[News Releases]

Air Canada reaches agreement with ACPA and CUPE on pension funding moratorium and with ACPA on labour stability

Agreement now concluded with all five of the airline's Canadian-based unions and Air Canada Pionairs on Pension Funding Moratorium AgreementMONTREAL, June 15 /CNW Telbec/ - Air Canada said today that it has reached tentative agreements on a 21-month pension funding moratorium with the Air Canada Pilots Association (ACPA) representing approximately 3,200 pilots and with CUPE representing approximately 6,700 flight attendants. The airline has now concluded tentative agreements on a pension funding moratorium with its entire unionized workforce in Canada, having reached tentative agreement on June 8, 2009 with the International Association of Machinists and Aerospace Workers (IAMAW), the Canadian Auto Workers (CAW) Local 2002 and the Canadian Airlines Dispatchers Association (CALDA).

In addition the Company has reached a collective agreement extension with ACPA on a cost neutral basis for a period of 21 months similar to agreements reached with the IAMAW, the CAW Local 2002 and CALDA. The terms of the labour contract extension agreements of all four unions specify that there shall be no changes to wage rates and pension benefit levels during the extension period. The contract extension agreement and the pension moratorium agreement are subject to membership ratification. The pension agreements remain conditional upon Air Canada and CUPE concluding a collective agreement extension on terms satisfactory to each of them and these discussions are ongoing. The agreements are subject to approval by the Board of Directors of Air Canada.

"The agreements reached on pension deficit funding and labour contract extensions are critically important steps that will enhance Air Canada's ability to obtain additional financing to manage through the recession," said Calin Rovinescu, President and Chief Executive Officer of Air Canada. "In view of the fact that the payments required to fund the pension solvency deficit are not sustainable under the current rules, the tentative agreements reached on pensions provide a reasonable solution to maintaining our employees' pension plans and benefits. I thank the Honourable James Farley for his invaluable contribution in facilitating the conclusion of the agreements in a timely manner. With these milestones achieved, we are now intently focused on the two major challenges ahead: obtaining the necessary governmental approvals for the funding arrangement and raising new financing. Discussions are ongoing with several potential lenders who are assessing our financing needs," said Mr. Rovinescu.

The pension agreements call for a moratorium on past service contributions for a 21-month period and fixed payments of $150 million, $175 million, and $225 million in 2011, 2012 and 2013 respectively. Current service payments will continue to be made in the normal course and there will be no change to the defined benefit plans nor a reduction in benefits. The agreements are subject to a number of conditions including the adoption by the Federal Government of an Order-in-Council amending Air Canada's pension funding and Air Canada raising a minimum of $600 million in new financing.

In addition, the agreements call for 15 per cent equity ownership of the company to be issued to a trust for the benefit of unionized employees with proceeds of sale to be contributed to the pension plan deficit. A seat on the Board of Directors will be allocated for designation by a trustee representing Air Canada's unions while ownership exceeds two per cent. "With this issuance of stock, the interests of unionized employees will be better aligned with the interests of our shareholders and I look forward to their active participation in building shareholder value," said Mr. Rovinescu.

A pension funding moratorium agreement has also been signed by the Air Canada Pionairs, an association that serves, but does not bind, over 15,000 retirees of Air Canada and its predecessor airlines.

Air Canada and the airline industry in general continue to face a very difficult economic environment. The Company is focusing on the following immediate priorities over and above the impact of the recession: obtaining pension funding relief and labour stability, building liquidity, finding creative revenue generation while working hard to earn customer loyalty, reducing unit costs to reach competitive cost levels and, in the longer term, achieving acceptable margins by creating value for customers and shareholders through profitable growth.

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