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## ULCC market heats up

By: Ben Forrest

Less than a year from now, a domestic airline flight in Canada could cost as little as a pair of jeans. A flight from Calgary to Colorado could be on par with dinner for two at a fancy restaurant.



Canada's ultra-low-cost carrier market could quickly become a crowded space.

Western Canadians who have never seen the Maritimes will be able fly there on the cheap, and Canadians in the east will be able to visit the Pacific Coast without breaking the bank.

These are the hopes—and in some cases, the promises—of companies trying to bring ultra-low-cost air travel to Canada, a movement that could shake up the country's airline industry and change the way Canadians think about travel.

At least three ultra-low-cost carriers (ULCCs) plan to begin flying in Canada next year, another is moving carefully toward an unannounced launch date, and another is shedding the ULCC label but still committing to low fares.

Skies surveyed the major players to see where they stand, which aircraft they'll fly, and what routes will be available on their launch dates.

### Canada Jetlines

New jeans or a jet-fuelled getaway? It could be a toss-up, if Canada Jetlines has its way.

The start-up ULCC aims to launch service next summer, with base fares as low as the price of affordable pants. Additional services would be offered for a fee, in keeping with the ULCC model, and ancillary revenue is expected to be an important component of the airline's total uptake.

Canada Jetlines intends to use John C. Munro International Airport in Hamilton, Ont., as its primary base, with a secondary hub at Abbotsford International Airport in British Columbia. The company said it also hopes to fly out of Region of Waterloo International Airport near Kitchener, Ont., at some point in the future, but an agreement with Waterloo is not yet in place.

The carrier intends to begin operations with two Boeing 737-800 NG aircraft in an all-coach, 189-seat configuration, with flights to Vancouver, Edmonton, Calgary, Winnipeg and Halifax.

An ambitious growth plan calls for additional aircraft and destinations on both sides of the border, including St. John's, N.L.; Las Vegas, Nev.; and Orlando, Fla., within 180 days of launch.

“You’re going to see a pattern going forward here of Canada Jetlines not only serving domestic Canadian markets, but also points in the U.S., the Caribbean and Mexico,” said Stan Gadek, the airline’s CEO, at a news conference on Sept. 11, 2017.

“We believe the market is going to respond favourably to our product,” he added. “And what is our product? It is ultra-low fares.”

### Flair Airlines

NewLeaf Travel Company was one of the first entries into Canada’s ultra-low-cost market, operating as a reseller of airline tickets on Flair Airlines flights.



**Flair Airlines is moving away from the ULCC label, but still intends to offer low fares. Flair Airlines Photo**

Flair subsequently acquired the assets of NewLeaf and continued to operate the existing low-cost service this past summer with further plans to expand the route network in the months ahead.

When asked about the model going forward, vice-president of commercial operations Chris Lapointe said the focus will be on continuing to provide the lowest fares possible.

“Canada is a different market and we believe we will need to incorporate components of both the ULCC and LCC models in order to deliver a product that meets the needs of our target customer,” he said.

“While we understand the industry gets focused on what label we should attach to our model, we are more focused on ensuring we create a great value proposition for our customers who are not really interested in what model label we use but rather on what benefits they will receive when they use our service with lower ticket costs being the top priority.”

With that in mind, Flair is operating as a “label-less” airline, according to a post on the company Facebook page.



**Canada Jetlines has an ambitious growth plan that calls for multiple aircraft and destinations on both sides of the border. Canada Jetlines Image**

The decision came after a series of complaints on social media about cancelled flights and concerns about customer service. Flair acknowledged its mistakes and said it is righting its wrongs. A key focus now is maintaining and regaining the trust of current and potential customers.

“In order to allow for the creation of a long-term sustainable solution for lower airfares in Canada, there’s going to be some bumps along the way,” said Lapointe.

“We’re not always going to get it right, and we’re going to have to remain nimble and be able to change to get it dialed in, in order to maintain those lower costs.”

Flair currently operates five Boeing 737-400 aircraft for scheduled service and recently acquired an additional two of the aircraft type, both of which are expected to be in service by early 2018.

The company intends to start moving into next-generation Boeing 737-800 aircraft as early as the third quarter of 2018, said Lapointe. Flair would operate a mixed fleet for a number of years but would eventually phase out the 737-400s and transition to an all-NG fleet.

Flair currently flies to Hamilton, Winnipeg, Edmonton and Abbotsford. Starting on Dec. 15, the airline plans to add Toronto Pearson International Airport, Vancouver International Airport, and Kelowna International Airport to its route schedule. Seasonal flights to Halifax are expected to resume in the spring, with the goal of also adding destinations in the United States.

The airline has moved more than 75,000 people as a low-cost carrier on about 3,000 flights, said Lapointe. He cited a great deal of positive feedback from the travelling public.

“You can just tell there’s a lot of people on our aircraft that have not been on an airplane before,” he said. “And I think that’s a very, very positive thing for all of Canada, to see that we’re opening up opportunities for a group of Canadians that weren’t able to travel before.”

## **FlyToo**

Calgary-based Enerjet believes firmly in the viability of ULCCs in Canada, but only if they’re done the right way.

That’s why the airline is working cautiously toward the start of service, possibly under the brand FlyToo, without announcing a launch date.

The company has placed a financing package in front of the Canadian Transportation Agency (CTA) to support and de-risk its ULCC project, said Darcy Morgan, chief commercial officer for Enerjet.

FlyToo is the airline’s working name, taken from the company’s goal to allow people who don’t frequently fly to, “fly too.”

The airline plans to acquire either Airbus A320, Boeing 737 NG aircraft, or Boeing 737 MAX aircraft, said Morgan. He would not say how many aircraft FlyToo intends to have in its fleet, but acknowledged the company has a specific number in mind.

FlyToo will target smaller, underserved markets across Canada, but not exclusively those, said Morgan.



**FlyToo is the tentative brand name for a ULCC planned by Calgary-based Enerjet. Enerjet Image**

“Which Canadian doesn’t deserve to have low-cost fares because a ULCC has come to town?” he said. “The answer, of course, is none. All Canadians deserve that. So what do you do for the Canadians who can’t afford to fly today but are proximal to Pierre Elliott Trudeau airport, or Pearson airport, or Vancouver International Airport?”

“Those people deserve to have low fares. And why should they be forced to drive potentially hundreds of miles to get to another airport?”

Inexpensive air travel is one of the pillars of modern infrastructure, added Morgan.

“Bringing a ULCC to this country is not just about the immediate gratification of a cheap fare,” he said. “It is about the stimulation of the economy, creation of jobs, and the knitting together of the social fabric of this country, all of which can be better accomplished with widely available inexpensive airfares.”

## **Frontier Airlines**

Frontier Airlines, a ULCC based in Denver, Colo., is targeting Canada as part of an ambitious expansion that will see the airline double its total number of routes in 2018.



**Frontier Airlines, a ULCC based in Denver, Colo., plans to begin offering a Denver-to-Calgary route starting in May 2018. Frontier Airlines Photo**

Starting May 31, 2018, Frontier plans to operate a Denver-to-Calgary flight three times a week using an Airbus A320 in a single-cabin configuration with either 180 seats or 186 seats.

The first three rows of the aircraft and the second of two emergency exit rows will be “stretch” seats, with five inches of additional leg room and the ability to recline. Standard seats are pre-reclined, said Daniel Shurz, the airline’s senior vice-president, Commercial.

“Calgary is the biggest city of reasonable distance from the U.S. border,” he said. “And so it’s not a city where there is an obvious

substitution option of driving across the border and then taking a flight.

“It’s also one of the lowest-cost Canadian airports, and because we are an ultra-low-cost carrier, airport costs do matter.”

Fares start at US\$69 one-way, but can dip as low as US\$49 for members of Frontier’s discount membership club. Additional services will be offered a la carte or in bundles, for additional fees.

“There is an absolute opportunity for ultra-low-cost carriers to develop in the country,” said Shurz. “And I think rationally there is an opportunity for Canadian ultra-low-cost carriers to develop because there is a very sizeable domestic travel market.”

## **Swoop**

WestJet’s entry into the ULCC market has a name—Swoop—that reflects its strategy.

The Calgary-based carrier says it plans to “swoop in” to the Canadian market with a new business model that will provide lower fares and greater opportunity to travel.

Ticket sales are expected to begin in early 2018, with the first flight toward the end of June, said Bob Cummings, WestJet executive vice-president.

“We want to go out and own that market and be the market leader,” said Cummings in an interview with *Skies*. “And we’re in for the long haul.”

Swoop plans to use Boeing 737-800 aircraft in a 189-seat configuration, with 147 of those seats having a 29-inch pitch, said Cummings. The remaining seats will have more pitch and extended legroom, he said.

The airline has yet to announce its list of destinations or route schedule, but Cummings said Swoop hopes to repatriate “a fair number of Canadians” who drive across the border to fly out of airports in the United States.

“There’s an opportunity to stimulate travel across Canada—and down south—from a fair number of centres in Canada,” he said.

As for the competitive environment, Cummings said his company believes there is only room for one major ULCC in Canada.

“We believe we’ll be it,” he said.



**WestJet is entering the ULCC market with Swoop, an airline with a name that reflects its strategy. WestJet Photo**