



AIR CANADA

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Air Canada Issues Notice to Lock Out Pilots on Monday March 12

MONTREAL, March 8, 2012 /CNW Telbec/ - Air Canada yesterday tabled its final and best offer to ACPA, the union representing its pilots in order to bring finality to a set of negotiations that began eighteen months ago and bring stability for its customers. The proposal expired at 12:00 noon today, and as it was not accepted by ACPA by that time, Air Canada has issued notice that it will lock out its pilots effective 12:01 A.M. ET on Monday March 12, 2012 pursuant to the Canada Labour Code.

"We need to bring closure to the ongoing climate of labour uncertainty at Air Canada which is affecting our customers, destabilizing the Company and our operations, and damaging the Air Canada brand," said Duncan Dee, Executive Vice President and Chief Operating Officer. "We have been in protracted talks over the past 18 months which have included various attempts at conciliation and mediation. The offer on the table to ACPA is intended to preserve our pilots' compensation and benefits in the top quartile of the North American industry. It is a very fair offer. We had hoped this offer would reasonably bring this protracted labour dispute to an end. However, as ACPA has not accepted our final offer by the proscribed deadline, we are left with no option but to exercise our rights under the Canada Labour Code, a decision which we have not taken lightly. During this notice period, the lines of communication remain open as far as Air Canada is concerned and we hope that the Master Executive Committee of the Association takes advantage of this time to accept the final offer."

Separately, on March 6, the International Association of Machinists and Aerospace Workers (IAMAW), (representing the airline's approximately 8,600 mechanics, baggage handlers and cargo agents in Canada) provided notice to Air Canada that it intends to begin strike action starting at 12:01 A.M. ET on Monday March 12, 2012. The IAMAW membership recently rejected the unanimously recommended tentative agreement signed by the IAMAW bargaining committee following the federal mediation before the Honourable Madam Justice Louise Otis.

"We recognize and regret the uncertainty for our customers and we thank them for their patience and understanding. We will continue to provide further updates including information on contingency plans, as developments warrant," said Mr. Dee.

Due to the high volume of calls at its call centres, wait times are longer than usual. To avoid waiting, Air Canada strongly recommends customers consult its website, aircanada.com, which will continue to be updated with the latest information for customers. In addition, aircanada.com offers self-service tools that can be used for making bookings, checking-in for flights and rebooking flights in case a flight is delayed or cancelled for reasons such as bad weather.

Final Offer to ACPA

This final offer tabled by Air Canada was designed to preserve Air Canada pilots' compensation and benefits in the top industry quartile while providing the Company with increased flexibility to effectively manage its operations, respond to market realities and meet long-term strategic goals. Highlights of the offer include:

- Across the board wage increases of 2%,2%,2%,3%,3% over five years
- Productivity improvement offset applied as an additional 2% wage increase in second year following ratification
- Acceleration of pensionable earnings earlier in their careers
- Protection of existing mainline flying
- Letter of Commitment whereby Air Canada will advise ACPA of its plans for a Low Cost Carrier if the arrangement does not require amendments to the collective agreement or if amendments are required, will negotiate appropriate changes with ACPA.
- Early retirement unreduced at 60; eligibility for retirement at 30 years or 90 points (age plus years of service)
- Continuation of Defined Benefit Plan for current employees
- Defined contribution pension arrangement for new hires
- Pilots may continue to work beyond age 60. Pilots over the age of 60 are limited to specific equipment and status to comply with the ICAO "over / under rule"

ACPA Negotiations Background

Air Canada, has been in negotiations with ACPA, the union that represents approximately 3,000 pilots employed by the airline for the past eighteen months. Following the rejection of a first tentative agreement unanimously endorsed by the ACPA negotiating committee after six months of negotiations and subsequent significant leadership and negotiation committee changes, conciliator-facilitated talks resumed in November 2011. There has been little progress since then. ACPA has, to date, failed to provide a comprehensive response to Air Canada's offer of January 29, 2012. ACPA received a strike mandate from its membership on February 14, 2012. In addition, more recently, activities by Air Canada pilots have started to result in numerous flight cancellations and schedule disruptions affecting the integrity of Air Canada's operations and its brand.

Air Canada is Canada's largest domestic and international airline serving more than 180 destinations on five continents. Canada's flag carrier is the 15th largest commercial airline in the world and in 2011 served more than 33 million customers. Air Canada provides scheduled passenger service directly to 60 Canadian cities, 57 destinations in the United States and 63 cities in Europe, the Middle East, Asia, Australia, the Caribbean, Mexico and South America. Air Canada is a founding member of Star Alliance, the world's most comprehensive air transportation network serving 1,290 destinations in 189 countries. In 2011, Air Canada was ranked Best International Airline in North America in a worldwide survey of more than 18 million airline passengers conducted by independent research firm Skytrax.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Air Canada's public communications may include forward-looking statements within the meaning of applicable securities laws. Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Forward-looking statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including without limitation, industry, market, credit and economic conditions, the ability to reduce operating costs and secure financing, pension issues, energy prices, employee and labour relations, currency exchange and interest rates, competition, war, terrorist acts, epidemic diseases, environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), insurance issues and costs, changes in demand due to the seasonal nature of the business, supply issues, changes in laws, regulatory developments or proceedings, pending and future litigation and actions by third parties as well as the factors identified throughout Air Canada's public disclosure file available at www.sedar.com. Any forward-looking statements contained in this news release represent Air Canada's expectations as of date of this news release and are subject to change after such date. However, Air Canada disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

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