



CONFIDENTIAL

CONF-6-2016

May 12, 2016

Case No. 16-00215

BY E-MAIL: dix.lawson@jetlines.ca

Canada Jetlines Ltd.

Attention: Dix Lawson, VP Strategic Planning & Cost Control

Re: Application by Canada Jetlines Ltd. (Jetlines) for a licence to operate a domestic service, large aircraft, pursuant to section 61 of the *Canada Transportation Act, S.C., 1996, c. 10, as amended (CTA)*.

The Canadian Transportation Agency (Agency) has reviewed the application, which was received on January 12, 2016, along with additional submissions filed up to and including May 2, 2016.

In order to be issued a licence to operate a domestic service, large aircraft, Jetlines must satisfy the Agency that it meets all of the requirements of section 61 of the CTA. This decision relates solely to the requirement for Jetlines to meet the prescribed financial requirements under subparagraph 61(a)(iv) of the CTA, and does not consider any of the other licencing requirements provided by section 61 of the CTA.

The Agency generally reviews financial requirements submissions in two distinct stages. During Stage One, the Agency will review the information and documentation submitted by an applicant pursuant to paragraph 8.1(2)(a) of the *Air Transportation Regulations, SOR/88-58, as amended (ATR)* to determine the financial requirements (i.e., funding requirement) associated with starting up and operating the proposed air service for a 90-day period. During Stage Two, the applicant must satisfy the Agency that it has either already acquired, or it can acquire, the required funds as determined by the Agency in Stage One, and that the funds are available and will remain available to finance the air service. This determination only considers the Stage One requirements with respect to the financial requirements.

Stage One – Determination of financial requirements

Paragraph 8.1(2)(a) of the ATR requires an applicant to provide the Agency with a current written statement of the start-up costs that the applicant has incurred in the preceding 12 months, with written estimates of start-up costs that the applicant expects to incur and with written estimates of operating and overhead costs for a 90-day period of operation of the air service.

The Agency has reviewed Jetlines' start-up cost statement and estimates, and finds that the statement is complete and accurate, and that the estimates are reasonable. Accordingly, the Agency determines that Jetlines has satisfied subparagraph 8.1(2)(a)(i) of the ATR.

With respect to the operating and overhead cost estimates submitted by Jetlines for its first 90-day period of operations, the Agency finds that the operating and overhead estimates are reasonable and are based on utilization of the aircraft solely on the specified air service under conditions of optimum demand, and that the proposed utilization is no less than that which is necessary for the air service to be profitable. Accordingly, the Agency determines that Jetlines has satisfied subparagraph 8.1(2)(a)(ii) of the ATR.

Based on the information filed by Jetlines, the Agency has determined the financial requirement specified in section 8.1 of the ATR to be \$27.233 million. The Agency makes this determination on its understanding that Jetlines will operate its air service using two Boeing 737-700 aircraft during the first 90 days of operation. The Agency requires that it be advised immediately should Jetlines' first 90-day operational plan change with the result that it would propose to operate more than two Boeing 737-700 aircraft or operate other aircraft with higher total operating costs. If such occurs, Jetlines would need to meet additional financial requirements over and above those specified in this decision.

Jetlines can now proceed to Stage Two where it must file proof that it has acquired, or can acquire, funds totaling at least \$27.233 million. The funds are to be comprised of liquid assets that are not encumbered. In addition, the terms and conditions under which those funds have been acquired or can be acquired must be such that the funds will remain available to finance the air service.

It should be noted that at least 50 percent of these funds must be acquired by way of capital stock that has been issued and paid for, and that cannot be redeemed for a period of at least one year after the date of issuance of the applied for licence. The remaining balance of the funding requirement, that has not been acquired through the issuance of capital stock, can be acquired by debt, including by way of a line of credit or similar financial instrument issued by a financial institution.

The licence to operate a domestic service, large aircraft will be issued once Jetlines establishes, to the satisfaction of the Agency, that it has complied with all of the licensing requirements specified in section 61 of the CTA.

BY THE AGENCY:

(signed)

Sam Barone
Member