



Canadian newspaper

11 September 2017

## Startup Canada Jetlines plans to offer base fares below \$100, CEO says

By Greg Keenan

Startup airline Canada Jetlines Ltd. plans to offer base fares below \$100 when it begins selling flights next year and will have 1,000 tickets at \$10 each as a kickoff promotion.

Flights will begin June 1, 2018, from airports in Hamilton, Ont., and Waterloo, Ont., to Vancouver, Calgary, Edmonton, Winnipeg and Halifax, Canada Jetlines chief executive officer Stan Gadek said Monday in Toronto.

"We think the Toronto area is absolutely unique in its population density and, more importantly, its lack of competition when it comes to air fares," Mr. Gadek told a news conference.

The two airports, each about a one-hour drive from Toronto, also charge lower fees than Pearson International Airport in Toronto, he said, pointing to a \$30 airport improvement fee per ticket at Pearson, compared with \$25 at the John C. Munro airport in Hamilton and \$15 at Waterloo.

After 60 days of operation, the carrier plans to add two more planes and expand to markets including St. John's, Las Vegas and Orlando, Fla., he said. By the end of its second year in operation, the airline plans to operate 12 aircraft that will expand its route offerings to other Florida cities and Mexico.

Mr. Gadek would not offer exact prices for flights but said they will be "about the same cost as a pair of jeans," while acknowledging that not all jeans cost the same.

"We offer a very low base fare, then we offer additional services for a fee," he said. "That's the ultra-low-cost, ultra-low-fare model." The \$10 fares will be offered as an initial promotion to build brand awareness, he said.

The planned June launch will pit the new carrier against the ultra-low-cost carrier (ULCC) that WestJet Airlines Ltd. plans to establish as an airline within an airline. WestJet recently pushed the scheduled launch back to the middle of 2018 from the end of this year.

Low fares are based on ultra-low costs, Mr. Gadek said, adding that Canada Jetlines' costs per available seat mile, a key industry measure, will be 9.5 cents, lower than such U.S. models as Spirit Airlines and Allegiant Air. That would be 3 cents lower than the 12.5 cents on WestJet's mainline service, he noted.

"The emphasis on costs is so important," he said. "If you have the lowest costs, you will win."

WestJet has made similar comments.

"We have to have the absolute lowest costs," Harry Taylor, WestJet's chief financial officer, told an investor conference earlier this month.

WestJet's ULCC will be the most serious competitor in the segment, Mr. Gadek said.

But both he and Mr. Taylor pointed to ancillary fees, such as those for baggage, early boarding privileges and food and beverages, as being critical to generating revenue.

Canada Jetlines will charge more for cabin bags than it will for luggage loaded into the holds of the Boeing 737-800 planes with which it will start service next year, Mr. Gadek said. Canada Jetlines wants as few bags in the cabin as possible in order to load and unload its planes quickly and keep the amount of time spent on the ground to a minimum.

The airline will need to generate fees of more than \$20 each from passengers, he said.

WestJet's revenue from ancillary fees amounted to \$19.24 per passenger in the second quarter, but the airline is aiming for twice that amount with its ultra-low-cost unit, Mr. Taylor said.