

AC President's Message - March 23, 2012

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Dear Colleagues,

This has been a tumultuous two weeks for Air Canada, beginning with the enactment of Bill C-33 which calls for binding arbitration to assist us in achieving collective agreements with ACPA and the IAMAW after bargaining periods of more than 18 and 11 months respectively, and after Tentative Agreements with each of these two groups were achieved but not ratified. The enactment of Bill C-33 was quickly followed by a higher than usual number of book-offs by some of our pilots during one of the busiest weekends of the year. While we certainly support the right of all employees to book off when they are unwell or otherwise incapacitated, we cannot condone such activities being improperly used as part of industrial action. Fortunately the vast majority of our pilots acted professionally and we have not seen a re-occurrence of the unusually high number of book-offs that occurred that weekend. However the activity did garner a lot of media attention, inconvenienced many of our customers and did damage to our brand and to our revenue base.

Then, earlier this week came the news of the Aveos closure with its devastating impact on Aveos employees and their families. With it came the emotional and at times confrontational reaction of some Aveos employees who chose to vent their anger on Air Canada and on our employees attempting to enter our Headquarters facilities in Montreal.

Aveos' closure and the abrupt and irresponsible manner in which their employees were treated is not only regrettable, it is reprehensible - especially as most of the senior leadership of Aveos left Canada before the bankruptcy filing rather than face their employees. But, as to what Air Canada *could* or *should* have done, I need to be crystal clear - Air Canada did as much as it could to assist Aveos. Since 2010, when Aveos was restructured by its lenders, Air Canada has offered more than \$100 million in financial support, including a \$22 million note, up to \$50 million to reimburse Aveos for airframe operating losses, significant commitments to cover the cost of contractual severance arrangements and pension deficit funding. In the past week, we again offered Aveos \$15 million in emergency financing which they could have used to restructure in an orderly fashion. Since the start of 2011, Aveos performed 91% of all of Air Canada's airframe checks and 93% of all of our engine checks. At the time it closed, Aveos still owed Air Canada in excess of \$35 million. I encourage you to get all the facts by reading the Aveos FAQ found on the "My News" channel of our Portal.

As a fall-out from the Aveos announcement, certain union leaders have made irresponsible statements regarding the integrity or safety of our maintenance, repair and overhaul activities following the Aveos closure. Safety is and always will be our first priority. The truth is the closure of the Aveos facilities does not have an impact on our day-to-day activities nor on our scheduled operation. Moreover, we have already sourced new qualified and government-approved maintenance facilities as part of our transitional arrangements. None of our maintenance activities have been performed at the Aeroman facility in El Salvador.

Late last night, as the week was drawing to a close, certain ramp employees began an illegal wildcat strike in Toronto which carried over to this morning and spread to Montreal and Vancouver. Even after we obtained a Cease and Desist order from an Arbitrator, which is made enforceable in Federal Court, involved employees failed to return to work. This forced us to

cancel a significant number of flights and the damaging rippling effect will be felt in our operation throughout the day, with significant consequences.

I am very disappointed that union leaders and our own employees would deliberately choose to damage the Company to advance their own goals and you should be too. It is *this* company that pays their salaries, feeds their families, covers their medical costs and benefits, funds their pensions and provides them with travel privileges.

With these activities, they are not intimidating management by showing how much havoc they can create, they are instead damaging our brand and shaking the faith of our customers - the very people who provide our livelihoods. As I have stressed repeatedly since 2009, we cannot take our customers for granted - they have other options. The inconvenience of today's illegal wildcat strike and its massive disruption, piled on top of cancelled flights due to book-offs two weeks ago, on top of media impact resulting from the Aveos' closure is doubtlessly eroding our customers' confidence. Our immediate focus now has to be to work doubly hard to regain that confidence - and we have our work cut out for us as we've disappointed them all too frequently lately.

I know that the activities above do not reflect the professionalism and work ethic of the vast majority of our employees, however let there be no doubt - those behaviors not only reflect badly on all of us, they also harm all of us. Make no mistake - while we respect the right of employees to express a different opinion, we cannot and will not tolerate any form of civil disobedience, illegal activity, harassment of customers, intimidation of employees trying to do their jobs or deliberate damage to the Company or the brand. In such circumstances, we would have no option but to seek all civil or penal remedies available at law.

Despite the events of the last two weeks I maintain my belief that the vast majority of you want to continue to do your job and to do it well. In fact, many of our employees have worked even harder over these last weeks, as a result of these activities and we will recognize you. I know this has been a difficult few weeks and I thank all of you who have gone that extra mile for our customers. Thank you for your dedication throughout this very difficult period. Let us all now work together to restore the confidence of our customers.

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