

TRANSPORTATION DISTRICT 140

DISTRICT DES TRANSPORTS 140

International Association of Machinists and Aerospace Workers
Association internationale des machinistes et des travailleurs et travailleuses de l'aérospatiale

June 1, 2010

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Mr. Calin Rovinescu
President and CEO
Air Canada
P. O. Box 14,000 – Station Airport
Dorval, QC H4Y 1H4

Dear Calin:

RE: AIR CANADA SHARES

The purpose of this letter, is to explain why the IAMAW voted against the proposal to increase the number of shares available for executive compensation at Air Canada.

The IAMAW is Air Canada's largest Union and as such one of Air Canada's largest individual shareholders. The Union was awarded these shares as a result of negotiations that led to an extension of the Collective Agreement that expired in June of 2009. These negotiations also resulted in an agreement that granted Air Canada relief from the obligation to fund the solvency deficiencies in the pension plans that IAMAW members participate in.

This freeze and pension solvency relief was an addition to the significant sacrifices that IAMAW members made when Air Canada sought protection from its creditors under CCAA. After each of these negotiations IAMAW members were promised that the labour relations environment would improve, and that Air Canada would change its corporate culture to promote a more employee friendly environment.

Regrettably, Air Canada has yet to demonstrate that it is willing to take steps to create a better working environment for employees. The shares awarded to the IAMAW and the other Unions were diluted when Air Canada issued additional shares to the public last fall. When this occurred, we were told that the promise was to provide shares as of the date of our agreement and that, everyone should work together to make the share issuance a success. Now, a mere six (6) months later, steps have been taken to increase the number of shares available for members of Air Canada's senior management.

The IAMAW and Air Canada entered into an agreement last year that specifically prohibited any increase in compensation for members of senior management for the period beginning on June 30, 2009 and ending on March 31, 2011. Press reports quote you as stating that, the increase in the number of shares available for senior management does not constitute a breach of our agreement. We are consulting with legal counsel about whether your interpretation is correct or not. Please know, however, that even if there is no technical breach of our agreement, members of the IAMAW view increasing the shares available for management as a moral breach of the spirit of our agreement.



For Air Canada to succeed, the corporate culture must change. This will require Air Canada's senior leadership to refrain from self-interested actions that have a negative impact on employee morale. The decision to increase the number of shares for senior management was apparently made after careful deliberations that appear to have included a legal analysis of whether such an action would breach Air Canada's agreement with the IAMAW and its other Unions. It is extremely disturbing that the same level of analysis appears not to have been given to the obviously negative impact that such an action would have on our members.

IAMAW members have waited for many years for Air Canada to change its ways. The desire of our members that Air Canada change for the better has been demonstrated by the many sacrifices that they have made for this airline to survive. This latest action will only add to the mistrust that exists between IAMAW members and the Company.

Moving towards a better future will require deeds, not just words.

In solidarity,

A handwritten signature in cursive script, which appears to read "Chuck Atkinson", is written over a horizontal line.

Chuck Atkinson
President & Directing General Chairperson

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C. Rovinescu File