

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding is effective as of _____, 2022.

BETWEEN:

THE GOVERNMENT OF ALBERTA
"Government of Alberta"

and

WESTJET, AN ALBERTA PARTNERSHIP
"WestJet"

Alberta is a key driver of the Western Canadian and national economies, contributing 20 per cent of Canada's Gross Domestic Product. The economic health and sustainability of Alberta, and the success of the province as a whole, has a significant and long term impact on the overall Canadian economy, and jointly, the prosperity of Canadians.

While Alberta has the lowest corporate and personal income taxes in Canada, has seen a significant reduction in regulatory red tape, and is experiencing significant growth coming out of the global pandemic and energy price crunch, significant challenges to continued provincial growth and prosperity remain. Alberta's economy now faces significant inflationary pressures, labour shortages, supply chain disruptions and rapid tightening of federal monetary policy. Alberta's success and ability to contribute fully to the Canadian economy is reliant on constructive relationship development and economic expansions opportunities that will drive the economy forward and overcome these challenging headwinds.

WestJet, headquartered near Calgary International Airport, is the second-largest Canadian airline and one of the largest employers in the Province of Alberta. As a leader in Alberta's aviation industry, WestJet is seeking collaboration with the Government of Alberta that will support the aerospace, aviation and logistics sectors in Alberta.

Alberta is a critical hub for North America and is well-positioned to serve some of the world's largest markets, with improved links to global transportation routes. Air cargo is a critical element in sustaining Alberta's supply chains. Aircraft manufacturing and maintenance and the development and commercialization of aerospace technologies in Alberta create jobs, drive innovation, and support economic diversification. A stronger Alberta economy will contribute to greater competitiveness and diversification, and attract investment, trade and travel.

Together, Alberta and WestJet recognize the benefits of their collaboration to drive economic recovery and growth through the aerospace, aviation and logistics sectors. Efficient, cost competitive air passenger travel facilitates the visitor economy, business travel and improved quality of life for Albertans, connecting them to markets and destinations around the world.

This Memorandum of Understanding sets out the mutual intentions, commitments, and understandings of the Participants.

1. Definitions

- (a) "**Effective Date**" means the effective date indicated at the beginning of this MOU.
- (b) "**MOU**" means this Memorandum of Understanding.
- (c) "**Participants**" means the Government of Alberta and WestJet collectively and "**Participant**" means either one of them.

2. Purpose and Collaboration Priorities

The purpose of this MOU is to provide a framework for engagement between government and the aviation industry in support of increased diversification and growth of Alberta's aerospace, aviation and logistics sectors.

The Participants, working in collaboration with the broader aviation industry, will focus their efforts with a view to conduct the following activities, in order to support a stronger Alberta economy and the prosperity of Canadians:

a) Aviation Fuel Tax Measures

Subject to the approval of the Legislative Assembly of Alberta, consideration would be given to the provision of fuel tax relief on aviation fuel purchased in Alberta in the amount determined by certain cost increments with details to be finalized by Alberta Treasury Board and Finance. This threshold would be consistent with other recent fuel tax relief measures and would be designed

in a manner that supports all users equally. This would build upon existing low corporate and aviation fuel taxes in Alberta.

b) Connecting Passenger Grant Program

In order to advance Alberta's development as a global aviation hub and expand visitor economy product offerings, the Government of Alberta commits to explore policy options that would enhance the tourism sector through connecting passengers. This would include exploration of two components, including:

- 1) an amount payable to airlines based on each passenger who transits through YYC or YEG and could be in the form of a provincial credit or grant program; and
- 2) support for funding and promoting an Alberta stopover program, to encourage connecting travelers to increase their dwell time in the province for the general benefit of Alberta workers and businesses in the visitor economy.

c) Cost-Competitiveness and Advocacy to Federal Government

Air service is an economic development catalyst; however, Canada is one of the highest-cost aviation jurisdictions in the world, and the burden of infrastructure and service costs impacts air travel affordability to the detriment of the broader economy. The Government of Alberta and WestJet will seek opportunities to address the overall cost-competitiveness challenges for airlines, which are impacted by various factors including regulations, taxes and fees. The Government of Alberta will prioritize these issues at appropriate federal/provincial tables and commits to continued advocacy to the federal government on behalf of the aviation industry.

d) Marketing – Travel Alberta

The Government of Alberta commits to ensuring Travel Alberta's Air Access Program achieves a total annual allocation of \$10 million for five years, up from the current allocation of \$6.5 million. Given the tourism industry continues to recover from COVID impacts and recognizing the disproportionate economic benefit to the province of large-scale airline investment, this funding will be available only to Alberta-based carriers, and will prioritize operations from new international and intercontinental markets, including Asian markets, and will improve access for visitors to Alberta.

e) Skilled Labour Supply

The Government of Alberta will address the supply of skilled labour for the aviation industry through the following four commitments:

- 1) The Government of Alberta will approve and fund the outstanding application by providing \$7.1 million in capital funding and \$1.06 million in operating funding to Mount Royal University (MRU) to increase enrollment in its aviation training program and to support the development of a new hangar. WestJet will cooperate closely with MRU. The Government of Alberta also commits to increasing capacity in the aircraft maintenance programs at public post-secondary institutions.
- 2) The Government of Alberta undertakes to maintain and expand its existing bursary and student loan program for in demand aviation occupations, including commercial pilots and aviation mechanic and technical engineers.
- 3) The Government of Alberta commits to evaluating the establishment of an Advanced Commercial Aviation Training Program at one or more post-secondary institutions in Alberta. These programs will be modeled after successful global examples and include measures to ensure the participation of people from under-represented and indigenous communities.
- 4) The Government of Alberta, in partnership with WestJet, commits to create a centre of excellence for aviation training, which will include a 737 simulator in order to ensure WestJet pilots are trained in Alberta and accelerate training of pilots to address this skill shortage. Funding is subject to project approval and a collaborative proposal inclusive of a post-secondary institution and a private sector commercial aviation training partner.

f) Hiring Training Grant

The Government of Alberta agrees to fund a labour market training program of \$5 million annually for a three-year term with existing programs updated as required. This grant will offset the significant training costs that the job creation is expected to generate and produce more highly skilled jobs in the critical aviation sector.

g) Infrastructure Investments

WestJet and the Government of Alberta will seek opportunities to enable growth through strategic public and private investments in supportive infrastructure relating to aerospace and aviation sector needs. This could include relevant community, airport and other commercial needs to ensure the infrastructure is in place to support the growth of the sector that will occur over the course of this MOU and beyond.

h) Sustainability Aviation Fuel (SAF) and Technology Levelling Up

The Government of Alberta has previously supported the creation of value added resource processing, which has increased jobs, economic and revenue benefits in Alberta. In keeping with this long tradition, the Government of Alberta commits to the development of SAF capacity at scale in Alberta. Given the strategic importance of the development of a sustainable aviation fuel in Alberta to industry, consumers and the environment, the Government of Alberta commits to working with WestJet and appropriate partners on the development of sustainable aviation fuel that can be deployed commercially, in order to reduce emissions, working with Emissions Reduction Alberta and with the support of Alberta Innovates.

i) WestJet Group Commitments

In keeping with the collaborative nature of the MOU, WestJet will make the necessary investment and operational changes to deliver on the following:

Seats and Guests

- WestJet will increase its annual seat capacity by 80 per cent at Calgary International Airport by 2028; and
- Adding six million more guests by 2028 for a total of over 15 million passengers.

Aircraft

- Basing the equivalent of 100 aircraft at YYC, which is an increase of approximately 40 aircraft from 2022;
- Providing a single base for all of WestJet's intercontinental wide-body flying, with all seven 787-9 aircraft based in YYC; and
- Continuing to procure and operate efficient aircraft allowing WestJet to keep offering low fares to our guests with a smaller environmental footprint.

Network

- Building a single global connecting hub at YYC, enabling more new destinations and frequencies in existing markets;
- Supporting a global hub of approximately 100 nonstop WestJet routes, which is 30 per cent more than in 2022; and
- Launching multiple new long-haul international routes.

j) Expected Benefits

According to third party economist analysis, overall benefits of the WestJet Group commitments are expected to include:

- More than \$20 billion in economic output driven by WestJet's growth;
- More than 100,000 direct, indirect and induced job growth; and
- More than \$7 billion in direct associated tourism spending.

3. Nature of the MOU

This MOU does not create any legally binding obligations. This MOU does not create any relationship of employment, agency, partnership or joint venture between the Participants. The purpose of this MOU serves only as a statement of intention by the Participants to work collaboratively to identify opportunities to advance the growth and diversification of Alberta's aerospace, aviation and logistics sectors, and to contribute to greater competitiveness, diversification, trade, and travel opportunities in the Alberta and Canadian economies.

4. Funding

Each Participant will bear its own costs resulting from its participation in activities undertaken in accordance with this MOU. Nothing in this MOU will be construed as establishing a binding legal obligation to provide funds, goods or services for any particular project, or otherwise, within the areas of cooperation unless otherwise agreed by the Participants.

5. Exchange of Information and Confidentiality

The Participants will keep each other informed of progress and results in areas of common interest. Participants recognize and acknowledge that by the nature of their respective operations, they will be involved with not only each other, but also with third parties directly or indirectly, and that as a result of such involvement, confidential information may be generated or obtained from such third parties. Nothing in this MOU will be construed as requiring the Participants to disclose to one another any confidential information generated or obtained. Participants will each have the right to place any restrictions, limitations and conditions deemed appropriate upon the communications and cooperation contemplated by this MOU.

WestJet acknowledges that this MOU, including the names of Participants and all content, and information exchanged between the Participants based on it, may be subject to disclosure pursuant

to the *Freedom of Information and Protection of Privacy Act* (Alberta), subject to available exclusions for confidential and commercially sensitive information, as provided for under such legislation.

6. Duration

This MOU will be in effect for five (5) years from the Effective Date, unless otherwise terminated in accordance with the provisions of this MOU. Either Participant may terminate this MOU by providing thirty (30) days' written notice to the other Participant. This MOU may be extended or amended by mutual agreement of the Participants in writing.

7. Review Mechanism

On an annual basis, the Government of Alberta and WestJet will meet to review progress made on the items contained in the MOU. This will include a statement on progress and achievements by item.

8. Notices

Any communication required under this MOU will be made in writing and sent to the other Participant as set out below:

Government of Alberta
Contact: Hon. Jason Kenney, Premier of Alberta
Telephone: 780-427-2251
Email: premier@gov.ab.ca

WestJet, an Alberta Partnership
Contact: Alexis von Hoensbroech, Chief Executive Officer
Business: 403-444-2600
Email: alexis.vonhoensbroech@westjet.com

The Participants have signed this MOU as of the Effective Date.

Government of Alberta

WestJet, an Alberta Partnership

Hon. Jason Kenney, Premier of Alberta

Alexis von Hoensbroech