

WestJet Airlines Is Not Lacking Ambition

Description

By Cameron Conway

Last week, **WestJet Airlines** (TSX:WJA) [announced](#) that it would be crossing the Atlantic. It has chosen Dublin, Ireland as its first step into a potential expansion into Europe.

Beginning next summer, from June 15 to October 5, you'll have the opportunity to fly nonstop from St. John's, Newfoundland, to Dublin in about 4 to 5 hours — not much of a timeframe when you consider it's roughly the same as a flight from Calgary to Toronto, and is nearly the same distance as a flight from St. John's to Orlando, Fla.

This will put WestJet in direct competition with **Air Canada's** (TSX:AC.B) **Rouge** division, which launched a Toronto-to-Dublin test route last year that will be upgraded to a year-round route in May 2014 (one month before WestJet enters the market). To make matters even more interesting, West Jet is offering a one-way ticket from Toronto to Dublin ranging from \$199 to \$299, compared to the lowest price (as of Nov. 15) of \$600.

Why Dublin?

Dublin may seem like an unlikely place to enter the European market, where most international competitors base themselves in cities such as London, Paris, or Frankfurt. But Dublin is home to the ultra-low-cost carrier **Ryanair**, which means customers can easily find their own connecting flights to the rest of Europe.

WestJet seems to have been lured by incentives offered by the airport authority as it tries to bring in more carriers. But most of all, it may also have to do with the recent maintenance [agreement](#) with Dublin-based Eirtech Aviation for the installation and maintenance of "advanced warning cabin pressurization systems".

For WestJet, having a 136-seat plane fully loaded is better for the bottom line than sending an empty one for maintenance. This allows West Jet to "test the waters" in Europe with a lower risk factor.

Encore expansion

This news comes as WestJet's discount regional carrier Encore continues to grow at a steady and profitable rate. The carrier has been flying full and exceeding targets, even with only six made-in-Canada **Bombardier** Q400 NextGen aircrafts ([picture](#) here) in service today. That fleet is supposed to increase to 16 by year-end, at a total cost of \$683 million (with options for 25 more Q400s).

What was a Western experiment has shown its potential and is expected to move into Eastern Canada next summer and perhaps into the United States by the end of 2015. If successful, this could turn into additional annual revenue between \$400 million and \$600 million.

Touching down

Be it through its [purchase](#) order of 65 new **Boeing** 737 Max jets, the rapid growth of Encore, the expansion into Ireland, or even its new [TV channel](#), WestJet is committed to grow and move out of the shadow of Air Canada.

WestJet has shown that it's ambitious — that it's willing to grow as a brand and as a service to its customers. But airlines have traditionally been bad investments. I'll be watching to see if WestJet can buck the trend.

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1. Investing

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Date

2025/09/10

Date Created

2013/11/22

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