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## **Canada Jetlines shakes things up with war of words with WestJet, Air Canada**

By: The Canadian Press

MONTREAL — The CEO of Canada Jetlines has fighting words in the ultra low-cost airline battle as the carrier aims to get off the ground for a June 1, 2018 launch. Meanwhile the fledgling airline isn't winning any friends in the retail travel industry with Internet-only ticket sales.

Speaking at yesterday's Scotiabank transportation and aerospace conference, Jetlines CEO Stan Gadek says the airline will offer the absolute lowest fare in the marketplace, with an average below \$100.

He criticized WestJet's claims that it can double revenues from fees for flight changes, cancellations and checked bags with its low-cost carrier Swoop.

Gadek says customers will make their decision based on the final cost so airlines can't get carried away charging ancillary fees.

Meanwhile WestJet CEO Gregg Saretsky told the conference that Canada hasn't historically supported more than the equivalent of 2.5 airlines.

"With one ULCC already flying (Flair) and two seeking capitalization to start, that's about two-and-a-half times more than the country can support," said Saretsky.

Saretsky said the plans for three new startups, plus its Swoop and Air Canada Rouge brands, will make for a crowded market.

Canada Jetlines is looking for capital outside of Canada to help fund the June 1 launch of the ultra low-cost carrier. Gadek told the investor conference yesterday that it has received interest from significant undisclosed airline investors.

He says the initial focus is foreign capital because there's a lack of risk capital in Canada while Europe and the U.S. have experience with the low-cost business model.

The federal government has given the airline an exemption from foreign ownership rules that will allow it to have 49% foreign ownership with no single investor having more than a 25% stake.

Canada Jetlines plans to start operations from Hamilton, ON and will add Abbotsford, B.C. in 2019 and hopes to fly out of Montreal down the road.

It will initially fly four Boeing 737s, adding four annually to reach 24 planes by 2023.

Gadek told the investor conference that WestJet's discount brand Swoop won't be able to match its low costs, which will allow prices to average at less than \$100.

“This country needs low fares. No doubt about it,” he said.

But he said WestJet’s creation of a Swoop division just won’t cut it.

“We all know that’s going to be a temporary measure and then when the competition is wiped out, guess what, the airfares go right back up again. So who’s kidding whom?”

Gadek said Canada Jetlines will minimize costs by outsourcing everything but pilots and flight attendants. Tickets will only be available on the Internet. That will enable the airline to fill its planes and make a profit on each departure, said Gadek.

He said Canada Jetlines is prepared for a fight with WestJet and is prepared to take it to task for uncompetitive actions, as WestJet did when it took on Air Canada in 1996.

WestJet countered that it will remain very aggressive in defending its market share.

“Our DNA is low-cost DNA and we’re not going to let somebody else come in and take a chunk of the market without them having to fight us for it,” Saretsky told the conference.

Air Canada’s Chief Financial Officer Michael Rousseau also told the conference that the country’s largest airline is watching the battle closely and is prepared to expand Rouge to compete, if required.

Gadek countered that there is enough demand in Canada to support 17 million passengers flying ultra low cost by 2023.