

Air Canada accuses WestJet of espionage

Blames ex-employee

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Air Canada has accused rival WestJet Airlines Ltd. of corporate espionage, claiming it illegally accessed confidential data via a Web site that helped the Calgary discounter drive the insolvent airline out of certain markets.

The allegations, yet to be proven, are made in a 14-page statement of claim filed yesterday with the Ontario Superior Court of Justice, and highlight the bad blood that exists between the two firms. They also come just days before WestJet launches an assault on the eastern Canadian market -- particularly the Toronto-Montreal-Ottawa triangle -- which has been a key source of revenue for Air Canada.

Air Canada is under bankruptcy protection and its reorganization has gone awry since Victor Li announced he was no longer keen on investing in the airline.

The lawsuit, which is seeking \$5-million in damages, names as defendants WestJet, its vice-president of strategic planning, Mark Hill, and another WestJet employee, Jeffrey Lafond, who used to be an employee at the former Canadian Airlines. By gaining access to this confidential data, Air Canada claims WestJet has been able to:

- Identify and target Air Canada's most profitable routes, and adjust schedule and pricing accordingly.
- Plan expansion into new routes.
- Adopt pricing strategies aimed at forcing Air Canada out of markets.

"By knowingly misappropriating Air Canada's confidential information, WestJet has gained a valuable springboard in starting new routes and terminating other routes, both within Canada and the United States, avoiding costly and time-consuming mistakes," Air Canada's court filing said.

The filing said WestJet was able to gain access to this information through one of its employees, Mr. Lafond. He was formerly an employee of Canadian Airlines who, as part of a severance package, was able to book two free tickets a year until 2005 through a Web site. Access to that site was through a personal identification number.

The lawsuit alleges Mr. Lafond, a financial analyst, was encouraged to use that I.D. by Mr. Hill, a senior WestJet executive, to view top-secret data. WestJet obtained such information as passenger traffic and load factors for all of Air Canada's routes. Possession of those statistics gave WestJet "detailed and accurate information" on the success of Air Canada's routes.

WestJet said last night it had not reviewed Air Canada's statement of claim and it would be inappropriate to comment.

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