

Montreal

## Transat shareholders approve Air Canada takeover, deal now in regulators' hands



Shareholders voted 95% in favour of deal evaluated at \$720M

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Air Transat president Jean-Marc Eustache greets a shareholder prior to a special shareholders' meeting in Montreal on Friday. (Paul Chiasson/Canadian Press)

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The fate of Air Canada's \$720-million takeover bid for Transat A.T. Inc. rests with regulators after shareholders overwhelmingly approved the acquisition offer Friday.

In a special meeting, shareholders of the Quebec-based tour operator voted 94.77 per cent in favour of accepting the \$18-per-share transaction from the country's largest airline.

The deal will narrow the field of airline competition, securing for Air Canada about 60 per cent of the Canadian transatlantic market and helping the company maintain a firm hold on Montreal air travel.

The takeover is expected to face intense scrutiny from the Competition Bureau and other regulatory authorities, including in Europe. Transat said it expects the deal to

close early next year.

"Today, we are very confident that we will get the approval of these different regulatory authorities," Transat board member Jean-Yves Leblanc said at a news conference, citing "the best advisers that we can have on this planet."

Chairman and chief executive Jean-Marc Eustache, who co-founded Transat's predecessor in the early 1980s, tamped down fears of higher fares on flights to Europe.

"I have 42 years' experience in that field. I never saw the price going up," he told reporters, pointing to competitors on the Montreal-Paris route such as Air France, Level Airline and Corsair International.

"Plenty of competition, there's no problem with that."

While the price of Caribbean flights remains relatively low among ample competition from budget airlines such as Sunwing Airlines Inc. and WestJet Airlines Ltd. subsidiary Swoop, the consumer cost of transatlantic travel threatens to slide upward.

"If you are interested in travelling to Rome, London or Paris, the price is going up, because Air Canada and Transat really control this market," said Michel Nadeau, executive director at the Institute for Governance of Private and Public Organizations.

"The temptation will be to boost the price.... Up to now it's possible to buy a ticket to Paris or London for less than \$1,000, but there's a danger that after the transaction the price will go above \$1,000," Nadeau said.

Both Air Canada and Transat are headquartered in Montreal, and worries persist around Transat's head office over potential job losses.

- [\*\*Mom, daughter kicked off Air Canada plane, not told they're banned from airline until it was too late\*\*](#)
- [\*\*WestJet faces federal inquiry after Edmonton couple bumped from flight\*\*](#)

"While imperfect, this transaction could allow Transat to be included in a larger group, thus allowing it to better deal with growing international competition. It is now up to Air Canada to seize the opportunity to increase jobs and economic spinoffs in Quebec," the Quebec Labour Federation Solidarity Fund — the investment arm of the province's largest labour group — said in a statement.

The fund, Transat's second-biggest shareholder at 11.6 per cent, voted in favour of the transaction.

Kim Thomassin, head of legal affairs at the Caisse de dépôt et placement du Québec, Quebec's pension fund manager and the third-largest shareholder, said in a letter to Air Canada this week it would vote for the deal due in part to the lack of another offer and "a market where competition continues to intensify."

Eustache took pains to quell anxiety over job cuts if Air Canada absorbs Transat, whose subsidiary Air Transat operates a roughly 40-plane fleet.

"You need the pilots, you need the flight attendants, you need the mechanics," he said. "When you know that it takes between seven to eight crews to fly one plane, that means 14 to 16 pilots to fly one plane. That gives you an idea.... Those jobs will not disappear.

"The people of Air Canada will not take over what the people of Transat are doing today. But for sure you don't need a CEO," Eustache added, alluding to his impending retirement.

The approval from shareholders comes after months of turbulence.

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- [Transat repeats Air Canada takeover support as Peladeau floats rival offer](#)

Air Canada's initial proposal of \$13 per share prompted other expressions of interest from players such as Group Mach, whose partial bid of \$14 a share resulted in a securities tribunal ruling that barred the Quebec developer's offer.

Meanwhile, Transat's biggest shareholder at 19.3 per cent, Letko Brosseau and Associates, said it would vote against Air Canada's offer until the airline raised its bid by \$200 million.

Quebec business magnate Pierre Karl Péladeau also hinted last week he planned to make an offer of his own if the vote failed, and to use his 1.6 per cent stake in Air Transat's parent company to vote against the Air Canada deal, which the former politician had said is "contrary to the public interest."

Air Canada chief executive Calin Rovinescu applauded shareholders' decision.

"We will build a combined company greater than the sum of its parts that we can all be proud of," he said in a statement.

Transat shares fell nearly three per cent or 42 cents, to close at \$16.19 Friday.