



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 29, 2011

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Mr. Calin Rovinescu
President and Chief Executive Officer
Air Canada
Air Canada Centre

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SUBJECT: Air Canada Collective Bargaining

Dear Calin:

I am writing in response to the inaccurate and misleading pension information that Air Canada distributed to members of the IAMAW and all its other employees on June 9, 2011.

IAMAW members understand all too well Air Canada's pension issues. They do not need or deserve to be lectured by the company about the pension plans in which they participate. In their response to Air Canada's pension issues, they have always demonstrated a willingness to deal with issues in a way that is forthright, effective, focused on the long term, and fair to all. Sadly, Air Canada continues to adopt an adversarial, winner-take-all approach to an issue that requires all parties to cooperate.

The materials distributed to IAMAW members and other Air Canada employees contribute to an environment of mistrust and are corrosive to the positive working environment that we should be working together to create.

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These materials fail to set out the role the company has played in creating the funding problems faced by the pension plans. In the years leading to the situation in 2003, when Air Canada filed for protection from its creditors, it did not make contributions to its pension plans. This worsened the funded position of the plans. As part of the 2003-2004 restructuring of Air Canada, funding relief was obtained from the federal government after all the Air Canada unions and retirees agreed to cooperate with Air Canada to ask for such relief. Once the funding relief was obtained, Air Canada then used actuarial gains from the plans to offset its already reduced contribution obligations. The IAMAW objected to this action, but our objections were ignored. Seeking short-term gains in this way worsened the funded position of Air Canada's pension plans in the lead-up to 2009.

Even more troubling than Air Canada's failure to take these facts into account and take responsibility for its actions is its failure to note the success of the 2003-2004 and 2009 efforts. The plans have been maintained since 2003, and members and retirees have been able to continue to accrue and receive benefits.

On a solvency basis, the funded position of the plans has improved significantly since 2009. Based on our analysis of the plans, we believe that the funded position of the plans in which IAMAW members participate has improved from around 75 percent funded in 2009 to about 85 percent funded as at the end of 2010. We note that this improvement occurred even though no payments have been made to reduce the solvency deficiencies of these plans.

The improvement in the plans' funded positions provides strong support for the view that the exercise undertaken in both 2003 and 2009 was sensible. It also suggests that a cooperative – as opposed to an adversarial – approach is the best outcome to the pension issues Air Canada and the IAMAW now face.

Faced with free collective bargaining for the first time in 10 years, Air Canada has responded by seeking and welcoming outside help in the form of government intervention, instead of working with its employees to build the cooperative employer-employee relationship so necessary to the health of any company in the airline business.

In the round of bargaining that lies ahead, the IAMAW will work to protect and advance the interests of its members. This will include providing a full perspective, including potential solutions, to the federal government about the pension plans in which the IAMAW members participate.

To succeed, Air Canada needs to focus on the long term and treat IAMAW members in a respectful manner that recognizes their contributions and the sacrifices they have made. A positive step in this direction would be for Air Canada to publicly announce that it will not seek nor welcome the intervention of the federal government in any future labour dispute.

Yours very truly,

A handwritten signature in cursive script, appearing to read "Chuck Atkinson", followed by a horizontal line.

Chuck Atkinson
President and Directing General Chairperson

CA:mcb

- c.c. Honourable James Flaherty, Minister of Finance
- Honourable Lisa Raitt, Minister of Labour
- Honourable Jack Layton, Leader, Official Opposition
- Honourable Bob Rae, Interim Leader, Liberal Party of Canada