

## Discount carrier Canada Jetlines delays launch amid plane-supply shortage

An employee inspects the interior of the upper passenger deck of an Airbus A380 double-deck wide-body jet, on the Airbus SE aircraft assembly line in Hamburg, Germany, Feb. 27, 2018.

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Air travel is growing so strongly that startup Canada Jetlines Ltd. is having difficulty finding planes to lease, delaying its plans to begin operations in June and take advantage of the boom.

An agreement to lease two used Boeing 737 airplanes fell apart, the Vancouver-based ultra-low-cost carrier (ULCC) said. Jet production delays and robust growth in the air travel sector – thanks to a healthy global economy – have made demand for airplanes so strong that Jetlines said it will be unable to sign a new deal by its original target date of June 1.

"Jetlines is in advanced negotiations with several major aircraft lessors to secure the aircraft required to support both its startup and growth plans," the carrier said. "However, it will not attain a June, 2018, startup date as previously projected."

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The change in plans delays the battle of the discount airlines in Canada that was scheduled to begin this summer with Canada Jetlines versus the new Swoop unit of WestJet Airlines Ltd. Both airlines announced introductory fares at less than \$100, with airports in Abbotsford, B.C., and Hamilton being established as key hubs.

Canada Jetlines said it expects to make an announcement during the second quarter on aircraft delivery dates and a new startup date.

Buoyant passenger growth and delivery delays for new planes being produced by Airbus SE and Boeing Co. are making the aircraft-leasing market tight. Teething problems with new engines for the Airbus A320 family and the Boeing 737 Max single-aisle planes have caused delays in deliveries.

"If you were a startup and looking for a deal ... this is not a good time to find one because everyone is holding on to what they have because traffic demand is there," said industry analyst Addison Schonland, a partner in aviation consulting firm AirInsight.

International Air Transport Association data show global passenger traffic jumped 7.6 per cent in 2017 over 2016 levels. Industry officials say that is well above the 10-year average annual growth rate of 5.5 per cent.

Canada has participated in the boom. Air Canada said the number of paying passengers it flew last year grew 7.3 per cent. WestJet carried 10 per cent more passengers than a year earlier.

"What we're seeing is the airlines that have, let's say 737-800s or A320s that they would have put into the second-hand market, they're holding on to their existing fleet because the new fleet hasn't been delivered on time," Mr. Schonland said. "If you've got a plane that's working for you and you have to wait for a new one, okay fine, you'll just hang in there and

keep your [existing] stuff going."

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In such a buoyant market, airplane leasing companies will prefer airlines with a track record to those that are starting out, he added.

Air Lease Corp. chief executive officer John Plueger said on the company's financial results conference call last month that it is extending leases and offering substitute planes to compensate for the delays.

"We still have more people coming to us to buy airplanes than, frankly, we have to sell," he said on the call.

Canada Jetlines said it paid security deposits of US\$100,000 in September on each of two Boeing 737s it leased and payments of another US\$1-million were due by March 1.

It said demand for 737-800 planes that are being converted to freighters is higher than expected, another factor cutting the supply of planes available to lease.

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