



AIR CANADA

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Air Canada reaches agreement with CALDA, CAW and IAMAW on pension funding moratorium and on labour stability

Air Canada Pionairs Serving Over 15,000 Retirees Also Party To The

Pension Funding Moratorium Agreement MONTREAL, June 8 /CNW Telbec/ - Air Canada said today that it had reached tentative agreements on a 21-month pension funding moratorium and collective agreement extension with three of its unions, CALDA, the CAW and the IAMAW, representing a total of approximately 16,500 employees or over 60 per cent of its unionized workforce in Canada. The 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.

The pension agreement calls for a moratorium on past service contributions for a 21-month period and fixed payments thereafter for the 2011-2013 period. 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 agreement is subject to a number of terms and conditions including Air Canada obtaining new financing, each union being granted an equity stake in the company, ratification by union membership and a consultation process with non-unionized employees and retirees. For the moratorium and fixed payments to take effect, the adoption by the Federal Government of an Order-in-Council amending Air Canada's pension funding rules is required. The parties will jointly make the necessary representations to the Office of the Superintendent of Financial Institutions (OSFI) and the Department of Finance to effect such implementation promptly.

To assure labour stability, CALDA, the CAW and the IAMAW have also agreed to extend or renew the terms and conditions of their collective agreements for a period of 21 months from the expiry of their current agreements in 2009 with a provision for no strike or lockout as per the Canada Labour Code. The terms of the labour contract extension agreement specify that there shall be no changes to wage rates and pension benefit levels during the extension period. The contract extension agreement is also subject to membership ratification.

"These agreements with three of our unions represent an important milestone in providing stability for our company during this challenging period," said Calin Rovinescu, President and Chief Executive Officer of Air Canada. "I would like to thank the Honourable James Farley for his valuable contribution in facilitating the conclusion of the agreements. However, agreements with ACPA and CUPE are still outstanding and we need the approval of the Federal Government to the Moratorium. Both the pension funding solution and labour stability are key conditions precedent to obtaining critical new financing for the Company. While we continue to see very difficult credit markets during this deep recession, we are in discussions with several potential lenders who are assessing our financing needs."

The Canadian Auto Workers (CAW) Local 2002 represents approximately 4,100 Customer Service and Sales agents, the International Association of Machinists and Aerospace Workers (IAMAW) represents approximately 12,300 Technical, Maintenance and Operational Support, Clerical and Finance employees, and the Canadian Airlines Dispatchers Association (CALDA) represents approximately 70 flight dispatchers employed by Air Canada.

Negotiations continue with the Air Canada Pilots Association (ACPA) representing approximately 3,200 pilots and CUPE representing approximately 6,700 flight attendants.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Air Canada's public communications may include written or oral 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. Any forecasts or forward-looking predictions or 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, currency exchange and interest rates, employee and labour relations, competition, war, terrorist acts, epidemic diseases, 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. The forward-looking statements contained in this news release represent Air Canada's expectations as of the 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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