of the first Airbus 300 B planes, which only Iberia purchased at the beginning of 1981.
verge of being taken over by Air Europa, a Spanish charter airline that had been set up two years earlier. After a failed takeover operation on the part of the Italian finance group Fimpar, Hispania went out of business in 1989 with a net worth shortfall of 1400 million pesetas (8.5 million €). However, as graph 4 illustrates, Hispania’s passenger traffic figures had risen in the years immediately prior to its bankruptcy, and by the time it announced the close of business operations in July 1989, the airline had nearly one million passenger bookings for the period between July and October.

Graph 4


Source: The same as for graphs 1 and 2

The disappearance of these companies gave rise to the second wave of charter airlines and the creation of new business projects in this sector. This second cycle began when Air Europa entered into operation in 1986. This company already had a different structure in comparison with the first charter companies. From the outset, Air Europa had strong financial backing from Banco de Bilbao and Banco de Vizcaya, who together accounted for 75% of the shareholders. The remaining stake belonged to a powerful group of British tour operators, the International Leisure Group PLC, which occupied second place in the UK market ranking and owned a large network of holiday hotels.

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7 To which we must Air Condal (1975-1986), a Majorcan airline specializing in flights between Spanish cities served neither by Iberia nor by AVIACO, who shared the monopoly of the scheduled passenger service.
Air Europa started operating with five Boeing 737-300 planes, each one with a capacity for 148 passengers, and its inaugural flight was between Las Palmas (Grand Canary) and London.

Another charter company, Spanair S.A., was created around the same time, in December 1986 to be precise. Owned by Teinver S.A. (51%) and SAS -Scandinavian Airlines System- (49%), its flight operations got under way in 1988, initially based on international charter flights transporting tourists to Spain from over 100 European airports.

In 1994, coinciding with the start of the process of liberalization of the European air transport market, both Air Europa and Spanair became general operators offering scheduled flights in Spain, thus ending Iberia and AVIACO’s domestic monopoly of air transport. At the same time, a second period in the creation of charter airlines got under way, as new companies took advantage of the cluster of air transport services that had been consolidated in the centres on which the old companies had focused their development. As a result, Palma de Mallorca and, to a lesser extent, Tenerife and Las Palmas in the Canary Islands became the headquarters of the majority of these new companies, not to mention the handling, maintenance, supply, catering and flight simulation companies and the crew training centres that had developed since the mid-1960s.

This second period of charter development entailed a series of major transformations in the new companies. Most of them were part-owned by hotel groups, financial entities and travel agencies, both Spanish and international. The strong backing provided by these new partners, all of whom were knowledgeable about the tourism side of the air transport market, stemmed from a process of vertical integration initiated by investors who took advantage of the existence of a favourable new environment for leisure market opportunities and the latest phase of recovery in the sector. Moreover, the first cycle of charter company development had created a large group of qualified executives and trained personnel in the sector (pilots, cabin crews, auxiliary flight personnel, maintenance mechanics), who were taken on board to set up the new airlines. The planes that were available at this time also underwent a technological transformation as a result of the far-reaching changes that the manufacturing companies introduced after the industrial crises of the 1970s and the sharp increases in oil prices. Both Boeing and
Airbus, the leading manufacturers, started producing planes which consumed less fuel and whose size was better suited to the market’s needs and the European routes.

**Conclusions**

Spanish charter companies entered the air transport market rapidly in the 1960s, and continued to do so at an even faster rate during the following decade. This was possible thanks to the characteristics of the charter flight market. Free to develop beyond the constraints of the IATA’s strict regulations and the bilateral agreements that governed the operations of national scheduled flight airlines, charter companies enjoyed relatively easy access to the market. With a sharp increase in the demand of tourists and occasional travellers, this market found favourable conditions for its development. The abundant availability of aircraft, a result of turboprop or piston-driven planes being rapidly replaced by modern jets, gave interested entrepreneurs the opportunity to acquire fleets at relatively affordable prices. In the context of the aviation sector, these charter companies were small and medium-size businesses with an average staff of 150-200 employees, Spantax’s maximum of 2000 employees being an exception to the rule. Practically all of them concentrated solely on passenger traffic, without seeking the vertical integration of all the typical tourism market activities. This meant that the charter airlines of this first period of expansion adopted simple organizational structures in which there was no separation between ownership and management. The entrepreneurs of this phase were mainly pilots or ex-pilots trained by the Armed Forces or by the national airlines, Iberia and AVIACO. This explains why the charter companies’ approach to business operation focused more on the product than on the chain of value generated by passengers in the tourism sector. The organizational weaknesses were crucial in undermining the viability of these companies when the changes in the economic climate brought about by the industrial crisis forced them to run up excessive debts and eventually go bankrupt.

However, the growth of the charter aviation sector in Spain had positive effects on the economy. Besides maintaining wages and capital and contributing to the development of tourism as a business activity, the first phase of expansion of charter companies gave rise to a number of added value activities that were exploited by the charter airlines that
emerged during the second wave. When this second phase began in 1984, the new companies had different characteristics and took advantage of the know-how accumulated during the previous phase, as well as the existing infrastructures and physical and business assets. Experienced crews, aeroplane maintenance technicians, international sales specialists, handling companies and catering firms joined the new charter companies (Spanair, Air Europa) or Iberia and AVIACO, the State-owned companies with the monopoly on scheduled flights. In the latter case, several charter flight subsidiaries (such as Viva Air) were created to enable the national companies to cover these markets.

In terms of their characteristics, therefore, these new charter companies differed from those that had formed part of the first wave of non-scheduled airlines, but they took advantage of the industrial fabric that had already been developed. They were backed by groups of investors with interests in the different sectors of the tourism business, and run by professional executives who sought the vertical integration of all the segments. They also benefited from the availability of new types of planes that resulted from the rapid technological changes introduced in the wake of the oil crises of the 1970s and the early 1980s. Moreover, it had become easier to acquire these planes through more flexible systems based on leasing with an option to purchase, which proved more affordable for the companies that were starting out in the sector.

Many of these second-wave charter companies were able to adapt to the European transition toward the liberalization of the internal market. In 1994, when the European Commission fixed the starting date of the European single market and the liberalization of the domestic markets, Spanair and Air Europa began to offer scheduled flights in Spain. In 1997 they started operating in the regular cabotage market between countries within the European Union. Some of these charter companies helped train the crews and flight personnel of the new operators that soon began to emerge: the low-cost companies.
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