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Air Canada and Jazz agree to amend terms and conditions of their Capacity Purchase Agreement; CPA Amendments provide Air Canada with lower capacity rates and greater flexibility

MONTREAL, July 28 /CNW Telbec/ - Air Canada has concluded a Memorandum of Understanding (MOU) with Jazz Air LP (Jazz) to modify the terms and conditions of their Capacity Purchase Agreement (CPA), effective August 1, 2009. The CPA Amendments are subject to Air Canada securing new financing in a minimum amount of \$600 million and certain other conditions.

"The participation of important suppliers and partners such as Jazz is key to the successful execution of the significant cost reduction program needed for Air Canada to achieve sustainable profitability," said Calin Rovinescu, President and CEO of Air Canada. "The CPA Amendments will provide us with reduced capacity purchase costs that are more consistent with market realities and will allow us to enjoy greater flexibility in our fleet deployment. This mutually beneficial agreement with Jazz is an important step in the restructuring of our business to reflect the new revenue and yield environment."

Highlights of the revised agreement include:- A reduction in the mark-up rate paid to Jazz on the first 375,000 block hours of flying from 16.7 per cent to 12.5 per cent and to 5 per cent on block hours above 375,000.

- A reduction in Air Canada's commitment to Jazz's minimum fleet from 133 to 125 aircraft.
- A contract term extension of five years (Jan 1, 2016 - Dec 31, 2020), during which the rates will be subject to a benchmarking review.
- A commitment to work together on Jazz's turboprop fleet renewal strategy over the term of the contract. Accordingly, the amendments are expected to provide Air Canada with significantly reduced capacity purchase costs for the Jazz network feed over the term of the contract, as extended.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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