

AIR CANADA ADJUSTS CAPACITY OUTLOOK IN RESPONSE TO HIGH FUEL COSTS

MONTREAL, March 16 /CNW Telbec/ - Air Canada today announced a reduction in its previously communicated plans for 2011 system capacity growth in light of sustained high fuel costs.

On February 10, 2011 Air Canada provided guidance that its 2011 system wide capacity growth would be in the 5.5% to 6.5% range versus 2010. In response to higher fuel prices, Air Canada now expects 2011 system wide capacity growth of 4.5% to 5.5% versus 2010. Air Canada's expectations for its 2011 first quarter system wide capacity growth are revised to 7.5% to 8.0% versus 2010, a slight decrease from the 7.5% to 8.5% range projected in its February 10, 2011 news release. As projected in its February 10, 2011 news release, Air Canada continues to expect to increase its full year 2011 domestic capacity by up to 1.5% from the full year 2010 levels.

The reduction in system wide capacity will mostly impact the remaining quarters in the year and will be achieved with minimal impact on customers through reductions in frequency, down gauge of aircraft and suspension of the following routes no longer profitable in the current high fuel price environment, effective May 1, 2011: Ottawa-Thunder Bay, Ottawa-Washington Dulles, Montreal-Washington Dulles, Calgary-Chicago, Calgary-San Francisco and Calgary-London, Ontario. Customers will be offered alternate flights or routings as options.

As projected in its February 10, 2011 news release, Air Canada continues to expect its CASM, excluding fuel, for 2011 to decline by up to 2.0% as compared to 2010, as the reduced rate of capacity growth is expected to be offset mainly by a Canadian dollar stronger than originally assumed. Air Canada continues to expect that CASM, excluding fuel, for the first quarter of 2011 will decline by between 4.0% to 5.0%.

Air Canada has been introducing base fare increases and fuel surcharges on a market by market basis. The airline will continue to adjust fares and fuel surcharges in response to market conditions, including fuel prices, and make adjustments to capacity as required.

Air Canada's outlook assumes that the North American economy will continue to recover in 2011. In addition, Air Canada expects that the Canadian dollar will trade, on average, at C\$1.00 per U.S. dollar in the first quarter of 2011 and for the full year 2011 and that the price of fuel will average 76 cents per litre for the first quarter of 2011 and 87 cents per litre for the full year 2011.

The following table summarizes Air Canada's above-mentioned ASM and CASM outlook and related major assumptions for the first quarter of 2011 and for the full year 2011:

	First Quarter 2011 versus First Quarter 2010	Full Year 2011 versus Full Year 2010
<u>Current Outlook</u>		
Available seat miles (System)	Increase 7.5 to 8.0%	Increase 4.5 to 5.5%
Available seat miles (Canada)		Increase up to 1.5%
CASM, excluding fuel expense	Decrease 4.0 to 5.0%	Decrease up to 2.0%
	Major Assumptions - First Quarter 2011	Major Assumptions - Full Year 2011
<u>Major Assumptions</u>		
Canadian dollar per U.S. dollar	1.00	1.00
Fuel price - Cents per litre (net of fuel hedging)	76 cents	87 cents
North American economy	Will continue to recover	Will continue to recover

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This press release includes forward-looking statements within the meaning of applicable securities laws. Forward-looking statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements may involve, but are not limited to, comments relating to preliminary results, guidance, strategies, expectations, planned operations or future actions. Forward-looking statements are identified by the use of terms and phrases such as "preliminary", "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions.

Forward-looking statements, by their nature, are based on assumptions, including those described herein 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, currency exchange and interest rates, employee and labour relations, 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 this news release and those identified in section 18 "Risk Factors" of Air Canada's 2010 MD&A. The forward-looking statements contained in this news release represent Air Canada's expectations as of the date of this news release (or as of the date they are otherwise stated to be made), 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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